



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Yakima

For the period January 1, 2023 through December 31, 2023

Published September 23, 2024

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

September 23, 2024

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Yakima January 1, 2023 through December 31, 2023

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 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
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

See Finding 2023-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2023-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Yakima January 1, 2023 through December 31, 2023

2023-001 The City did not have adequate internal controls over financial statement preparation to ensure accurate reporting.

Background

State and federal agencies, City management and the public rely on the information included in financial statements and reports to make decisions. City management is responsible for designing and following internal controls that provide reasonable assurance financial statements, notes and required schedules are complete and reliable. The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP).

Our audit found material weaknesses in internal controls over financial reporting that hindered the City's ability to produce accurate financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

Description of Condition

The City does not have a centralized review for verifying that it properly capitalized capital assets and correctly calculated depreciation. When capitalizing assets, the finance department relies on individual departments to identify when the projects are complete and does not monitor departments to ensure they provide the finance department close-out letters at the end of the project. Additionally, the City relied on its capital asset system to calculate depreciation and did not ensure the system calculated it correctly.

Although the City had procedures for reviewing the financial statements, the review was not detailed enough to detect and correct misstatements over capital asset activity.

Cause of Condition

The finance department was unaware that one airport project was completed in 2023, so it did not capitalize the project.

Further, after the City adjusted the depreciation start date in its system for another project in the airport fund, it did not ensure the system calculated depreciation expense and accumulated depreciation correctly.

Effect of Condition

The City's financial information contained errors that management did not detect. During our audit of the financial statements, we found the following errors. The City:

- Did not capitalize one airport project that was completed in November 2023. As a result, the City overreported construction in progress by \$2,401,286, underreported other improvements by \$2,281,221 and underreported depreciation expense by \$120,064 in the airport fund.
- Incorrectly calculated the accumulated depreciation and depreciation expense for one project, resulting in an overstatement in both accounts of \$1,928,303 in the airport fund

The City corrected the material errors on the financial statements.

Recommendation

We recommend the City perform an independent review to verify that it capitalizes projects when they are completed and calculates depreciation correctly.

City's Response

The City understands the importance of compliance with federal regulations for Federal Awards. Management is committed to improve processes and procedures over the preparation and review of the financial statements to ensure accurate reporting.

Finance staff will also work more closely with other departments in the area of capital projects review to establish policies and procedures to ensure consistent application of project completion for the capitalization of costs and depreciation.

The City's Finance department has implemented new processes to improve education and communication throughout the organization. Finance staff will

provide departments with a shared location to access and review capital asset reports. Finance staff have been approved to receive direct email correspondence for Federal Aviation Administration (FAA) project closeout. Finance staff will receive continuous training and education of the City's general ledger and fixed asset software system that is essential to maintain adequate internal controls and reporting of capital assets.

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

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations contracts or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

Budgeting, Accounting and Reporting System (BARS Manual), 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Yakima January 1, 2023 through December 31, 2023

2023-002 The City did not have adequate internal controls for ensuring compliance with federal suspension and debarment requirements.

Assistance Listing Number and Title:	21.027 – COVID 19 - State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	Yes, Finding 2022-001

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 fiscal year 2023, the City spent \$5,155,314 to administer the program.

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.

Federal requirements prohibit 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 and services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify that the contractors are not suspended, debarred or otherwise excluded from

participating in federal programs. The City may verify this by obtaining 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 verify this before entering into the contract and must maintain documentation demonstrating compliance with this federal requirement.

Our audit found the City did not have adequate controls in place to verify that five contractors it paid more than \$25,000 in federal funds were not suspended or debarred from participating in federal programs.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

Cause of Condition

City staff said they were aware of the suspension and debarment requirements. The purchasing department was responsible for checking SAM.gov for the federal purchases. However, the departments that made the federal purchases did not tell the purchasing department that the City was paying these contractors with federal funds so it could verify contractors' status.

Effect of Condition

The City did not obtain written certifications from the contractors, insert a clause into the contracts or check for exclusion records at SAM.gov to verify that five contractors it paid \$428,912 using federal funds were not suspended or debarred before contracting. Without adequate internal controls, the City cannot ensure the contractors it paid with federal funds were eligible to participate in federal programs. Any program funds the City used to pay contractors that have been suspended or debarred would be unallowable, and the awarding agency could potentially recover them. Because we subsequently verified the contractors were not suspended or debarred, we are not questioning costs.

Recommendation

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

City's Response

The City understands the need to comply with federal requirements for suspension and debarment. Due to the departure of the Purchasing Manager, leaving the division shorthanded, all the components of the corrective action plan from last year were not carried out. As such, Staff will move forward on implementing the remaining parts of the corrective action plan, 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 Governmentwide 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, 2023 through December 31, 2023**

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

Audit Period: January 1, 2022 through December 31, 2022	Report Reference No.: 1033384	Finding Ref. No.: 2022-001	ALN(s): 21.027
Federal Program Name and Granting Agency: COVID-19 – Coronavirus State and Local Fiscal Recover Funds; U.S. Department of the Treasury		Pass-Through Agency Name: Washington State Department of Commerce	
Finding Caption: The City's internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment.			
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 works 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 spend \$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 Treasury. 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. 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.			
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			

Corrective Action Taken:

The City's Corrective Action implemented as a result Audit Report Reference #1033384; Finding 2022-001 did not adequately address actions to ensure procurements were screened in accordance with the requirements set forth above.

Corrective Action Taken:

- 1. Conducted a meeting on 9/19/23 with purchasing staff to review audit finding 2022-001.*
- 2. Added federal debarment and suspension language to the written Purchasing Policy/Procedure manual.*
- 3. Added federal debarment and suspension language to the Purchase Order (PO) terms and conditions.*

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, 2023 through December 31, 2023

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, 2023, 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 16, 2024.

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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

CITY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 16, 2024

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, 2023 through December 31, 2023

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, 2023. 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, 2023.

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 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

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 2023-002 that we consider to be a material weakness.

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 16, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Yakima January 1, 2023 through December 31, 2023

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, 2023, 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, 2023, 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.

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 16, 2024 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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 16, 2024

FINANCIAL SECTION

City of Yakima January 1, 2023 through December 31, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Annual Comprehensive Financial Report offers readers the City's financial statements for the fiscal year ended December 31, 2023. 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 2023 ending fund balance of the General Fund, was \$13.2 million, which represents 17.8% of total General Fund expenditures, compared to an ending fund balance of \$12.6 million, or 18.1%, in 2022. The fund balance of the General Fund is more than prior year mainly due to mid-year budget cuts and interest on investments coming in higher than expected.
- The total assets and deferred outflows of the City of Yakima, government-wide, encompassing all funds, exceeded its liabilities and deferred inflows, by \$465.6 million. Net position invested in capital (net of depreciation and related debt) account for 75.6% of this amount, with a value of \$351.8 million.
- The City's total net position increased by \$36.0 million to \$465.6 million from \$429.6 million. Funding received for program revenues increased by \$4.0 million, while funding for various general revenues increased by \$11.6 million, mainly due to investment earnings due to a favorable market.

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 this creates some challenges,, 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 2022, 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 2023.

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 \$465.6 million at December 31, 2023. The following table reflects the condensed [Government-Wide Statement of Net Position](#) with comparative totals for 2022.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 130,924,850	\$ 134,037,899	\$ 92,708,820	\$ 90,132,046	\$ 223,633,670	\$ 224,169,945
Net capital assets	212,586,292	207,989,211	194,916,680	187,921,708	407,502,972	395,910,919
Total assets	343,511,142	342,027,110	287,625,500	278,053,754	631,136,642	620,080,864
Deferred outflows	19,259,343	16,862,403	3,135,853	3,551,579	22,395,196	20,413,982
Liabilities						
Payables & other liabilities	40,918,326	49,634,591	9,555,807	12,996,669	50,474,133	62,631,260
Long-term liabilities	97,482,992	100,136,602	18,106,099	20,583,856	115,589,091	120,720,458
Total liabilities	138,401,318	149,771,193	27,661,906	33,580,525	166,063,224	183,351,718
Deferred inflows	13,910,634	17,234,197	7,978,730	10,289,008	21,889,364	27,523,205
Net position						
Net investment in capital assets	172,505,162	164,505,944	179,277,104	168,698,476	351,782,266	333,204,420
Restricted	54,659,426	50,127,098	6,041,373	4,829,846	60,700,799	54,956,944
Unrestricted	(16,706,055)	(22,748,920)	69,802,240	64,207,479	53,096,185	41,458,559
Total net position	\$ 210,458,533	\$ 191,884,122	\$ 255,120,717	\$ 237,735,801	\$ 465,579,250	\$ 429,619,923

The City of Yakima's assets total \$631.1 million as of December 31, 2023. Of this amount, \$407.5 million is accounted for by capital assets, which includes infrastructure and construction in progress. Out of \$212.6 million in capital assets reported in Governmental activities at December 31, 2023, \$90.1 million (42.4%) 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 \$144.9 million was accounted for in cash, cash equivalents, investments, restricted cash and restricted investments, \$42.6 million in various receivables, \$34.5 million in net pension assets and \$1.7 million inventories and prepayments.

At December 31, 2023, the City had outstanding liabilities of \$166.1 million, of which \$115.6 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 \$50.5 million, and include \$21.3 million in accounts payable, unearned revenue & retainage payable, \$6.2 million in claims and judgments payable, \$8.8 million in accrued salaries and benefits, \$6.3 million in compensated absences accrued and other various liabilities. Also included are debt and subscription asset payments due within the next calendar year totaling \$6.0 million and the current portion of the OPEB liabilities of \$1.9 million

The largest portion of the City's net position (75.6%) 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.

Currently, 13.0% 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, 2023, the City of Yakima's net position is \$465.6 million, of which \$210.5 million represents governmental activities and \$255.1 million represents business-type activities.

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 16,292,430	\$ 15,158,457	\$ 56,651,389	\$ 55,230,228	\$ 72,943,819	\$ 70,388,685
Operating grants & contributions	13,892,637	13,067,814	5,680,173	4,418,096	19,572,810	17,485,910
Capital grants & contributions	4,564,967	4,468,732	8,708,060	9,396,790	13,273,027	13,865,522
General revenues						
Property taxes	22,779,895	22,059,758	—	—	22,779,895	22,059,758
Sales and use taxes	28,240,569	27,346,631	8,222,136	7,979,198	36,462,705	35,325,829
Other taxes and fees	28,448,477	28,674,956	—	—	28,448,477	28,674,956
Unrestricted investment earnings	5,606,916	(602,716)	176,131	27,962	5,783,047	(574,754)
Other revenues	304,606	155,680	793,972	239,825	1,098,578	395,505
Grants/contracts not program restricted	5,021,498	2,016,560	511,356	606,041	5,532,854	2,622,601
Total revenues	125,151,995	112,345,872	80,743,217	77,898,140	205,895,212	190,244,012
Expenditures						
General government	15,725,820	11,227,896	—	—	15,725,820	11,227,896
Public safety	61,197,716	50,674,234	—	—	61,197,716	50,674,234
Utilities	414,091	385,439	—	—	414,091	385,439
Transportation	11,726,848	11,816,286	—	—	11,726,848	11,816,286
Economic environment	5,057,900	5,575,838	—	—	5,057,900	5,575,838
Public health services	556,836	524,124	—	—	556,836	524,124
Cultural and recreational	10,513,855	9,204,596	—	—	10,513,855	9,204,596
Interest on long-term debt	1,468,963	1,650,118	—	—	1,468,963	1,650,118
Transit	—	—	10,704,987	10,589,270	10,704,987	10,589,270
Airport	—	—	3,980,858	3,890,909	3,980,858	3,890,909
Refuse	—	—	9,045,001	8,396,611	9,045,001	8,396,611
Wastewater	—	—	22,298,447	20,750,999	22,298,447	20,750,999
Water	—	—	11,358,573	10,555,977	11,358,573	10,555,977
Irrigation	—	—	2,961,514	2,462,180	2,961,514	2,462,180
Stormwater	—	—	2,924,479	3,310,491	2,924,479	3,310,491
Total Expenditures	106,662,029	91,058,531	63,273,859	59,956,437	169,935,888	151,014,968
Excess (deficiency) before transfers	18,489,966	21,287,341	17,469,358	17,941,703	35,959,324	39,229,044
Transfers	84,448	84,448	(84,448)	(84,448)	—	—
Change in net position	18,574,414	21,371,789	17,384,910	17,857,255	35,959,324	39,229,044
Net position - beginning	191,884,120	169,962,919	237,735,804	220,098,678	429,619,924	390,061,597
Error corrections	—	549,412	—	(220,130)	—	329,282
Net position - ending	\$ 210,458,534	\$ 191,884,120	\$ 255,120,714	\$ 237,735,803	\$ 465,579,248	\$ 429,619,923

The Statement of Activities (Changes in Net Position)

The City's total net position increased by \$36.0 million to \$465.6 million from \$429.6 million. Net position for governmental activities increased by \$18.6 million, primarily due to an increase in investments and pooled cash due to ARPA, the State Opioid settlement and the change in pension expense. Net positions in business-type activities increased by \$17.4 million primarily due to rate increases, various capital expenditures and an increase in investment earnings which is the result of a favorable market.

Total revenues for the City of Yakima were \$205.9 million in 2023. Governmental activities provided \$125.2 million (60.8%), while business-type activities added \$80.7 million (39.2%).

Expenses for the year totaled \$169.9 million, with governmental activities accounting for \$106.7 million or 62.8% and business-type activities accounting for \$63.3 million or 37.2%. 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 63.5% of total revenue sources, with grants and contributions accounting for 14.7%. The remaining 21.8% of revenue was provided by charges for services, interest income, and miscellaneous revenues.

Total taxes increased by \$1.4 million or 1.8% from \$78.1 million to \$79.5 million.

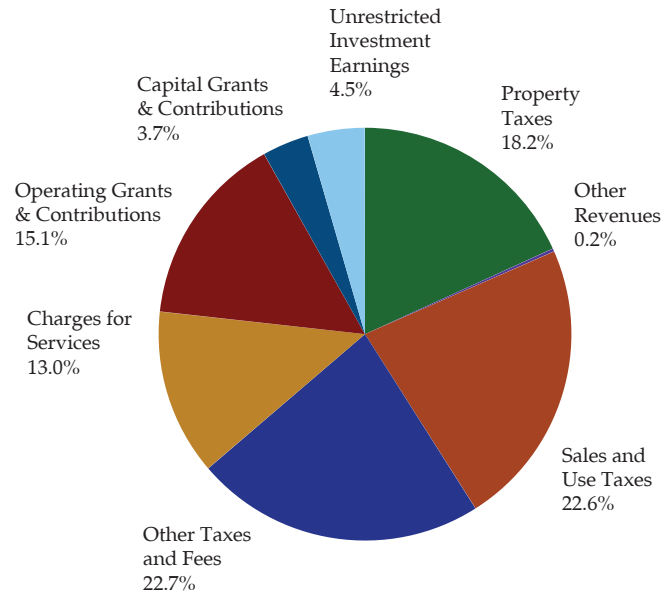
- Property Taxes increased \$720,137 due to an increase in assessed value and in increase in the Implicit Price Deflator (IPD) subject to a statutory cap of 1% plus new construction. The City also annexed approximately 103 acres of unincorporated Yakima County which is expected to generate approximately \$135,427 in new property taxes.
- Sales Tax and lodging taxes increased by \$893,938 or 3.2% from 2022 due to consumer confidence continuing to grow post COVID Pandemic and traveling increases.
- Other Taxes and Fees decreased by \$226,480 due mainly to a drop in REET revenue.

Business Type Activities - Transfers consist primarily of in-lieu utility taxes of \$9.2 million.

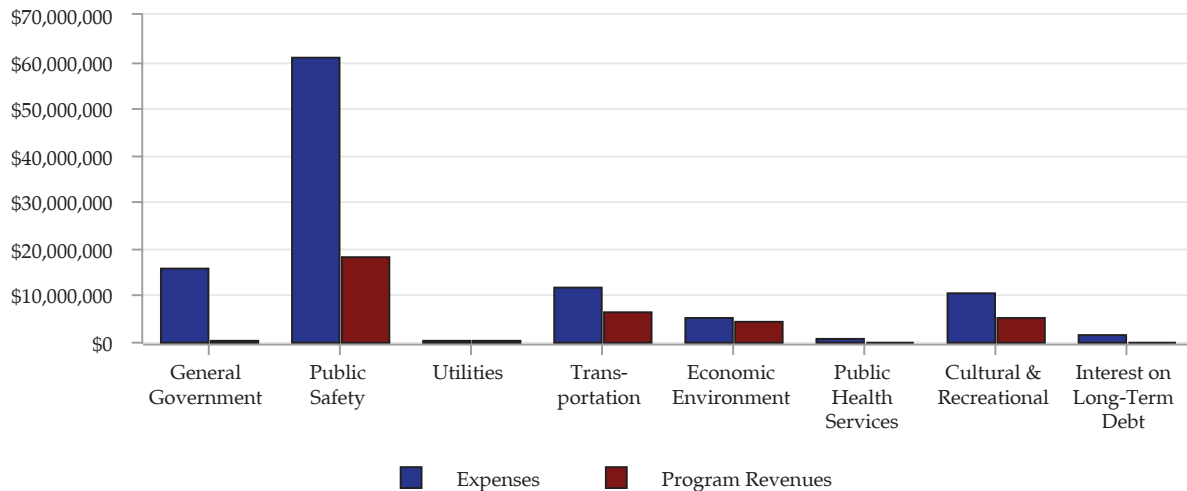
In total, governmental expenses increased \$15.6 million or 17.1%. The increase is due to various items such as a change in pension expense, increase in depreciable assets, Workers Compensation rate change, police equipment purchases, increase in indigent defense services and funding to Rod's House.

Following are graphs which illustrate revenue by source and expenditures by program for governmental funds in 2023.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES

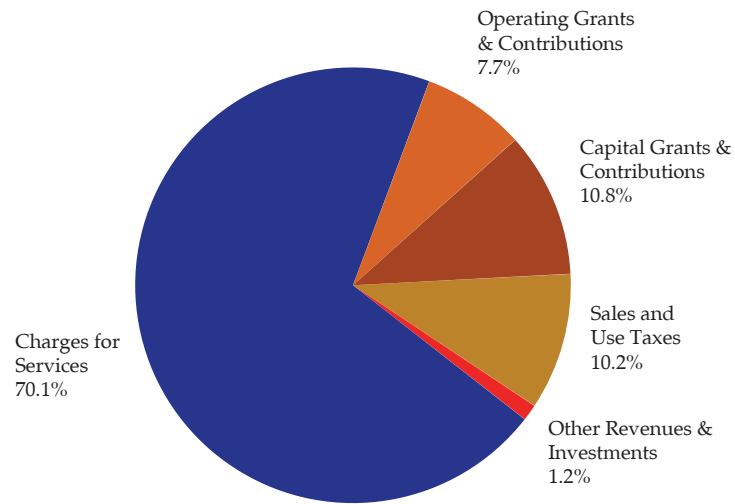


Business-Type Activities - Of the \$80.7 million in business type revenues, 70.2% was provided by charges for services, with the remaining amount provided by grants, contributions, transit sales tax and interest income. Overall, business type revenues demonstrated an increase of \$2.8 million, 3.7% over 2022. General grants and contributions decreased to \$511,356 from \$606,041 due to reallocating COVID-19 grant for Utility Services' delinquent accounts to Operating Grants with an increase in ARPA funds for Airport.

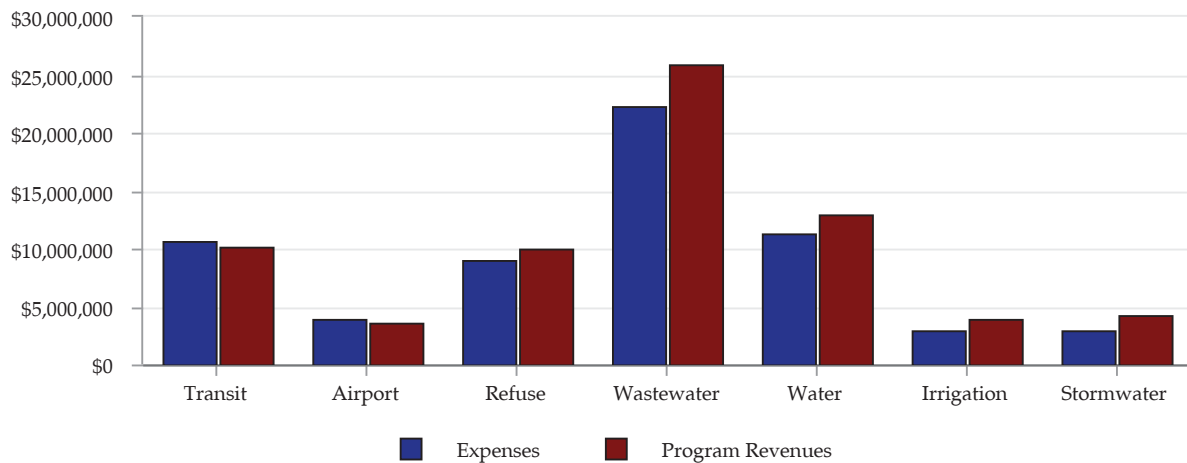
Of the \$63.3 million in business-type expenses, 35.2% are associated with the Wastewater program, while domestic water programs represent about 18.0%, Transit 16.9%, Refuse 14.3%, Stormwater 4.6%, Irrigation 4.7% and Airport 6.3%. Generally, changes in expenses are in line with changes in general operating 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 (70.2%) 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 2023.

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, 2023, the City's governmental funds reported combined fund balances of \$43.1 million. Of this total amount, \$8.9 million (20.6%) is unassigned and available for spending within these funds, \$944,340 is nonspendable (cemetery perpetual care), \$19.5 million is restricted (primarily for transportation, capital improvements, and public safety), \$6.3 million is committed primarily for transportation system improvements and \$7.4 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 2023 fiscal year, the fund balance of the General Fund was \$13.2 million, increasing by \$617,640 during the current fiscal year. This increase was due to an increase in investment earnings. The fund balance is about 17.8% of total general fund expenditures (which represents about a 2.1 month reserve). The City's target fund balance is 16.7% of the total expenditures, representing 2 months of annual spending. The General Fund accounts for 63.2% of all governmental fund revenue and 61.4% of all expenditures, while total assets in the General Fund amounted to \$26.2 million, accounting for 33.5% of total governmental fund assets.

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, 2023, the City's enterprise funds (internal service fund balances are treated entirely as governmental activities) reported combined net position of \$255.1 million, with \$100.1 million, or approximately 39.2%, being contributed by the Wastewater fund. Additionally, about \$179.3 million (70.3%) of net position is accounted for by investment in capital assets, net of related debt, \$1.6 million is restricted for debt service and \$69.8 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 \$71.2 million to \$75.5 million in the final budget. Consisting mainly of an increase in Industrial Insurance costs, increase in Fire overtime and grants previously unknown. Actual expenditures totaled \$74.1 million, less than the final budget by \$(1.5) million. These expenditure savings resulted from reductions in personnel costs due to vacancies and use of ARPA funds for Fire overtime.

General Fund budgeted revenues increased from \$71.8 million to \$72.9 million in the final budget. Actual revenue results were \$76.7 million, more than the final budget by \$3.8 million, due primarily to the increased rates of interest on investments, an adjustment to record investments at market value, and an increase in Electric Utility tax.

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 positive change in budgeted fund balance of \$5.5 million.

Final budget for the fund American Rescue Plan Act (ARPA), a major fund, remain the same, although funding levels for eligible projects and revenue replacement shifted.

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, 2023, amounts to \$407.5 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 increased \$4.6 million, increasing from \$208.0 million in 2022 to \$212.6 million in 2023. This is due primarily to police vehicles and an increase in Streets Overlay and Reconstruction construction in progress projects.

Business-Type Activities - Business-type capital activities increased by \$7.0 million, attributable primarily to Transit busses received and an increase in Wastewater construction in progress projects.

CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital assets						
Land	\$ 17,512,974	\$ 17,512,974	\$ 10,539,207	\$ 10,539,207	\$ 28,052,181	\$ 28,052,181
Buildings	25,952,712	27,227,406	17,955,592	19,346,587	43,908,304	46,573,993
Improvements other than buildings	26,907,098	28,067,437	115,581,879	116,360,677	142,488,977	144,428,114
Machinery & equipment	21,781,686	18,940,008	13,472,408	10,596,030	35,254,094	29,536,038
Infrastructure	90,116,634	91,384,317	—	—	90,116,634	91,384,317
Intangibles	—	—	373,330	474,801	373,330	474,801
Construction in progress	29,896,826	24,857,069	36,994,264	30,604,406	66,891,090	55,461,475
Development in progress	264,979	—	—	—	264,979	—
Right-to-use subscription asset	153,383	—	—	—	153,383	—
Total capital assets	<u>\$ 212,586,292</u>	<u>\$ 207,989,211</u>	<u>\$ 194,916,680</u>	<u>\$ 187,921,708</u>	<u>\$ 407,502,972</u>	<u>\$ 395,910,919</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, 2023, the City of Yakima had total bonded debt outstanding of \$35.8 million. Of this amount, \$31.8 million is classified as governmental activity and backed by the full faith and credit of the City. The remaining \$4.0 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, 2023, was approximately \$126.9 million in comparison to the total legal debt limit of \$153.9 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	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 31,804,567	\$ 34,759,604	\$ —	\$ —	\$ 31,804,567	\$ 34,759,604
Revenue bonds	—	—	3,955,000	5,600,000	3,955,000	5,600,000
Intergovernmental loans	5,084,510	4,936,361	11,234,835	12,724,475	16,319,345	17,660,836
Other debt	2,224,901	2,566,415	—	—	2,224,901	2,566,415
Total outstanding debt	<u>\$ 39,113,978</u>	<u>\$ 42,262,380</u>	<u>\$ 15,189,835</u>	<u>\$ 18,324,475</u>	<u>\$ 54,303,813</u>	<u>\$ 60,586,855</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.
- **Local Employment.** The unemployment rate (6.0% for 2023) in the County continues to be higher than the state (4.6% for 2023) and national average (3.6% for 2023). 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 2023 and 2022, the Yakima County civilian labor force lost about 1,250 jobs, showing an decrease 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 help the City enhance services to the community through revenue replacement. For 2022-2024, the majority of these funds are projected to enable the City to enhance public safety and tourism, make technological advancements, and improve the quality of life for residents.
- **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 2024 budget is balanced for all funds, following guidelines established by city management, to accomplish municipal service levels and priorities set by City Council. For the 2024 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, 2023

Page 1 of 2

	Governmental Activities	Business-Type Activities	Primary Gov't Total
Assets			
Current assets			
Cash and cash equivalents	\$ 36,502,580	\$ 33,876,062	\$ 70,378,642
Cash with fiscal agent	266,024	16,529	282,553
Investments	22,014,198	34,011,756	56,025,954
Restricted Assets			
Cash	8,552,040	—	8,552,040
Investments	8,058,376	—	8,058,376
Receivables, net allowance for uncollectible accounts			
Taxes	8,098,675	1,403,231	9,501,906
Accounts	7,788,655	5,255,548	13,044,203
Notes and contracts receivable	1,965,531	471,860	2,437,391
Due from other governments	3,504,886	3,569,053	7,073,939
Due from other funds	—	2,851,819	2,851,819
Interest receivable	274,897	—	274,897
Other receivables	1,886,011	—	1,886,011
Lease receivables	—	403,706	403,706
Inventories and prepayments	1,018,058	684,917	1,702,975
Total current assets	99,929,931	82,544,481	182,474,412
Noncurrent assets			
Restricted cash	—	1,600,000	1,600,000
Lease receivable	—	5,085,117	5,085,117
Capital assets not being depreciated			
Land	17,512,974	10,539,207	28,052,181
Construction in progress	29,896,826	36,994,264	66,891,090
Development in progress	264,979	—	264,979
Capital assets, net of accumulated depreciation			
Buildings	25,952,712	17,955,592	43,908,304
Machinery, equipment & vehicles	21,781,686	13,472,408	35,254,094
Infrastructure	90,116,634	—	90,116,634
Other improvements & utility systems	26,907,098	115,581,879	142,488,977
Intangibles	—	373,330	373,330
Subscription Asset	153,383	—	153,383
Other noncurrent assets			
Net pension asset	30,994,919	3,479,222	34,474,141
Total noncurrent assets	243,581,211	205,081,019	448,662,230
Total assets	343,511,142	287,625,500	631,136,642
Deferred outflows of resources			
Deferred amount on refunding	—	81,323	81,323
Deferred outflows related to pension	18,818,558	2,921,716	21,740,274
Deferred outflows related to OPEB	440,785	132,814	573,599
Total deferred outflows of resources	19,259,343	3,135,853	22,395,196
Total assets & deferred outflows of resources	362,770,485	290,761,353	653,531,838

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, 2023

Page 2 of 2

	Governmental Activities	Business-Type Activities	Primary Gov't Total
Liabilities			
Current liabilities			
Accounts payable	2,315,434	2,248,107	4,563,541
Unearned revenue	16,211,198	—	16,211,198
Retainage payable	196,046	328,800	524,846
Claims & judgments payable	6,199,594	—	6,199,594
Accrued salaries and benefits	7,187,210	1,625,488	8,812,698
Compensated absences	1,095,304	249,183	1,344,487
Deposit type accounts	527,862	824,501	1,352,363
Due to other governments	311,620	136,547	448,167
Due to other funds	752,016	2,099,803	2,851,819
Other liabilities	75,401	20,727	96,128
Interest payable	174,768	51,362	226,130
Debt principal due within one year	3,980,420	1,896,420	5,876,840
Subscriptions due within one year	76,231	—	76,231
Total other postemployment benefits - current	1,815,221	74,868	1,890,089
Total current liabilities	40,918,325	9,555,806	50,474,131
Noncurrent liabilities			
Compensated absences	7,959,693	1,631,232	9,590,925
Net pension liability	10,621,762	1,554,670	12,176,432
Total other postemployment benefits (OPEB)	41,187,092	1,424,519	42,611,611
Debt principal due more than one year	35,750,219	13,495,679	49,245,898
Subscriptions due in more than one year	78,214	—	78,214
Other noncurrent liabilities	1,886,011	—	1,886,011
Total noncurrent liabilities	97,482,991	18,106,100	115,589,091
Total liabilities	138,401,316	27,661,906	166,063,222
Deferred inflows of resources			
Deferred inflows related to pension	11,735,822	1,948,499	13,684,321
Deferred inflows related to OPEB	2,174,812	655,292	2,830,104
Deferred inflows related to leases	—	5,374,939	5,374,939
Total deferred inflows of resources	13,910,634	7,978,730	21,889,364
Total liabilities & deferred inflows of resources	152,311,950	35,640,636	187,952,586
Net position			
Net investment in capital assets	172,505,162	179,277,104	351,782,266
Restricted for:			
Public safety & emergency programs	2,934,384	—	2,934,384
Housing & economic development	1,084,145	—	1,084,145
Debt service	383,826	1,600,000	1,983,826
Capital improvements	9,434,342	—	9,434,342
Tourism & conventions	2,764,991	—	2,764,991
Pension plans	38,057,739	4,441,373	42,499,112
Unrestricted	(16,706,055)	69,802,240	53,096,185
Total net position	\$ 210,458,534	\$ 255,120,717	\$ 465,579,251

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, 2023

Page 1 of 1

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Grants & Contributions		Government	Business	Primary Gov't
		Services	Operating	Capital	Activities	Activities	Total
Governmental activities							
General government	\$ 15,725,820	\$ 369,466	\$ —	\$ —	\$ (15,356,354)	\$ —	\$ (15,356,354)
Public safety	61,197,716	8,283,289	9,856,533	—	(43,057,894)	—	(43,057,894)
Customer Services	414,091	299,604	—	—	(114,487)	—	(114,487)
Transportation	11,726,848	665,037	1,301,292	4,434,668	(5,325,851)	—	(5,325,851)
Economic environment	5,057,900	1,725,102	2,625,891	5,842	(701,065)	—	(701,065)
Public health services	556,836	—	554	—	(556,282)	—	(556,282)
Cultural and recreational	10,513,855	4,949,931	108,367	124,457	(5,331,100)	—	(5,331,100)
Interest on long-term debt	1,468,963	—	—	—	(1,468,963)	—	(1,468,963)
Total governmental activities	106,662,029	16,292,429	13,892,637	4,564,967	(71,911,996)	—	(71,911,996)
Business-type activities							
Transit	10,704,987	941,891	5,073,939	4,230,000	—	(459,157)	(459,157)
Airport	3,980,858	928,278	151,482	2,601,245	—	(299,853)	(299,853)
Refuse	9,045,001	9,927,656	—	—	—	882,655	882,655
Wastewater	22,298,447	24,881,925	—	976,406	—	3,559,884	3,559,884
Water	11,358,573	12,155,094	454,752	392,675	—	1,643,948	1,643,948
Irrigation	2,961,514	3,725,446	—	254,700	—	1,018,632	1,018,632
Stormwater	2,924,479	4,091,099	—	253,034	—	1,419,654	1,419,654
Total business-type activities	63,273,859	56,651,389	5,680,173	8,708,060	—	7,765,763	7,765,763
Total activities	\$ 169,935,888	\$ 72,943,818	\$ 19,572,810	\$ 13,273,027	(71,911,996)	7,765,763	(64,146,233)
General revenues and transfers							
Taxes							
Property taxes					22,779,895	—	22,779,895
Sales and use taxes					28,240,569	8,222,136	36,462,705
Other taxes and fees					28,448,477	—	28,448,477
Unrestricted investment earnings					5,606,916	176,131	5,783,047
Judgments and settlements					146,846	638,014	784,860
Interest on rents & leases					—	143,266	143,266
Miscellaneous					179,652	9,842	189,494
Grants and contributions not restricted to specific programs					5,021,498	511,356	5,532,854
Gain (loss) on disposition of capital assets					(21,893)	2,850	(19,043)
Transfers					84,448	(84,448)	—
Total general revenues, special items & transfers					90,486,408	9,619,147	100,105,555
Change in net position					18,574,412	17,384,910	35,959,322
Net position - beginning					191,884,119	237,735,807	429,619,926
Net position - ending					\$ 210,458,531	\$ 255,120,717	\$ 465,579,248

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, 2023

Page 1 of 1

	General Fund	ARPA Fund	Other Gov't Funds	Total Gov't Funds
Assets				
Cash and cash equivalents	\$ 6,040,516	\$ 8,405,194	\$ 20,362,682	\$ 34,808,392
Cash with fiscal agent	62,654	—	203,370	266,024
Investments	5,797,539	8,058,376	8,032,404	21,888,319
Receivables, net allowance for uncollectible accounts				
Taxes	6,944,911	—	1,153,765	8,098,676
Accounts	4,508,954	—	1,133,971	5,642,925
Notes and contracts receivable	28,316	—	1,937,215	1,965,531
Due from other governments	685,440	—	2,667,204	3,352,644
Interest receivable	274,897	—	—	274,897
Other receivables	1,886,011	—	—	1,886,011
Inventories and prepayments	14,079	—	191,513	205,592
Total assets	26,243,317	16,463,570	35,682,124	78,389,011
Deferred outflows of resources	—	—	—	—
Total assets & deferred outflows of resources	\$ 26,243,317	\$ 16,463,570	\$ 35,682,124	\$ 78,389,011
Liabilities				
Accounts payable	\$ 500,052	\$ 176,474	\$ 1,145,980	\$ 1,822,506
Unearned revenue	—	16,211,198	—	16,211,198
Retainage payable	330	—	195,715	196,045
Accrued salaries and benefits	5,778,658	8,197	1,043,509	6,830,364
Deposit type accounts	95,129	—	69,058	164,187
Due to other governments	308,310	—	3,000	311,310
Due to other funds	—	—	752,016	752,016
Other liabilities	1,956,394	—	—	1,956,394
Total liabilities	8,638,873	16,395,869	3,209,278	28,244,020
Deferred inflows of resources				
Unavailable revenue and notes	4,406,916	—	2,654,637	7,061,553
Total deferred inflows of resources	4,406,916	—	2,654,637	7,061,553
Total liabilities & deferred inflows of resources	13,045,789	16,395,869	5,863,915	35,305,573
Fund balance				
Nonspendable	14,079	—	930,261	944,340
Restricted	2,835,071	67,700	16,584,061	19,486,832
Committed	1,460,073	—	4,876,234	6,336,307
Assigned	—	—	7,427,655	7,427,655
Unassigned	8,888,305	—	—	8,888,305
Total fund balance	13,197,528	67,700	29,818,211	43,083,439
Total liabilities, deferred inflows & fund balances	\$ 26,243,317	\$ 16,463,569	\$ 35,682,126	\$ 78,389,012

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

December 31, 2023

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)	\$ 43,083,440
Capital & subscription assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	199,633,387
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	7,061,553
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.	26,972,452
Long-term liabilities, including bonds payable & subscription assets, are not due and payable in the current period and therefore are not reported in the funds.	(48,732,663)
Pension and other postemployment benefits are not due and payable in the current period and therefore are not reflected in the funds.	(17,559,635)
Net position of governmental activities	<u>\$ 210,458,534</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

Page 1 of 1

	General Fund	ARPA Fund	Other Gov't Funds	Total Gov't Funds
Revenues				
Taxes and assessments	\$ 60,243,662	\$ —	\$ 24,244,173	\$ 84,487,835
Licenses and permits	1,989,874	—	565,168	2,555,042
Intergovernmental revenues	2,948,576	4,583,548	8,704,904	16,237,028
Charges for services	3,778,697	—	5,210,008	8,988,705
Fines and forfeitures	1,585,399	—	805	1,586,204
Contributions and donations	14,400	—	171,531	185,931
Investment earnings	5,672,936	—	38,412	5,711,348
Other revenue	423,216	—	1,095,510	1,518,726
Total revenues	76,656,760	4,583,548	40,030,511	121,270,819
Expenditures				
Current				
General government	14,911,961	944,881	648,171	16,505,013
Public safety	56,184,539	886,197	6,248,932	63,319,668
Utilities	—	—	366,297	366,297
Transportation	984,446	—	5,227,204	6,211,650
Economic environment	1,331,598	—	3,748,104	5,079,702
Public health services	21,779	—	573,297	595,076
Cultural and recreational	—	—	7,733,705	7,733,705
Capital outlay				
General government	215,342	124,623	1,973,207	2,313,172
Public safety	184,299	2,597,283	729,834	3,511,416
Transportation	—	30,563	6,418,415	6,448,978
Cultural and recreational	—	—	2,791,708	2,791,708
Debt service				
Principal	201,299	—	3,693,166	3,894,465
Interest and related charges	23,852	—	1,727,149	1,751,001
Total Expenditures	74,059,115	4,583,547	41,879,189	120,521,851
Excess (def) of revenue over (under) expenditure	2,597,645	1	(1,848,678)	748,968
Other financing (sources) uses				
Transfers in	—	—	5,902,310	5,902,310
Transfers out	(2,167,836)	—	(3,650,026)	(5,817,862)
Proceeds from issuance of long-term debt	—	—	728,500	728,500
Sale of capital assets	18,912	—	79,582	98,494
Subscription liabilities issued	168,919	—	—	168,919
Total other financing sources (uses)	(1,980,005)	—	3,060,366	1,080,361
Net change in fund balance	617,640	1	1,211,688	1,829,329
Fund balance - beginning	12,579,886	67,700	28,606,524	41,254,110
Fund balance - ending	\$ 13,197,526	\$ 67,701	\$ 29,818,212	\$ 43,083,439

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, 2023

Page 1 of 1

Net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:	\$ 1,829,326
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.	3,020,473
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.	867,741
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,914,943
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.	3,313,037
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).	3,175,528
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.	3,453,364
Change in net position, as reflected on the Statement of Activities	<u><u>\$ 18,574,412</u></u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET & ACTUAL - GENERAL FUND

For the Year Ended December 31, 2023

Page 1 of 1

	2023		2024		2023	Variance
	Budgeted Amounts		Budgeted Amounts		Actual	with Final
	Original	Final	Original	Final	Amounts	Budget
Revenues						
Taxes and assessments	\$ 59,999,222	\$ 59,775,517	\$ 61,799,525	\$ 61,799,525	\$ 60,243,662	\$ 468,145
Licenses and permits	1,983,700	1,983,700	1,957,700	1,957,700	1,989,874	6,174
Intergovernmental revenues	2,980,018	4,317,603	2,955,991	4,808,063	2,948,576	(1,369,027)
Charges for services	3,719,869	3,719,869	3,777,386	3,777,386	3,778,697	58,828
Fines and forfeitures	1,302,000	1,302,000	1,357,170	1,357,170	1,585,399	283,399
Contributions and donations	—	—	—	—	14,400	14,400
Investment earnings	1,694,900	1,694,900	2,499,900	2,499,900	5,672,936	3,978,036
Other revenue	93,736	93,736	244,608	244,608	423,216	329,480
Total revenues	71,773,445	72,887,325	74,592,280	76,444,352	76,656,760	3,769,435
Expenditures						
Current						
General government	15,961,145	16,447,895	13,712,982	13,966,229	14,911,961	(1,535,934)
Public safety	51,705,071	55,731,535	57,044,058	58,850,130	56,184,539	453,004
Transportation	1,104,257	1,104,257	1,018,150	1,018,150	984,446	(119,811)
Economic environment	2,049,103	1,734,388	1,960,491	1,960,491	1,331,598	(402,790)
Public health services	30,000	30,000	30,000	30,000	21,779	(8,221)
Capital outlay						
General government	100,000	160,379	100,000	100,000	215,342	54,963
Public safety	—	123,462	—	168,812	184,299	60,837
Debt service						
Principal	183,735	183,735	152,509	152,509	201,299	17,564
Interest and related charges	22,498	22,498	14,343	14,343	23,852	1,354
Total Expenditures	71,155,809	75,538,149	74,032,533	76,260,664	74,059,115	(1,479,034)
Excess (def) of revenue over (under) exp	617,636	(2,650,824)	559,747	183,688	2,597,645	5,248,469
Other financing (sources) uses						
Transfers out	(2,193,819)	(2,193,819)	(2,224,257)	(2,224,257)	(2,167,836)	25,983
Sale of capital assets	—	—	—	—	18,912	18,912
Subscription liabilities issued	—	—	—	—	168,919	168,919
Total other financing sources (uses)	(2,193,819)	(2,193,819)	(2,224,257)	(2,224,257)	(1,980,005)	213,814
Net change in fund balance	(1,576,183)	(4,844,643)	(1,664,510)	(2,040,569)	617,640	5,462,283
Fund balance - beginning	18,286,389	12,579,889	18,904,026	9,430,146	12,579,886	(3)
Fund balance - ending	\$ 16,710,206	\$ 7,735,246	\$ 17,239,516	\$ 7,389,577	\$ 13,197,526	\$ 5,462,280

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, 2023

Page 1 of 1

	2023		2024		2023	Variance
	Budgeted Amounts		Budgeted Amounts		Actual	with Final
	Original	Final	Original	Final	Amounts	Budget
Revenues						
Intergovernmental revenues	\$ —	\$ 16,419,999	11,958,421	14,496,785	\$ 4,583,548	\$ (11,836,451)
Total revenues	—	16,419,999	11,958,421	14,496,785	4,583,548	(11,836,451)
Expenditures						
Current						
General government	96,449	2,876,449	4,333,330	4,333,330	944,881	(1,931,568)
Public safety	—	—	—	—	886,197	886,197
Public health services	—	1,500,000	—	—	—	(1,500,000)
Cultural and recreational	—	—	719,091	719,091	—	—
Capital outlay						
General government	400,000	400,000	306,000	306,000	124,623	(275,377)
Public safety	—	5,143,550	—	2,538,364	2,597,283	(2,546,267)
Utilities	—	1,000,000	1,000,000	1,000,000	—	(1,000,000)
Transportation	—	4,000,000	—	4,100,000	30,563	(3,969,437)
Cultural and recreational	—	1,500,000	1,500,000	1,500,000	—	(1,500,000)
Total Expenditures	496,449	16,419,999	7,858,421	14,496,785	4,583,547	(11,836,452)
Excess (def) of revenue over (under) exp	(496,449)	—	4,100,000	—	1	1
Net change in fund balance	(496,449)	—	4,100,000	—	1	1
Fund balance - beginning	67,000	67,700	6,840,486	67,700	67,700	—
Fund balance - ending	\$ (429,449)	\$ 67,700	\$ 10,940,486	\$ 67,700	\$ 67,701	\$ 1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2023

Page 1 of 4

	Business-Type Activities			
	Major Funds			
	Airport	Transit	Refuse	Wastewater
Assets				
Current Assets				
Cash and cash equivalents	\$ 784,886	\$ 7,308,939	\$ 2,326,149	\$ 15,477,115
Cash with fiscal agent	—	—	—	—
Investments	752,499	7,007,355	2,230,167	16,372,472
Receivables, net allowance for uncollectible accounts				
Taxes	—	1,401,529	—	—
Accounts	103,159	30,018	1,057,745	2,813,459
Notes and contracts receivable	—	—	—	—
Due from other governments	206,074	3,362,980	—	—
Due from other funds	—	—	—	250,765
Lease Receivables	126,396	277,310	—	—
Inventories and prepayments	—	—	—	—
Total current assets	<u>1,973,014</u>	<u>19,388,131</u>	<u>5,614,061</u>	<u>34,913,811</u>
Noncurrent assets				
Restricted cash	—	—	—	1,600,000
Lease Receivable	5,085,117	—	—	—
Capital assets not being depreciated				
Land	3,418,797	6,217,391	—	643,757
Construction in progress	2,659,626	—	—	6,007,293
Development in progress	—	—	—	—
Capital assets, net of accumulated depreciation				
Buildings	42,747	2,149,596	—	12,449,243
Machinery, equipment & vehicles	2,499,831	6,534,469	6,060	4,336,179
Other improve & utility systems	13,214,244	1,066,714	—	48,216,796
Intangibles	243,671	—	—	—
Right-to-use subscription asset	—	—	—	—
Other noncurrent assets				
Net pension asset	185,794	824,170	396,664	1,096,731
Total noncurrent assets	<u>27,349,827</u>	<u>16,792,340</u>	<u>402,724</u>	<u>74,349,999</u>
Total assets	<u>29,322,841</u>	<u>36,180,471</u>	<u>6,016,785</u>	<u>109,263,810</u>
Deferred outflows of resources				
Deferred amount on refunding	—	—	—	9,099
Deferred outflows related to pension	156,023	692,106	333,103	920,992
Deferred outflows related to OPEB	7,075	33,553	16,672	38,935
Total deferred outflows of resources	<u>163,098</u>	<u>725,659</u>	<u>349,775</u>	<u>969,026</u>
Total assets & deferred outflows	<u>29,485,939</u>	<u>36,906,130</u>	<u>6,366,560</u>	<u>110,232,836</u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2023

Page 2 of 4

Business-Type Activities				Gov't
Major Funds		Other	Total	Internal
Water	Irrigation	Enterprise	Enterprise	Service
		Funds	Funds	Funds
\$ 3,708,468	\$ 600,328	\$ 3,670,177	\$ 33,876,062	\$ 10,246,228
—	—	16,529	16,529	—
3,554,969	575,557	3,518,737	34,011,756	8,184,255
—	—	1,703	1,403,231	—
775,157	475,652	357	5,255,548	2,145,730
—	—	471,860	471,860	—
—	—	—	3,569,053	152,242
2,350,568	—	250,486	2,851,819	—
—	—	—	403,706	—
684,917	—	—	684,917	812,465
11,074,079	1,651,537	7,929,849	82,544,481	21,540,920
—	—	—	1,600,000	—
—	—	—	5,085,117	—
167,862	91,400	—	10,539,207	—
3,510,159	23,396,237	1,420,949	36,994,264	—
—	—	—	—	—
3,104,741	209,266	—	17,955,592	253,471
90,368	—	5,501	13,472,408	12,315,200
33,225,853	13,785,206	6,073,064	115,581,879	348,764
129,659	—	—	373,330	—
—	—	—	—	35,471
610,609	165,153	200,101	3,479,222	916,899
40,839,251	37,647,262	7,699,615	205,081,019	13,869,805
51,913,330	39,298,799	15,629,464	287,625,500	35,410,725
—	72,224	—	81,323	—
512,766	138,689	168,037	2,921,716	769,977
22,948	6,157	7,474	132,814	31,826
535,714	217,070	175,511	3,135,853	801,803
52,449,044	39,515,869	15,804,975	290,761,353	36,212,528

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, 2023

Page 3 of 4

	Activities			
	Major Funds			
	Airport	Transit	Refuse	Wastewater
Liabilities				
Current liabilities				
Accounts payable	154,838	827,596	116,342	615,910
Retainage payable	—	—	—	87,592
Claims & judgments payable	—	—	—	—
Accrued salaries and benefits	87,021	426,389	199,789	469,762
Compensated absences	8,069	61,059	32,231	76,630
Deposit type accounts	39,034	—	212,872	432,189
Due to other governments	13,571	13,667	32,712	38,837
Due to other funds	—	—	—	—
Other liabilities	—	—	444	2,170
Interest payable	—	—	—	19,105
Debt principal due within one year	—	—	—	997,751
Subscriptions due within one year	—	—	—	—
Total other postemployment benefits - current	3,988	18,914	9,398	21,948
Total current liabilities	306,521	1,347,625	603,788	2,761,894
Noncurrent liabilities				
Compensated absences	54,946	401,980	195,387	504,612
Net pension liability	83,021	368,275	177,247	490,068
Total other postemployment benefits (OPEB)	75,887	359,879	178,816	417,605
Debt principal due more than one year	—	—	—	5,187,150
Subscriptions due in more than one year	—	—	—	—
Total noncurrent liabilities	213,854	1,130,134	551,450	6,599,435
Total liabilities	520,375	2,477,759	1,155,238	9,361,329
Deferred inflows of resources				
Deferred inflows related to pension	104,052	461,567	222,147	614,212
Deferred inflows related to OPEB	34,909	165,547	82,257	192,102
Deferred inflows related to leases	5,098,990	275,950	—	—
Total deferred inflows of resources	5,237,951	903,064	304,404	806,314
Total liabilities & deferred inflows	5,758,326	3,380,823	1,459,642	10,167,643
Net position				
Net investment in capital assets	22,078,916	15,968,169	6,060	65,389,876
Restricted for:				
Debt service	—	—	—	1,600,000
Pension plans	237,174	1,052,087	506,359	1,400,023
Unrestricted	1,411,523	16,505,049	4,394,500	31,675,298
Total net position	\$ 23,727,613	\$ 33,525,305	\$ 4,906,919	\$ 100,065,197

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, 2023

Page 4 of 4

Business-Type Activities				Gov't
Major Funds		Other	Total	Internal
Water	Irrigation	Enterprise	Enterprise	Service
		Funds	Funds	Funds
70,678	5,903	456,839	2,248,107	492,929
57,834	145,908	37,467	328,800	—
—	—	—	—	6,199,594
282,657	75,940	83,930	1,625,488	356,845
43,337	12,071	15,786	249,183	45,442
140,392	14	—	824,501	363,675
34,307	—	3,454	136,547	311
—	2,099,803	—	2,099,803	—
18,113	—	—	20,727	5,018
23,057	9,200	—	51,362	—
703,670	195,000	—	1,896,420	—
—	—	—	—	14,597
12,936	3,471	4,213	74,868	17,939
1,386,981	2,547,310	601,689	9,555,806	7,496,350
287,001	75,866	111,440	1,631,232	299,505
272,847	73,798	89,414	1,554,670	409,711
246,130	66,041	80,161	1,424,519	341,345
5,842,586	2,465,943	—	13,495,679	—
—	—	—	—	22,643
6,648,564	2,681,648	281,015	18,106,100	1,073,204
8,035,545	5,228,958	882,704	27,661,906	8,569,554
341,964	92,492	112,064	1,948,499	513,499
113,222	30,380	36,875	655,292	157,021
—	—	—	5,374,939	—
455,186	122,872	148,939	7,978,730	670,520
8,490,731	5,351,830	1,031,643	35,640,636	9,240,074
33,624,553	34,747,483	7,462,048	179,277,104	12,915,665
—	—	—	1,600,000	—
779,468	210,825	255,437	4,441,373	1,170,460
9,554,292	(794,269)	7,055,847	69,802,240	12,886,327
\$ 43,958,313	\$ 34,164,039	\$ 14,773,332	\$ 255,120,717	\$ 26,972,452

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, 2023

Page 1 of 2

	Business-Type Activities			
	Major Funds			
	Airport	Transit	Refuse	Wastewater
Operating revenues				
Charges and fees for services	\$ 925,330	\$ 384,983	\$ 9,924,716	\$ 24,797,569
Charges for insurance	—	—	—	—
Employer premium payments	—	—	—	—
Employee premium payments	—	—	—	—
Rents and leases	—	431,893	—	—
Special assessments	—	116,450	—	—
Other operating revenue	2,948	8,565	2,940	84,356
Total operating revenues	928,278	941,891	9,927,656	24,881,925
Operating expenses				
Personnel services	878,437	4,305,044	2,143,839	4,660,061
Materials and supplies	102,140	972,720	585,196	1,112,830
Contractual services	517,117	4,435,554	6,314,234	11,775,820
Claims and other benefits	—	—	—	—
Depreciation	2,483,164	991,669	1,731	4,675,176
Total operating expense	3,980,858	10,704,987	9,045,000	22,223,887
Operating income (loss)	(3,052,580)	(9,763,096)	882,656	2,658,038
Nonoperating revenues (expense)				
Grants and subsidies	3,264,082	17,526,075	—	—
Interest revenue	2,669	23,534	—	10,610
Other nonoperating revenue	—	—	1,933	1,200
Interest on rents & leases	130,694	12,572	—	—
Interest & other debt service costs	—	—	—	(74,560)
Gain (loss) disposal of capital assets	—	2,850	—	—
Total nonoperating revenue (exp)	3,397,445	17,565,031	1,933	(62,750)
Income (loss) before contributions & transfers	344,865	7,801,935	884,589	2,595,288
Capital contributions	—	—	—	976,406
Transfers (out)	—	—	—	(84,448)
Change in net position	344,865	7,801,935	884,589	3,487,246
Net position - beginning	23,382,748	25,723,370	4,022,331	96,577,949
Net position - ending	\$ 23,727,613	\$ 33,525,305	\$ 4,906,920	\$ 100,065,195

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended December 31, 2023

Page 2 of 2

Business-Type Activities				Gov't
Major Funds		Other	Total	Internal
Water	Irrigation	Enterprise	Enterprise	Service
		Funds	Funds	Funds
\$ 12,151,266	\$ 3,725,446	\$ 4,091,099	\$ 56,000,410	\$ 9,826,401
—	—	—	—	5,438,458
—	—	—	—	15,714,260
—	—	—	—	2,208,649
—	—	—	431,893	—
—	—	—	116,450	—
3,828	—	638,014	740,651	2,017
12,155,094	3,725,446	4,729,113	57,289,404	33,189,785
2,729,017	742,086	860,622	16,319,106	3,651,040
563,493	96,772	14,705	3,447,856	1,560,238
5,511,243	1,069,595	1,703,017	31,326,580	10,373,028
—	—	—	—	13,826,363
2,041,611	884,037	346,135	11,423,523	1,703,095
10,845,364	2,792,490	2,924,479	62,517,065	31,113,764
1,309,730	932,956	1,804,634	(5,227,661)	2,076,021
—	254,700	132,500	21,177,357	785,205
128,724	—	10,593	176,131	—
6,715	—	—	9,848	465,218
—	—	—	143,266	—
(58,458)	(169,024)	—	(302,041)	(629)
—	—	—	2,850	127,551
76,981	85,676	143,093	21,207,411	1,377,345
1,386,711	1,018,632	1,947,727	15,979,750	3,453,366
392,675	—	120,534	1,489,615	—
—	—	—	(84,448)	—
1,779,386	1,018,632	2,068,261	17,384,917	3,453,366
42,178,925	33,145,406	12,705,072	237,735,805	23,519,088
\$ 43,958,311	\$ 34,164,038	\$ 14,773,333	\$ 255,120,722	\$ 26,972,454

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, 2023

Page 1 of 4

	Business-Type Activities			
	Major Funds			
	Airport	Transit	Refuse	Wastewater
Cash flows from operating activities				
Receipts from customers	\$ 832,474	\$ 925,707	\$ 9,919,576	\$ 24,858,536
Contributions received - employer & employee	—	—	—	—
Payments to suppliers & service providers	(519,806)	(5,231,220)	(6,831,356)	(12,664,580)
Payments to employees - salaries & benefits	(942,578)	(4,701,142)	(2,321,523)	(5,307,479)
Other operating revenues	2,948	8,565	—	84,356
Payments to claimants & beneficiaries	—	—	—	—
Net cash provided by operating activities	(626,962)	(8,998,090)	766,697	6,970,833
Cash from noncapital financing activities				
Sales tax received	—	8,192,437	—	—
Operating grants	3,264,082	9,734,580	—	—
Other nonoperating revenue	(79,142)	—	1,933	192,875
Net cash provided by noncapital financing activities	3,184,940	17,927,017	1,933	192,875
Cash flows from capital financing activities				
Proceeds from disposal of property	—	25,850	—	1,200
Capital grants & contributions	—	—	—	762,556
Principal paid on capital debt	—	—	—	(2,101,245)
Payment on interfund loan	—	—	—	—
Acquisition & construction of capital assets	(2,846,719)	(4,851,508)	—	(5,535,773)
Interest and related charges paid	—	—	—	(123,495)
Other non-financial assets (lease receivable)	—	(4,624)	—	—
Other receipts	130,694	12,572	—	761
Transfers (out)	—	—	—	(84,448)
Net cash used for capital financing activities	(2,716,025)	(4,817,710)	—	(7,080,444)
Cash flows from investing activities				
Proceeds from sale of investments	740,494	4,453,887	1,700,876	14,591,229
Interest on investments	2,669	23,534	—	10,610
Purchase of investments	(752,499)	(7,007,355)	(2,230,167)	(16,372,472)
Net cash provided by investing activities	(9,336)	(2,529,934)	(529,291)	(1,770,633)
Net increase (decrease) in cash & cash equivalents	(167,383)	1,581,283	239,339	(1,687,369)
Cash & cash equivalents - January 1	952,268	5,727,657	2,086,810	18,764,483
Cash & cash equivalents - December 31	\$ 784,885	\$ 7,308,940	\$ 2,326,149	\$ 17,077,114

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, 2023

Page 2 of 4

Business-Type Activities				Gov't
Major Funds		Other	Total	Internal
Water	Irrigation	Enterprise	Enterprise	Service
		Funds	Funds	Funds
\$ 12,252,134	\$ 3,717,304	4,655,640	\$ 57,161,371	\$ 15,403,090
—	—	—	—	16,982,189
(6,514,849)	(2,351,362)	(1,275,073)	(35,388,247)	(11,473,120)
(3,155,630)	(831,619)	(1,030,039)	(18,290,011)	(4,275,800)
—	—	—	95,869	—
—	—	—	—	(13,826,363)
2,581,655	534,323	2,350,528	3,578,982	2,809,996
—	—	—	8,192,437	—
—	254,700	132,500	13,385,862	—
1,388,586	—	188,384	1,692,636	1,250,423
1,388,586	254,700	320,884	23,270,935	1,250,423
5,151	—	—	32,201	127,551
209,105	—	—	971,661	—
(838,395)	—	—	(2,939,640)	—
—	(1,199,888)	—	(1,199,888)	—
(1,469,797)	(1,909,579)	(1,308,602)	(17,921,977)	(2,367,319)
(58,458)	(369,816)	—	(551,769)	(629)
—	—	—	(4,624)	—
(24,736)	(407,782)	37,467	(251,024)	—
—	—	—	(84,448)	—
(2,177,130)	(3,887,065)	(1,271,135)	(21,949,508)	(2,240,397)
2,336,449	1,869,617	2,528,410	28,220,962	6,155,994
128,724	—	10,593	176,131	—
(3,554,969)	(575,557)	(3,518,737)	(34,011,756)	(8,184,255)
(1,089,796)	1,294,060	(979,734)	(5,614,663)	(2,028,261)
703,315	(1,803,982)	420,543	(714,254)	(208,239)
3,005,151	2,404,310	3,266,164	36,206,843	10,454,467
\$ 3,708,466	\$ 600,328	\$ 3,686,707	\$ 35,492,589	\$ 10,246,228

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, 2023

Page 3 of 4

	Business-Type Activities			
	Major Funds			
	Airport	Transit	Refuse	Wastewater
Reconciliation of operating income (loss) to net cash provided by (used) for operations				
Operating income (loss)	\$ (3,052,580)	\$ (9,763,096)	\$ 882,655	\$ 2,658,039
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operations				
Depreciation expense	2,483,164	991,669	1,731	4,675,176
(Increase) decrease in net accounts receivable	(36,720)	(7,619)	(8,079)	60,966
(Increase) decrease in lease receivable	(56,136)	—	—	—
(Increase) decrease in inventory	—	—	—	—
(Decrease) increase in accounts payable	97,261	163,613	35,366	197,726
(Decrease) increase in accrued liabilities	(10,328)	(221)	(4)	(2,291)
(Decrease) increase in wages/benefits payable	10,171	(6,207)	9,810	(15,707)
(Decrease) increase in compensated absences	18,647	61,254	774	12,732
(Decrease) increase in due to other governments	12,517	13,662	32,712	38,837
(Decrease) increase in interest payable	—	—	—	(10,201)
(Decrease) increase in pension/OPEB liability	(92,959)	(451,145)	(188,268)	(644,443)
(Decrease) increase in claims & judgements - current year	—	—	—	—
Total adjustments	2,425,617	765,006	(115,958)	4,312,795
Net cash provided by (used for) operations	<u>\$ (626,963)</u>	<u>\$ (8,998,090)</u>	<u>\$ 766,697</u>	<u>\$ 6,970,834</u>
Schedule of noncash capital & related financing activities				
Contribution of capital assets	\$ —	\$ —	\$ —	\$ 213,850

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2023

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Business-Type Activities				Gov't
Major Funds		Other	Total	Activities
Water	Irrigation	Enterprise Funds	Enterprise Funds	Internal Service Funds
\$ 1,309,731	\$ 932,956	\$ 1,804,634	\$ (5,227,661)	\$ 2,076,019
2,041,611	884,037	346,135	11,423,523	1,703,095
43,083	(8,143)	(73,473)	(29,985)	(804,505)
—	—	—	(56,136)	—
53,957	—	—	53,957	(73,537)
(471,152)	(1,159,872)	439,839	(697,220)	186,259
(560)	(224)	(644)	(14,272)	—
(32,225)	5,755	(18,621)	(47,026)	(567,328)
(29,933)	(3,259)	(15,711)	44,505	(57,431)
34,094	—	3,454	135,275	—
(2,495)	(24,898)	—	(37,595)	—
(364,455)	(92,029)	(135,085)	(1,968,384)	—
—	—	—	—	347,424
1,271,925	(398,633)	545,894	8,806,642	733,977
<u>\$ 2,581,656</u>	<u>\$ 534,323</u>	<u>\$ 2,350,528</u>	<u>\$ 3,578,981</u>	<u>\$ 2,809,996</u>
\$ 185,134	\$ —	\$ 120,534	\$ 519,518	\$ —

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, 2023

Page 1 of 1

	Custodial Funds
Assets	
Current assets	
Cash and cash equivalents	\$ 1,662,572
Receivables, net allowance for uncollectible accounts	
Accounts	12,212
Total assets	<u>1,674,784</u>
Liabilities	
Current liabilities	
Accounts payable	110,238
Due to other governments	1,297
Total liabilities	<u>111,535</u>
Total restricted net position	<u><u>\$ 1,563,249</u></u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2023

Page 1 of 1

	<u>Custodial Funds</u>
Additions	
Contributions	
Custodial deposits	<u>\$ 6,026,980</u>
Total additions	<u>6,026,980</u>
 Deductions	
Disbursements	<u>5,880,659</u>
Total deductions	<u>5,880,659</u>
 Net increase (decrease) in fiduciary net position	146,321
 Net position - beginning	<u>1,416,927</u>
Net position - ending	<u><u>\$ 1,563,248</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2023

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 or 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 uses a biennial budget process, adopting two one-year budgets where the expenditure authority lapses at the end of each fiscal year (December 31). The City includes a mid-biennium adjustment process for the between years of the biennium. The mid-biennium adjustment allows an opportunity for the City to adjust revenue projections and planned operating and capital expenditures. 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 major steps to adopt the budget, inclusive of a biennial 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 for 2023 totaled \$61.6 million. The principal amendments were adjustments to ARPA (American Rescue Plan) \$11.9 and Community Development/ONDS in the amount of \$5.6 million due to the programmatic nature of the budget and differences in the reporting time frame for Federal Programs. Nonlapsing and new appropriations of various construction projects in the amount of \$28.4 million.

Deficit Fund Net Position

The fund balance for the Worker's Compensation Fund 514 continues to struggle with a deficit of \$387,258. 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 \$5.00 and Firefighters to \$4.00. 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
- High quality 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 \$10,000 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	5 - 50 Years
Improvements other than buildings	2 - 100 Years
Utility plant	3 - 100 Years
Equipment	2 - 40 Years
Intangibles (organization costs and goodwill)	5 - 20 Years
Infrastructure	5 - 50 Years

Subscription-based Information Technology Arrangements (SBITAs)

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by governments. The expected benefits that will result from the information provided through implementation of this Statement are more consistent accounting and financial reporting, more comparable information about SBITAs which signify and justify the perceived costs of implementation and ongoing compliance. Under this Statement, a government generally should recognize a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount

on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. For the purpose of this standard and policy, SBITAs will be reported if they meet or exceed \$10,000 upon initial measurement. Details can be found in the [SBITA](#) note.

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 \$738,747 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 \$1.5 million 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

Changes in Accounting Principle

Implementation of GASB 96 Subscription-Based Information Technology Arrangements. Under this statement, a government is required to recognize a subscription liability and an intangible right-to-use subscription asset, thereby enhancing the relevance and consistency of information regarding governments' use of subscription based software.

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 and subscription 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	29,896,826
Development in progress	264,979
Buildings	59,636,263
Less: Accumulated depreciation - buildings	(33,937,022)
Machinery, equipment and vehicles	32,033,363
Less: Accumulated depreciation - machinery, equipment and vehicles	(22,566,879)
Infrastructure	329,667,850
Less: Accumulated depreciation - infrastructure	(239,551,216)
Right-to-use subscription asset	168,919
Less: Accumulated depreciation - right-to-use subscription asset	(51,006)
Other improvements	47,099,925
Less: Accumulated depreciation - other improvements	(20,541,590)
Net adjustment to increase total fund balances - total government funds to arrive at net position - governmental activities	<u><u>\$ 199,633,386</u></u>

Another element of that reconciliation explains “long-term liabilities, including bonds payable and subscription assets, 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	\$ (31,804,566)
Add: Issuance premium (to be amortized over the life of the debt)	(215,373)
Intergovernmental loans	(5,084,510)
Lease purchase agreements	(2,224,902)
Add: Issuance premium (to be amortized over the life of the debt)	(401,288)
Subscription-Bases Information Technology Arrangements (SBITA)	(117,205)
Compensated absences	(8,710,050)
Subtotal	<u>(48,557,894)</u>
Accrued interest payable	(174,768)
Net adjustment to reduce total fund balances - total government funds to arrive at net position - governmental activities	<u><u>\$ (48,732,662)</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	\$ 30,078,019
Net pension liability	(10,212,051)
Deferred outflow change in proportionate share	18,457,540
Deferred inflow change in proportionate share	(13,240,114)
Other postemployment benefit obligation	(42,643,029)
Net adjustment to reduce total fund balances - total government funds to arrive at net position - governmental activities	<u><u>\$ (17,559,635)</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	\$ 15,065,274
Depreciation expense	(12,044,801)
Net adjustment to decrease net changes in fund balances - total government funds to arrive at changes in net position of governmental activities	<u><u>\$ 3,020,473</u></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.	\$ (96,393)
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.	964,133
Net adjustment to increase total government funds to arrive at changes in net position of governmental activities	<u>\$ 867,740</u>

Another element of that reconciliation states that “the issuance of long-term debt and subscription assets (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:

Debt issued	
Issuance of general obligation bonds	\$ (728,500)
Issuance of Subscription Based Information Technology Assets (SBITAs)	(168,919)
Principal repayments	
General obligation debt	2,955,037
Intergovernmental loans	580,350
Lease purchase agreements	341,514
Interest accrued	
Debt Issued	283,752
Subscription Based Information Technology Assets (SBITAs)	49,803
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net position of governmental activities	<u>\$ 3,313,037</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 Depositary 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, 2023:

Banks and savings and loan institutions	\$ 15,742,855
Cash with fiscal agent	282,553
Petty cash and other imprest funds	7,950
Local Government Investment Pool (LGIP)	64,779,877
Subtotal	80,813,235
Agency Fund	1,148,267
Custodial fund	514,305
Total	\$ 82,475,807

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) 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
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.

At this time there are no investments in any one issuer of Corporate Medium Term Notes.

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, 2023, 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)	\$ 64,779,877	\$ 64,779,877	\$ —	\$ —	\$ —	\$ —
US Treasury securities	36,472,578	13,745,000	15,041,172	7,686,406	—	—
Government Sponsored Enterprise (GSE)	27,611,752	7,918,975	4,784,720	14,908,057	—	—
	<u>\$128,864,207</u>	<u>\$ 86,443,852</u>	<u>\$ 19,825,892</u>	<u>\$ 22,594,463</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 and Agencies, 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

	12/31/2023	Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
US Treasury securities	\$ 36,472,578	\$ 36,472,578	\$ —	\$ —
Federal agency obligations	27,611,752	—	27,611,752	—
Total investments measured at fair value	64,084,330	36,472,578	27,611,752	—
Investments measured at amortized cost				
State Local Government Investment Pool (LGIP)	64,779,877	64,779,877	—	—
Total Investments	\$ 128,864,207	\$ 101,252,455	\$ 27,611,752	\$ —

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 2023, the City's regular tax levy was \$2.0664 per \$1,000 on a total assessed valuation of \$10.3 billion, for a total regular levy of \$21.2 million. 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	\$ 292,372
Wastewater	659,734
Water	377,411
Irrigation	75,429
Irrigation Capital	37,152
Total	<u>\$ 1,442,098</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

Payable Fund	Receivable Fund	Amount
Irrigation Capital	Water	\$ 2,099,803
Yakima Revenue Dev Area	Water Capital	250,765
Yakima Revenue Dev Area	Wastewater Capital	250,765
Yakima Revenue Dev Area	Stormwater Capital	250,486
	Total	<u>\$ 2,851,819</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 2023:

INTERFUND TRANSFERS

	Transfer In To Fund
	Other
Transfer Out From Fund	Gen Gov't
General Fund	\$ 2,167,836
Other Gen Gov't	3,650,026
Wastewater	84,448
Total	<u>\$ 5,902,310</u>

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023 was as follows:

CAPITAL ASSET ACTIVITY

	Balance 1/1/2023	Additions	Adjustments	Deletions	Balance 12/31/2023
Governmental activities					
Capital assets - not being depreciated					
Land	\$ 17,512,974	\$ —	\$ —	\$ —	\$ 17,512,974
Construction in progress	24,857,069	9,536,110	(4,453,408)	(42,945)	29,896,826
Development in progress	—	264,979	—	—	264,979
Total capital assets not being depreciated	42,370,043	9,801,089	(4,453,408)	(42,945)	47,674,779
Capital assets being depreciated					
Buildings	59,636,263	—	—	—	59,636,263
Other improvements	46,491,807	494,761	113,357	—	47,099,925
Machinery, equipment and vehicles	29,042,746	3,598,210	—	(607,593)	32,033,363
Infrastructure	323,361,372	1,966,427	4,340,051	—	329,667,850
Right-to-use subscription asset	—	168,919	—	—	168,919
Total capital assets being depreciated	458,532,188	6,228,317	4,453,408	(607,593)	468,606,320
Less accumulated depreciation					
Buildings	(32,701,543)	(1,235,479)	—	—	(33,937,022)
Other improvements	(18,817,333)	(1,724,257)	—	—	(20,541,590)
Machinery, equipment and vehicles	(21,661,126)	(1,459,898)	—	554,145	(22,566,879)
Infrastructure	(231,977,055)	(7,574,161)	—	—	(239,551,216)
Right-to-use subscription asset	—	(51,006)	—	—	(51,006)
Total accumulated depreciation	(305,157,057)	(12,044,801)	—	554,145	(316,647,713)
Total capital assets being depreciated - net	153,375,131	(5,816,484)	4,453,408	(53,448)	151,958,607
Governmental activities capital assets - net	195,745,174	3,984,605	—	(96,393)	199,633,386
Internal service funds - governmental activities					
Capital assets being depreciated					
Buildings	422,557	—	—	—	422,557
Other improvements	777,949	—	—	—	777,949
Machinery, equipment and vehicles	28,996,776	2,575,314	—	(1,052,400)	30,519,690
Right-to-use subscription asset	—	44,644	—	—	44,644
Total capital assets being depreciated	30,197,282	2,619,958	—	(1,052,400)	31,764,840
Less accumulated depreciation					
Buildings	(129,871)	(39,215)	—	—	(169,086)
Other improvements	(384,985)	(44,200)	—	—	(429,185)
Machinery, equipment and vehicles	(17,438,389)	(1,610,507)	—	844,405	(18,204,491)
Right-to-use subscription asset	—	(9,173)	—	—	(9,173)
Total accumulated depreciation	(17,953,245)	(1,703,095)	—	844,405	(18,811,935)
Total capital assets being depreciated - net	12,244,037	916,863	—	(207,995)	12,952,905
Internal service - gov't act cap assets - net	\$ 207,989,211	\$ 4,901,468	\$ —	\$ (304,388)	\$ 212,586,291
Business-type activities					
Capital assets - not being depreciated					
Land	\$ 10,539,207	\$ —	\$ —	\$ —	\$ 10,539,207
Construction in progress	30,604,406	11,681,854	(5,291,996)	—	36,994,264
Total capital assets not being depreciated	41,143,613	11,681,854	(5,291,996)	—	47,533,471

CAPITAL ASSET ACTIVITY

	Balance 1/1/2023	Additions	Adjustments	Deletions	Balance 12/31/2023
Capital assets being depreciated					
Buildings	89,135,978	—	—	—	89,135,978
Other improvements	225,999,816	1,849,649	5,291,996	—	233,141,461
Machinery, equipment and vehicles	42,797,598	4,909,992	—	(1,793,581)	45,914,009
Intangibles	2,190,138	—	—	—	2,190,138
Total capital assets - depreciated	360,123,530	6,759,641	5,291,996	(1,793,581)	370,381,586
Less accumulated depreciation					
Buildings	(69,789,391)	(1,390,994)	—	—	(71,180,385)
Other improvements	(109,639,139)	(7,920,443)	—	—	(117,559,582)
Machinery, equipment and vehicles	(32,201,568)	(2,010,613)	—	1,770,581	(32,441,600)
Intangibles	(1,715,337)	(101,471)	—	—	(1,816,808)
Total accumulated depreciation	(213,345,435)	(11,423,521)	—	1,770,581	(222,998,375)
Total capital assets being depreciated - net	146,778,095	(4,663,880)	5,291,996	(23,000)	147,383,211
Total capital assets - business activities	\$ 187,921,708	\$ 7,017,974	\$ —	\$ (23,000)	\$ 194,916,682

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	\$ 401,381
Public safety	1,409,019
Transportation	6,824,941
Economic environment	1,198,205
Cultural and recreational	2,211,255
Capital Assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,703,095
Total depreciation - governmental activities	\$ 13,747,896
Transit	\$ 991,669
Wastewater	4,675,176
Water	2,041,611
Irrigation	884,037
Stormwater	346,135
Airport	2,483,164
Refuse	1,731
Total depreciation - business-type activities	\$ 11,423,523

NOTE 9 – CONSTRUCTION COMMITMENTS

The City had active construction projects as of December 31, 2023. At year-end, the City's commitments with contractors for infrastructure projects are as follows:

Water Capital has completed work on the 1st Level Reservoir improvements, completed work on the WTP Concrete Effluent Repair, and continues with various Water Main replacements. Design has been completed for waterline as part of the the N. 1st Street - E. I St. to Martin Luther King Blvd. Design is underway for the

waterline as part of the 34th/Fruitvale Roundabout project. The design of the first project area of the Unserved Water and Wastewater Systems has been completed and the second project design is underway. Construction will take place once funding is secured. Computer services have been upgraded at the WTP, as well as upgrade/replacement of LED lighting. Construction is currently underway on the N. 1st St. waterline as part of the street improvements. Construction is anticipated to begin on the 34th/Fruitvale waterline as part of the Roundabout project. Upgrade to the Badger Meter system is currently underway (shared cost with Wastewater). Design is nearing completion on the new waterline as part of the Nob Hill/Fair Intersection street improvements, with construction anticipated in 2025. Design is completed on the S. 2nd Ave. waterline and construction will be completed by summer 2024. A water rate and fee study is being performed by FCS Group, which is expected to be completed in 2024. Aspect Consulting is performing permit compliance and reporting as part of the Aquifer Storage and Recovery (ASR). Design for a new waterline in N. 6th Ave. is expected to start as part of the new street improvement project design.

Irrigation Capital completed the Nelson Dam Phase 1 project. Design for Phase 2 pipelines is being completed. Funding is available to start construction on a portion of Phase 2 (Stage 1) in fall 2024, with the remaining to be constructed in fall 2025.

The Sewer collection system improvements that will continue into 2024 include replacement of aging manholes & pipes, Millsite Sewer Extension and continuation of the Wastewater Collection System Condition Assessment. Wastewater Treatment Plant projects carrying over into 2024 include Primary Digester and UASB Improvements, Primary Clarifier Rehabilitation, and Biosolids Dewatering Improvements. All of these projects are funded with rates and fees.

Stormwater projects at the end of 2023 include Drainage Improvement District Evaluation & Design, and the Stormwater Cost of Service/Rate Study. Stormwater is solely funded by Stormwater Capital fund.

City Engineering (Arterial Streets) completed many projects in 2023. Projects continuing into 2024 are Cowiche Canyon, Russel Lane Improvements, Nob Hill Grind and Overlay and North 1st Street construction Phase 3. Funding sources to pay for these projects come from Federal and State grants, Transportation Improvement Board (TIB), SIED, Arterial Street Gas Tax and possibly other funds.

Yakima Cascade Mill Site consists of several stages before it is considered a completed project, therefore, this project will continue into 2024. The different stages of the project can include, environmental monitoring, utilities, and roadway. Funding sources depend on availability, which can be Federal and State Grants, YRDA Gas Tax Credit, interfund loans and possibly a future bond.

Yakima air Terminal McAllister Field continues work on Taxi lane Charlie, a Terminal Modernization project and Snow Removal Equipment.

- Taxi lane Charlie is substantially complete with only line painting and final electrical work remaining. The property will be advertised in the next couple of weeks for developers interested in building hangars on the 13-acre site.
- The Terminal Modernization Project is underway. This three-phase project will renovate and modernize the existing terminal building. Phase 1A is under design and on track for construction later this year. This phase will construct a new roof on the second floor of the building and provide new HVAC units, duct work and gas lines. The airport is under solicitation for design services to complete the remaining phases of design (1B, 2, and 3). This will allow a single, cohesive design for all phases and an engineer's estimate for acquiring funds for construction. The project is intended to move three gates and TSA passenger screening upstairs, including escalators, an elevator, and jetways to accommodate larger airplanes. The project will also complete the renovation of the existing commercial kitchen and restore the airport restaurant on the second floor. In addition, it will expand baggage claim, baggage screening, and air cargo areas, and revise rental car and airline ticket counter layouts.
- New snow removal equipment is on track for delivery later this year. These new plows will dramatically increase the airport's ability to keep airport surface areas free of snow.

CURRENT CONSTRUCTION COMMITMENTS

Project	Contract Amount	Spent to Date	Remaining Commitment
Wastewater Treatment Plant/Facility Improvement	\$ 5,438,304	\$ 4,195,897	\$ 1,242,407
Water	1,447,402	43,368	1,404,034
Irrigation System Design/Rebuild	21,419,606	20,959,823	459,783
Stormwater Capital	402,530	122,985	279,545
Sewer Projects	4,171,447	2,207,385	1,964,062
Environmental Review	1,393,902	855,292	538,610
Street Construction	16,218,097	2,283,283	13,934,814
TBD Street Capital	12,432,968	—	12,432,968
Millsite Street Construction	3,278,228	2,579,468	698,760
REET Capital	389,640	321,713	67,927
Airport	6,024,817	2,570,801	3,454,016
Total	<u>\$ 72,616,941</u>	<u>\$ 36,140,015</u>	<u>\$ 36,476,926</u>

NOTE 10 – STATE SPONSORED (DRS) PENSION PLANS

The following table represents the aggregate pension amounts for all state sponsored plans for the year 2023:

AGGREGATE PENSION AMOUNTS - ALL PLANS

Pension liabilities	\$ (12,176,432)
Pension assets	34,474,141
Deferred outflows of resources	21,740,274
Deferred inflows of resources	(13,684,321)
Pension expense/expenditures	(1,885,754)

PENSION AMOUNTS - ALL STATE SPONSORED PLANS

Pension liabilities	\$ (4,352,622)
Pension assets	34,474,141
Deferred outflows of resources	21,740,274
Deferred inflows of resources	(13,684,321)
Pension expense/expenditures	(2,311,332)

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 local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 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. 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). 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, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS PLAN 1

Actual Contribution Rates	Employer	Employee
January - June		
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%
July - August		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	n/a
Administrative Fee	0.18%	n/a
Total	9.39%	6.00%
September - December		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	n/a
Administrative Fee	0.20%	n/a
Total	9.53%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's 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. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other

PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. 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. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. 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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS PLAN 2/3

Actual Contribution Rates	Employer 2/3	Employee 2	Employee 3
January - June			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%	n/a	
Administrative Fee	0.18%	n/a	
Total	10.39%	6.36%	
July - August			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.85%	n/a	
Administrative Fee	0.18%	n/a	
Total	9.39%	6.36%	
September - December 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.97%	n/a	
Administrative Fee	0.20%	n/a	
Total	9.53%	6.36%	

The City of Yakima's actual PERS plan contributions were \$1,189,525 to PERS Plan 1 and \$2,148,681 to PERS Plan 2/3 for the year ended December 31, 2023.

PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006.

PSERS membership includes certain public employees whose jobs contain a high degree of physical risk to their own personal safety. In addition to meeting strict statutory work requirements, membership is further restricted to specific employers including:

- 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 AFC times the member's years of service. The AFC is based on the member's 60 consecutive highest creditable months of service. 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. 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. Retirement before age 60 is considered an early retirement. PSERS members who retire before turning 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 if a survivor benefit is chosen. Other benefits include a COLA, capped at 3% annually. 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 2023 were as follows:

PSERS PLAN 2

Actual Contribution Rates	Employer	Employee
January - June		
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%
July - August		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	2.85%	n/a
Administrative Fee	0.18%	n/a
Total	9.63%	6.60%
September - December		
PSERS Plan 2	6.73%	6.73%
PERS Plan 1 UAAL	2.97%	n/a
Administrative Fee	0.20%	n/a
Total	9.90%	6.73%

The City of Yakima's actual plan contributions were \$66,499 to PSERS Plan 2 for the year ended December 31, 2023.

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

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all of the state's full-time, fully compensated, local law enforcement commissioned officers, fire fighters and, as of July 24, 2005, emergency medical technicians.

LEOFF Plan 1

This plan provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1.0% 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-paid consecutive 24 months' 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 a COLA. 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 2023. Employers paid only the administrative expense of 0.18% of covered payroll.

LEOFF Plan 2

This plan provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the FAS per year of service (the FAS is based on the highest-paid 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 – 52, 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 a COLA (based on the CPI), capped at 3% annually. 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 2023.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

LEOFF PLAN 2

Actual Contribution Rates	Employer	Employee
January - August		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	n/a
Total	5.30%	8.53%
September - December		
State and local governments	5.12%	8.53%
Administrative Fee	0.20%	n/a
Total	5.32%	8.53%

The City of Yakima's actual contributions to the plan were \$1,748,118 for the year ended December 31, 2023.

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 Office of the State Actuary 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, 2023, the state contributed \$87,966,142 to LEOFF Plan 2. The amount recognized by the the City of Yakima as its proportionate share of this amount is (\$17,352,657).

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. 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 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, 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 service-based salary increase.
- 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, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

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, 2023. 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	\$ 6,080,942	\$ 4,352,622	\$ 2,844,205
PERS 2/3	10,594,295	(9,740,807)	(26,447,379)
PSERS 2	204,891	(132,138)	(398,129)
LEOFF 1	(6,427,318)	(7,248,538)	(7,960,662)
LEOFF 2	2,873,131	(17,352,657)	(33,905,729)

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, 2023, the City of Yakima reported its proportionate share of the net pension liabilities and assets as follows:

	<u>Asset</u>	<u>Liability</u>
PERS 1	\$ —	\$ 4,352,622
PERS 2/3	(9,740,807)	—
PSERS 2	(132,138)	—
LEOFF 1	(7,248,538)	—
LEOFF 2	(17,352,657)	—
Total	<u>\$ (34,474,140)</u>	<u>\$ 4,352,622</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:

	<u>LEOFF 1 Asset</u>	<u>LEOFF 2 Asset</u>
Risk		
Employer's proportionate share	\$ (7,248,538)	\$ (17,352,657)
State's proportionate share of the net pension asset associated with the employer	(49,028,930)	(11,081,228)
Total	<u>\$ (56,277,468)</u>	<u>\$ (28,433,885)</u>

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

	<u>Proportionate Share 6/30/22</u>	<u>Proportionate Share 6/30/23</u>	<u>Change in Proportion</u>
PERS 1	0.2028%	0.1907%	(0.0121)%
PERS 2/3	0.2535%	0.2377%	(0.0158)%
PSERS 2	0.1415%	0.1246%	(0.0169)%
LEOFF 1	0.2489%	0.2442%	(0.0047)%
LEOFF 2	0.6316%	0.7235%	0.0919%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12% percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2023, 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, 2023, the City of Yakima's recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (429,921)
PERS 2/3	(1,199,349)
PSERS 2	35,242
LEOFF 1	(519,967)
LEOFF 2	(197,337)
Total	<u>\$ (2,311,332)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the City of Yakima reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

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	\$ —	\$ 490,995
Contributions subsequent to the measurement date	521,977	—
Total PERS Plan 1	<u>521,977</u>	<u>490,995</u>
PERS Plan 2/3		
Differences between expected and actual experience	1,984,191	108,835
Net difference between projected and actual investment earnings on pension plan investments	—	3,670,925
Changes of assumptions	4,089,528	891,356
Changes in proportion and differences between contributions and proportionate share of contributions	498,151	293,118
Contributions subsequent to the measurement date	1,086,107	—
Total PERS Plan 2/3	<u>7,657,977</u>	<u>4,964,234</u>
PSERS Plan 2		
Differences between expected and actual experience	41,347	34,002
Net difference between projected and actual investment earnings on pension plan investments	—	35,562
Changes of assumptions	59,119	22,994
Changes in proportion and differences between contributions and proportionate share of contributions	14,371	8,516
Contributions subsequent to the measurement date	33,822	—
Total PSERS Plan 2	<u>148,659</u>	<u>101,074</u>
LEOFF 1		
Net difference between projected and actual investment earnings on pension plan investments	—	480,645
Total LEOFF 1	<u>—</u>	<u>480,645</u>

DEFERRED OUTFLOWS/INFLOWS

Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
LEOFF 2		
Differences between expected and actual experience	7,088,069	142,764
Net difference between projected and actual investment earnings on pension plan investments	—	3,671,784
Changes of assumptions	4,432,672	1,425,383
Changes in proportion and differences between contributions and proportionate share of contributions	1,138,450	2,407,442
Contributions subsequent to the measurement date	752,470	—
Total LEOFF 2	13,411,661	7,647,373
Total	\$ 21,740,274	\$ 13,684,321

Deferred outflows of resources related to pensions resulting from the (city/county/district's) contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. 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
2024	\$ (334,052)	\$ (1,791,308)	\$ (21,044)	\$ (329,547)	\$ (1,535,168)
2025	(420,110)	(2,119,395)	(26,331)	(413,538)	(2,128,113)
2026	259,033	3,067,059	26,925	256,532	3,096,793
2027	4,134	1,173,035	4,597	5,908	1,066,302
2028	—	1,165,950	4,927	—	1,146,059
Thereafter	—	112,294	24,689	—	3,365,945

NOTE 11 – DEFINED BENEFIT PENSION PLANS

FIRE PENSION

AGGREGATE PENSION AMOUNTS - FIRE

Pension liabilities	\$ 5,145,880
Pension assets	—
Deferred outflows of resources	—
Deferred inflows of resources	—
Pension expense/expenditures	237,704

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 50, with a combined monthly pension of \$33,341 paid by the City. Cost of Living Adjustment (COLA) was 9.03% 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, 2023, 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, 2023.

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 \$.0906 per \$1,000 of assessed valuation of all taxable property of the City in the amount of \$800,000 for fiscal year 2023.
- 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 \$130,750 for fiscal year 2023.
- There was no additional funding provided by investment interest earnings in fiscal 2023.

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, 2023, measurements were based on the results of an actuarial experience study covering the period from January 1, 2023 through December 31, 2023. 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 3.25%, 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 (2.25%) or 1% point higher (4.25%) than the current rate.

		Current Discount	
	1% Decrease	Rate	1% Increase
	2.25%	3.25%	4.25%
Total Pension Liability	\$ 5,542,788	\$ 5,145,880	\$ 4,797,215

Pension Expenses

For the year ended December 31, 2023, the pension expense is \$237,704.

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, 2023. Changes in the City's total pension liability were as follows:

Fire Pension	Total Pension Liability
Balances at 12/31/2022	\$ 5,276,501
Changes for the year:	
Interest on total pension liability	188,597
Effect of assumptions changes or inputs	179,857
Benefit payments	(499,075)
Net changes in total pension liability	(130,621)
Balance at 12/31/2023	<u>\$ 5,145,880</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 decreased from 3.75% to 3.25%.

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, 2023, 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, 2023. There are no deferred outflows as of 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	Amount
2024	\$ —
2025	—
2026	—
2027	—
2028	—
Thereafter	—

POLICE PENSION

AGGREGATE PENSION AMOUNTS - POLICE

Pension liabilities	\$ 2,677,930
Pension assets	—
Deferred outflows of resources	—
Deferred inflows of resources	—
Pension expense/expenditures	187,874

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 40, with a combined monthly pension of \$32,793 paid by the City. Cost of Living Adjustment (COLA) was 5.5% and Collective Bargaining Agreement (CBA) was 4.5%. 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, 2023, 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, 2023. 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, 2023 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 3.25%, 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 (2.25%) or 1% point higher (4.25%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.25%	3.25%	4.25%
Total Pension Liability	\$ 2,874,243	\$ 2,677,930	\$ 2,503,791

Pension Expenses

For the year ended December 31, 2023, the pension expense is \$187,874.

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, 2023. Changes in the City's total pension liability were as follows:

Police Pension	Total Pension Liability
Balances at 12/31/2022	\$ 2,747,211
Changes for the year:	
Interest on total pension liability	98,243
Effect of assumptions changes or inputs	89,631
Benefit payments	(257,155)
Net changes in total pension liability	(69,281)
Balance at 12/31/2023	\$ 2,677,930

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 3.25%.

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, 2023, 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, 2023. There are no deferred outflows as of 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	Amount
2024	\$ —
2025	—
2026	—
2027	—
2028	—
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 2023.

AGGREGATE AMOUNTS - ALL OPEB PLANS

OPEB liabilities	\$ 44,501,700
OPEB assets	—
Deferred outflows of resources	573,599
Deferred inflows of resources	(2,830,104)
OPEB expense/expenditures	3,713,102

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 2023, the costs totaled \$638,069 for the Firemen's Pension and \$362,343 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 90. 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, 2023, calculated based on the discount rates below, and then projected to the measurement date of December 31, 2023. 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 3.25%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.25%) or 1% point higher (4.25%) than the current rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
	2.25%	3.25%	4.25%
Total December 31, 2023 OPEB liability	\$ 22,609,181	\$ 20,011,716	\$ 17,845,820

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, 2023 OPEB liability	\$ 17,862,392	\$ 20,011,716	\$ 22,515,711

The number of inactive, retired members and survivors, covered by the benefit terms is 50. There are no active members covered by the benefit terms.

CHANGES IN FIRE OPEB LIABILITY

	Total OPEB Liability
Fire OPEB	
Total OPEB liability - Beginning	\$ 19,031,764
Interest on total OPEB liability	697,919
Effect of assumptions, changes or inputs	1,131,013
Expected benefit payments	(848,980)
Net change in total OPEB liability	979,952
Total OPEB liability - ending	<u>\$ 20,011,716</u>

CHANGES IN FIRE OPEB EXPENSE

	Jan. 1, 2023 to Dec. 31, 2023
OPEB Expense	
Interest on total OPEB liability	\$ 697,919
Recognition of Deferred Inflows/Outflows of Resources	
Effect of assumptions changes or inputs	1,131,013
OPEB Expense	<u>\$ 1,828,932</u>

At December 31, 2023, 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, 2023. 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
2024	\$ —
2025	—
2026	—
2027	—
2028	—
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, 2023, calculated based on the discount rates below, and then projected to the measurement date of December 31, 2023. 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 3.25%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.25%) or 1% point higher (4.25%) than the current rate.

	1% Decrease 2.25%	Current Discount Rate 3.25%	1% Increase 4.25%
Total December 31, 2023 OPEB liability	\$ 20,280,202	\$ 18,014,344	\$ 16,111,346

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, 2023 OPEB liability	\$ 16,130,663	\$ 18,014,344	\$ 20,193,195

The number of inactive, retired members and survivors, covered by the benefit terms is 40. There are no active members covered by the benefit terms.

CHANGES IN POLICE OPEB LIABILITY

	Total OPEB Liability
Police OPEB	
Total OPEB liability - Beginning	\$ 17,111,639
Interest on total OPEB liability	628,352
Effect of assumptions, changes or inputs	992,118
Expected benefit payments	(717,765)
Net change in total OPEB liability	902,705
Total OPEB liability - ending	<u>\$ 18,014,344</u>

CHANGES IN POLICE OPEB EXPENSE

	Jan. 1, 2023 to Dec. 31, 2023
OPEB Expense	
Interest on total OPEB liability	\$ 628,352
Recognition of Deferred Inflows/Outflows of Resources	
Effect of assumptions changes or inputs	992,118
OPEB Expense	<u>\$ 1,620,470</u>

At December 31, 2023, 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, 2023. 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
2024	\$ —
2025	—
2026	—
2027	—
2028	—
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 \$914.15 per month for pre-65 Medical coverage for 2023. If a retiree chooses to cover his spouse and/or eligible family an amount of \$2,169.07 per month for pre-65 medical and dental coverage was paid in 2023.

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, 2023, calculated based on the discount rates below, and then projected to the measurement date of December 31, 2023. 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 3.25%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.25%) or 1% point higher (4.25%) than the current rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
	2.25%	3.25%	4.25%
Total December 31, 2023 OPEB liability	\$ 6,964,336	\$ 6,475,640	\$ 6,012,786

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, 2023 OPEB liability	\$ 5,668,870	\$ 6,475,640	\$ 7,435,611

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	\$ 5,982,192
Service cost	350,519
Interest on total OPEB liability	231,469
Effect of assumptions, changes or inputs	234,804
Expected benefit payments	(323,344)
Net change in total OPEB liability	493,448
Total OPEB liability - ending	<u>\$ 6,475,640</u>

CHANGES IN NON-LEOFF OPEB EXPENSE

	Jan. 1, 2023 to Dec. 31, 2023
OPEB Expense	
Service cost	\$ 350,519
Interest on total OPEB liability	231,469
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	(192,129)
Effect of assumptions changes or inputs	(126,159)
OPEB Expense	<u>\$ 263,700</u>

At December 31, 2023, 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	\$ 190,578	\$ (1,553,766)
Changes of assumptions	383,021	(1,276,338)
Total	<u>\$ 573,599</u>	<u>\$ (2,830,104)</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, 2023. 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
2024	\$ (318,288)
2025	(318,288)
2026	(318,288)
2027	(318,288)
2028	(318,288)
Thereafter	(665,065)

UNFUNDED POSTEMPLOYMENT BENEFIT LIABILITIES

An initial actuarial evaluation was performed as of January 1, 2023. 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		Balance
	1/1/23	Additions	12/31/23
OPEB Fire - medical	\$ 19,031,764	\$ 979,952	\$ 20,011,716
OPEB Police - medical	17,111,639	902,705	18,014,344
OPEB Non-LEOFF - medical	5,982,192	493,448	6,475,640
Total	<u>\$ 42,125,595</u>	<u>\$ 2,376,105</u>	<u>\$ 44,501,700</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 \$5,438,458. 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, 2023, is \$2,969,194.

The Risk Management fund balance was \$5,028,813 at the end of 2023.

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 \$1,000,000 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 City's limits are \$2,000,000 per occurrence and \$4,000,000 aggregate with aggregate with \$13,000,000 per occurrence and \$21,000,000 aggregate in limits above the layer provided by Safety National Casualty, Princeton Excess & Surplus Lines, and Arch Insurance. Limits are subject to aggregates and sub-limits; retention is \$1,000,000 other than limited garage keepers which is \$500,000.

The City's Law Enforcement liability limits are \$5,000,000 per occurrence and \$5,000,000 aggregate with \$10,000,000 per occurrence & \$15,000,000 aggregate. Retention is \$1,000,000.

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 \$274,158 for 2023. The reserve balance at the end of 2023 was \$510,343.

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 2023 were \$11,947,880. The reserve balance at the end of 2023 was \$1,509,697, 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 \$3,417,221. The reserve balance at the end of 2023 was \$(387,258) after considering, based on the claims manager's estimate, the accrual for incurred but not reported claims of \$750,000 at December 31, 2023.

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 2023.

LONG-TERM LIABILITIES						
	Balance		Payments/	Balance	Amounts	
	1/1/2023	Additions	Retirements	12/31/2023	Due Within One Year	Noncurrent Portion
Governmental activities						
General obligation debt						
Bonds	\$ 34,759,604	\$ —	\$ 2,955,037	\$ 31,804,567	\$ 3,098,668	\$ 28,705,899
Unamortized premium (discount)	869,011	—	252,350	616,661	—	616,661
Intergovernmental loans	4,936,361	728,500	580,350	5,084,511	567,085	4,517,426
Other liabilities ¹	2,146,415	—	260,404	1,886,011	—	1,886,011
Lease purchase agreements	2,566,415	—	341,514	2,224,901	314,667	1,910,234
Subscriptions (SBITAs)	—	213,564	59,118	154,446	76,231	78,215
Net pension liability	11,663,817	(1,042,055)	—	10,621,762	—	10,621,762
Total OPEB liability	40,621,061	2,381,252	—	43,002,313	1,815,221	41,187,092
Compensated absences	8,972,042	82,956	—	9,054,998	1,095,304	7,959,694
Total liabilities - governmental activities	106,534,726	2,364,217	4,448,773	104,450,170	6,967,176	97,482,994
Business-type activities						
Revenue debt						
Revenue bonds	5,600,000	—	1,645,000	3,955,000	540,000	3,415,000
Unamortized premium (discount)	318,276	—	116,012	202,264	—	202,264
Intergovernmental loans	12,724,475	—	1,489,640	11,234,835	1,356,420	9,878,415
Net pension liability	2,006,981	(452,311)	—	1,554,670	—	1,554,670
Total OPEB liability	1,504,534	(5,147)	—	1,499,387	74,868	1,424,519
Compensated absences	1,835,910	44,505	—	1,880,415	249,183	1,631,232
Noncurrent liabilities - business-type	23,990,176	(412,953)	3,250,652	20,326,571	2,220,471	18,106,100
Total noncurrent liabilities	\$ 130,524,902	\$ 1,951,264	\$ 7,699,425	\$ 124,776,741	\$ 9,187,647	\$ 115,589,094

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.

¹ 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, 2023, there is only one HUD 108 loan with an outstanding liability of \$1.9 million.

LEGAL DEBT PERCENTAGE

		Limit by Section	Cumulative Limit
General purpose			
Without a vote (includes 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%	

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 \$10.3 billion, resulting in the debt limits, as of December 31, 2023, for the City as follows:

CUMULATIVE DEBT LIMITS

Assessed valuation of taxable property in the
City of Yakima - tax year 2023

\$10,262,855,817

	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	\$ 153,942,837	\$ 256,571,395	\$ 513,142,791	\$ 769,714,186
Less: net outstanding indebtedness (see below)	27,004,178	27,004,178	27,004,178	27,004,178
Margin available	<u>\$ 126,938,659</u>	<u>\$ 229,567,217</u>	<u>\$ 486,138,613</u>	<u>\$ 742,710,008</u>
Net outstanding indebtedness				
Outstanding debt	\$ 39,730,639			
Less: available resources to repay debt	12,726,461			
Net outstanding indebtedness	<u>\$ 27,004,178</u>			

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, 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 12/31/2023	Average Annual Debt Service
Regular property tax levy					
2014 Street Resurfacing Project	06/01/24	3.0% - 5.0%	13,140,000	1,610,000	1,649,500
2018 Street Resurfacing Project (Refunding)	12/01/28	3.25% - 3.85%	3,500,000	1,804,727	399,664
2018 Yakima Sports Complex (Refunding)	06/01/35	4.85%	4,440,127	3,488,579	439,226
2018 Aquatic Center YMCA	12/01/42	4.85%	8,009,873	7,801,261	637,399
Total regular property tax levy			<u>29,090,000</u>	<u>14,704,567</u>	
Public Facilities District (state sales tax credit)					
2020 Refunded Conv Center	12/01/44	2.20% - 4.083%	2,495,000	2,235,000	156,864
2020 Conv Center Addition	12/01/44	2.20% - 4.083%	12,620,000	11,310,000	792,879
2020 Refunded Capital Theatre	12/01/32	2.20% - 4.083%	4,910,000	3,555,000	459,722
Total Public Facilities District			<u>20,025,000</u>	<u>17,100,000</u>	
Real estate excise tax (REET)					
2003 SunDome Expansion	12/01/23	2.34%-4.72%	1,430,528	—	150,000
			<u>\$ 50,545,528</u>	<u>\$ 31,804,567</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 12/31/2023
General long-term debt				
Arterial street gas tax				
PC-08-951-052 - 2009 Railroad grade separation	0.5%	06/01/28	\$ 3,000,000	\$ 825,502
2015 SIED Loan - 2015 Yakima County SIED loan	2.4%	06/01/23	307,000	—
2016 SIED Loan - 2016 Yakima County SIED loan	2.6%	06/01/27	900,000	398,310
2017 SIED Loan - YV Brewing Project	3.2%	06/01/24	61,580	13,720
2018 SIED Loan - River Road	3.8%	06/01/29	500,000	331,903
2021 SIED Loan - SOZO	2.4%	06/01/32	1,000,000	937,544
2022 SIED Loan Russell Lane	5.8%	06/01/35	416,000	416,000
2023 SIED Loan Yakima Chief	6.4%	06/01/36	312,500	312,500
Real estate excise tax				
L1000030-0 - 2010 Railroad grade separation	2.9%	06/01/34	1,229,295	759,032
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	1,090,000
Sub-total general long-term debt				<u>5,084,511</u>

INTERGOVERNMENTAL LOANS

	Interest	Maturity Date	Maximum Authorized	Outstanding 12/31/2023
Revenue debt				
Wastewater operating revenue				
PW-05-691-064 - 2005 River Road sewer	0.5%	06/01/25	2,307,000	248,492
PW-07-962-019 - 2007 Ultra violet disinfection	0.5%	06/01/27	2,300,000	485,556
PC-12-951-065 - 2012 Wastewater Treatment Plan	0.3%	06/01/31	5,000,000	2,152,633
PC-13-961-059 - 2012 Industrial sewer main extensions	0.5%	06/01/37	2,000,000	1,138,756
PC20-96103-044 2021 Waterline Improvement	1.1%	06/01/39	1,740,000	1,544,806
L1100008 - 2011 Energy efficiency project	2.8%	03/31/33	516,192	288,514
L1200019 - 2012 Industrial waste anaerobic	2.6%	07/01/34	602,634	374,629
Water operating revenue				
PW-03-691-027 - 2003 Naches WTP improvements	0.5%	06/01/23	2,559,775	—
SRF-04-65104-037 - 2005 Naches River WTP filter rehabilitation	0.5%	10/01/25	894,380	94,145
PC-08-951-051 - 2009 New water well	0.5%	06/01/28	2,257,200	605,744
PC-13-961-074 - 2013 Automated reading system	0.3%	06/01/32	5,000,000	2,368,421
DM-11-952-038 - 2013 Design WTP lagoons	1.5%	10/01/34	3,480,000	1,933,140
Sub-total revenue debt				11,234,836
Total intergovernmental loans				\$ 16,319,347

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
2024	\$ 3,099	\$ 1,256	\$ 567	\$ 107
2025	1,548	1,165	562	94
2026	1,595	1,111	576	160
2027	1,653	1,053	626	163
2028	1,711	995	558	99
2029-2033	6,981	4,126	1,803	286
2034-2038	6,791	2,754	392	31
2039-2043	7,518	1,073	—	—
2044	910	37	—	—
	<u>\$ 31,806</u>	<u>\$ 13,570</u>	<u>\$ 5,084</u>	<u>\$ 940</u>

At December 31, 2023, the City had \$383,826 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 12/31/2023	Average Annual Debt Service
2020A Irrigation 04 Refunded	12/01/34	3.0	\$ 3,260,000	\$ 2,525,000	\$ 273,217
2020A Wastewater 08 Refunded	12/01/27	3.0	2,590,000	1,430,000	384,250
			<u>\$ 5,850,000</u>	<u>\$ 3,955,000</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
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	220	51	1,070	53
2029-2033	1,215	151	3,953	153
2034-2038	265	8	1,023	28
2039-2041	—	—	97	1
	<u>\$ 3,955</u>	<u>\$ 586</u>	<u>\$ 11,235</u>	<u>\$ 530</u>

At December 31, 2023, 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

The LOCAL program provides Washington municipalities with a cost-effective way to finance equipment and/or real estate projects. These financing agreements which transfer ownership to the City at the end of the lease term, are recorded at 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 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 AGREEMENTS

<u>Equipment</u>	
Energy Project (Lighting)	\$ 427,183
Fire Aerial & Pump	587,719
Energy Efficiency Project	1,210,000
Total	<u>\$ 2,224,902</u>

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

EQUIPMENT PAYMENTS

2024	\$ 397,305
2025	400,647
2026	402,705
2027	403,278
2028	136,625
2029-2033	663,000
2034-2035	<u>267,875</u>
Total minimum lease payments	2,671,435
Less: Amount representing interest	<u>446,533</u>
Present value of minimum lease payments	<u>\$ 2,224,902</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	\$ 34,913,811	\$ 1,651,537
Restricted assets	1,600,000	—
Capital assets, net of accumulated depreciation	<u>72,749,999</u>	<u>37,647,263</u>
Total assets	<u>109,263,810</u>	<u>39,298,800</u>
Deferred outflows of resources	<u>969,027</u>	<u>217,070</u>
Total assets & deferred outflows of resources	<u>110,232,837</u>	<u>39,515,870</u>

SEGMENT INFORMATION

	Wastewater	Irrigation
Liabilities		
Current liabilities	2,761,892	2,547,311
Noncurrent liabilities	6,599,434	2,681,648
Total liabilities	9,361,326	5,228,959
Deferred inflows of resources	806,314	122,872
Total liabilities & deferred inflows of resources	10,167,640	5,351,831
Net position		
Net investment in capital assets	65,389,876	34,747,483
Restricted	3,000,023	210,825
Unrestricted	31,675,298	(794,269)
Total net position	\$ 100,065,197	\$ 34,164,039
Condensed statement of revenues, expenses and changes in net position		
Operating revenues		
Charges and fees for services	\$ 24,797,569	\$ 3,725,446
Other operating revenue	84,356	—
Total operating revenues	24,881,925	3,725,446
Operating expenses		
Personnel services	4,660,061	742,086
Materials and supplies	1,112,830	96,772
Contractual services	11,775,820	1,069,595
Depreciation	4,675,176	884,037
Total operating expense	22,223,887	2,792,490
Operating income (loss)	2,658,038	932,956
Nonoperating revenues (expense)		
Grants and subsidies	—	254,700
Interest revenue	10,610	—
Other nonoperating revenues	1,200	—
Interest & other debt service costs	(74,560)	(169,024)
Total nonoperating revenue (exp)	(62,750)	85,676
Income (loss) before contributions & transfers	2,595,288	1,018,632
Capital contributions	976,406	—
Operating transfers (net)	(84,448)	—
Change in net position	3,487,246	1,018,632
Net position - beginning	96,577,949	33,145,406
Net position - ending	\$ 100,065,195	\$ 34,164,038
Condensed statement of cash flows		
Net cash provided (used)		
Operating activities	\$ 6,970,833	\$ 534,323
Non-capital financing activities	192,875	254,700
Capital financing activities	(7,080,444)	(3,887,064)
Investing activities	(1,770,633)	1,294,060
Net increase (decrease)	(1,687,369)	(1,803,981)
Beginning cash and cash equivalents	18,764,483	2,404,310
Ending cash and cash equivalents	\$ 17,077,114	\$ 600,329

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 ²	Fixed Payments (Monthly)
McCormick Lease #2	Lessor	01/01/22	Land	392	2.583%	1 option of 120 months	\$ 3,713
McCormick Lease #3	Lessor	01/01/22	Land	360	2.583%	1 option of 120 months	963
McCormick Lease #5	Lessor	01/01/22	Land	381	2.583%	1 option of 120 months	567
McCormick Lease #6	Lessor	01/01/22	Land	393	2.583%	3 options of 120 months each	1,278
McCormick Lease #8	Lessor	01/01/22	Land	575	2.583%	2 options of 120 months each	446
CAS Properties	Lessor	01/01/22	Land	261	2.463%	1 option of 79 months	1,417
McAllister Museum	Lessor	01/01/22	Land	342	2.553%	1 option of 120 months	651
Jim DBA Cub Crafters	Lessor	01/01/22	Land	300	2.066%	1 option of 120 months	986
DA Arthur #2	Lessor	01/01/22	Land	365	2.583%	2 options of 120 months each	607
Airport Business Park LLC	Lessor	01/01/22	Land	699	2.583%	7 options of 60 months each	2,500
Yakima Airpark LLC (A)	Lessor	01/01/22	Land	406	2.583%	1 option of 120 months	1,680
Yakima Airpark LLC (B)	Lessor	01/01/22	Land	406	2.583%	1 option of 120 months	483
Yakima Airport Maxi Space	Lessor	01/01/22	Land	294	1.992%	1 option of 120 months	973
Richmond Parking Lot	Lessor	01/01/22	Land	400	2.583%	1 option of 120 months	596
Richmond #3 Tract C-1	Lessor	01/01/22	Buildings	489	2.583%	1 option of 120 months	809
DA Arthur #1	Lessor	01/01/22	Buildings	501	2.583%	No Extension Options	531
Staci's Catering	Lessor	01/01/22	Buildings	130	1.146%	1 option of 84 months	637
US Gov't GSA/TSA Lease	Lessor	01/01/22	Buildings	191	2.139%	1 option of 120 months	2,129
McCurley Fruitvale Property ³	Lessor	09/07/22	Buildings	24	2.536%	1 option of 12 months	33,975

² 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.

³ Sale-Leaseback agreement where City is the buyer-lessor.

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.

FINANCIAL LEASE INFORMATION

Lease Title	Lease Receivable at Measure Date	Lease Receivable as of 12/31/23	Fiscal Year 2023 Lease Revenue	Fiscal Year 2023 Interest Revenue	Def. Inflow at Measure Date	Def. Inflow as of 12/31/23	Inflows not in Lease Receivable ⁴
McCormick Lease #2	\$ 984,462	\$ 943,026	\$ (30,137)	\$ (24,638)	\$ (984,462)	\$ (924,189)	\$ (5,721)
McCormick Lease #3	241,337	230,053	(8,045)	(6,020)	(241,337)	(225,248)	(1,483)
McCormick Lease #5	147,457	141,089	(4,644)	(3,688)	(147,457)	(138,168)	(873)
McCormick Lease #6	339,122	325,109	(10,355)	(8,494)	(339,122)	(318,412)	(1,969)
McCormick Lease #8	147,254	143,846	(3,073)	(3,739)	(147,254)	(141,108)	(687)
CAS Properties	286,304	265,642	(13,163)	(6,681)	(286,304)	(259,977)	(2,183)
McAllister Museum ⁵	158,368	150,388	(5,557)	(3,894)	(158,368)	(147,254)	(445)
Jim DBA Cub Crafters	231,048	216,369	(9,242)	(4,552)	(231,048)	(212,564)	(1,519)
DA Arthur #2	153,596	146,551	(5,050)	(3,834)	(153,596)	(143,496)	(1,284)
Airport Business Park LLC	902,503	889,375	(15,494)	(23,070)	(902,503)	(871,516)	(3,852)
Yakima Airpark LLC (A)	455,203	437,252	(13,454)	(11,417)	(455,203)	(428,295)	(2,589)
Yakima Airpark LLC (B)	130,763	125,606	(3,865)	(3,280)	(130,763)	(123,033)	(744)
Yakima Airport Maxi Space	226,393	211,518	(9,240)	(4,293)	(226,393)	(207,912)	(1,499)
Richmond Parking Lot	160,022	153,575	(4,801)	(4,011)	(160,022)	(150,421)	(919)
Richmond #3 Tract C-1	244,812	237,490	(6,008)	(6,184)	(244,812)	(232,796)	(1,246)
DA Arthur #1	170,989	166,293	(4,095)	(4,329)	(170,989)	(162,798)	(860)
Staci's Catering	100,356	86,648	(9,264)	(1,037)	(100,356)	(81,829)	(1,039)
US Gov't GSA/TSA Lease	377,395	341,683	(23,711)	(7,535)	(377,395)	(329,974)	—
McCurley Fruitvale Property	807,658	277,310	(403,829)	(12,572)	(807,658)	(275,950)	(52,872)
Total	<u>\$ 6,265,042</u>	<u>\$ 5,488,823</u>	<u>\$ (583,027)</u>	<u>\$ (143,268)</u>	<u>\$ (6,265,042)</u>	<u>\$ (5,374,940)</u>	<u>\$ (81,784)</u>

As of December 31, 2023, future lease receivable principal and interest payments are as follows:

Year ended December 31	Principal and Interest Expected to Maturity		
	Principal	Interest	Total
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	142,170	115,241	257,412
2029-2033	757,488	524,035	1,281,523
2034-2038	779,319	430,933	1,210,252
2039-2043	751,563	337,674	1,089,238
2044-2048	711,095	244,562	955,657
2049-2053	671,760	155,547	827,307
2054-2058	265,795	91,301	357,095

⁴ Total composed of \$81,475 of leasehold tax and \$309 of variable payments due change in CPI for DA Arthur #2 lease.

⁵ McAllister Museum (lessee to the City) is given a monthly credit incentive of \$381.63. Payment before incentive \$1,032.91.

Year ended December 31	Principal and Interest Expected to Maturity		
	Principal	Interest	Total
2059-2063	178,518	66,449	244,967
2064-2068	129,654	47,109	176,764
2069-2073	124,483	30,423	154,907
2074-2078	136,114	13,886	150,000
2079-2080	36,862	638	37,500
	<u>\$ 5,488,822</u>	<u>\$ 2,553,139</u>	<u>\$ 8,041,964</u>

NOTE 18 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right-to-use (RTU) an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

GENERAL DESCRIPTION OF SBITAs

Subscription Title ⁶	Measurement Date	Lease Terms (Months)	Interest Rate	Extension Options ⁷	Fixed Payments (Annually)
FileOnQ Software	01/01/23	35	2.796%	5 option of 12 months	\$ 23,590
Granicus	01/17/23	28	2.847%	0 options	17,905
Westlaw (Thomson Reuters)	05/16/23	36	2.796%	0 options	3,054

Subscription Title	Subscription Liability at Measurement Date		Fiscal Year 2023 Interest Expense		RTU Subscription Asset at Measurement Date		Fiscal Year 2023 Amortization Expense		RTU Subscription Asset as of 12/31/23		Outflows not in Subscription Liability ⁸	
		Subscription Liability as of 12/31/23										
FileOnQ Software	\$ 68,756	\$ 45,273	\$ 107	\$ 68,756	\$ 23,111	\$ 45,645	\$ 1,958					
Granicus	35,844	18,279	340	35,844	14,679	21,165	1,486					
Westlaw - GF	64,320	53,653	907	64,320	13,216	51,103	961					
General Fund Totals	168,920	117,205	1,354	168,920	51,006	117,913	4,405					
Westlaw - IS	44,644	37,240	629	44,644	9,173	35,471	667					
Internal Service Totals	44,644	37,240	629	44,644	9,173	35,471	667					
Grand Total	<u>\$ 213,564</u>	<u>\$ 154,445</u>	<u>\$ 1,983</u>	<u>\$ 213,564</u>	<u>\$ 60,179</u>	<u>\$ 153,384</u>	<u>\$ 5,072</u>					

⁶ Granicus and Westlaw subscriptions have a set increase payment schedule through 2024 and 2026 respectively.

⁷ All extension options were considered reasonably certain of being exercised due to history of renewals and limited options for government. Extension periods are included in the lease terms. .

⁸ Sales tax.

Subscription Title	Beginning Balance	Additions	Reductions	Ending Balance
FileOnQ Software	\$ —	\$ 68,756	\$ (23,483)	\$ 45,273
Granicus	—	35,844	(17,564)	18,279
Westlaw	—	108,964	(18,071)	90,893
General Fund Totals	\$ —	\$ 213,564	\$ (59,118)	\$ 154,445

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Principal and Interest Expected to Maturity			
	Principal Payments	Interest Payments	Total Payments
2024	\$ 76,231	\$ 3,880	\$ 80,110
2025	61,495	2,563	63,196
2026	16,720	117	16,837

NOTE 19 – ASSET RETIREMENT OBLIGATIONS

GASB Statement No. 83 provides guidance on the accounting and financial reporting for certain Asset Retirement Obligations (ARO's), which represent legally enforceable liabilities associated with the retirement of tangible capital assets.

The City of Yakima identified the following ARO's. 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.

City of Yakima Wastewater Division Lift Station Telemetry Antenna Tower: 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 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 of Yakima would cease its operations, as it is a remote event, making exact estimable remaining life undeterminable for liability calculation.

NOTE 20 – 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 21 – 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	\$ 18,364
Multi-Unit Urban Housing Property Tax Exemption	12,815
	<u>\$ 31,179</u>

NOTE 22 – 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 23 – 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, 2023.

FUND BALANCE

Fund Balance	General Fund	ARPA Fund	Other Gov't Funds	Total
Nonspendable				
Inventories and Prepayments	\$ 14,079	\$ —	\$ 191,513	\$ 205,592
Permanent fund	—	—	738,747	738,747
Total nonspendable	<u>14,079</u>	<u>—</u>	<u>930,260</u>	<u>944,339</u>
Restricted				
Emergency programs	—	—	107,751	107,751
Housing & economic development	—	—	1,084,145	1,084,145
Public safety	—	—	2,826,632	2,826,632
Debt service	—	—	366,200	366,200
Capital improvements	—	—	6,125,682	6,125,682
Other purposes	2,835,071	67,700	—	2,902,771
Tourism & conventions	—	—	2,764,991	2,764,991
Total restricted	<u>2,835,071</u>	<u>67,700</u>	<u>16,584,061</u>	<u>19,486,832</u>

FUND BALANCE

Fund Balance	General Fund	ARPA Fund	Other Gov't Funds	Total
Committed				
Public safety & emergency programs	1,460,073	—	—	1,460,073
Community relations	—	—	708,599	708,599
Parks and recreation	—	—	545,218	545,218
Streets	—	—	2,107,471	2,107,471
Capital improvements	—	—	745,825	745,825
Other purposes	—	—	678,385	678,385
Tourism & conventions	—	—	90,737	90,737
Total committed	<u>1,460,073</u>	<u>—</u>	<u>4,876,235</u>	<u>6,336,308</u>
Assigned				
Parks and recreation	—	—	365,035	365,035
Streets	—	—	5,211,580	5,211,580
Public safety & emergency programs	—	—	1,581,027	1,581,027
Debt service	—	—	17,626	17,626
Tourism & conventions	—	—	252,385	252,385
Total assigned	<u>—</u>	<u>—</u>	<u>7,427,653</u>	<u>7,427,653</u>
Unassigned	8,888,305	—	—	8,888,305
Total fund balance	<u>\$ 13,197,528</u>	<u>\$ 67,700</u>	<u>\$ 29,818,209</u>	<u>\$ 43,083,437</u>

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

As of June 30

Last 10 Fiscal Years

Page 1 of 2

	2023	2022
PERS 1		
Employer's proportion of the net pension liability (asset)	0.1907%	0.2028%
Employer's proportionate share of the net pension liability (asset)	\$ 4,352,622	\$ 5,647,086
Covered employee payroll	34,097,023	32,382,356
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	12.8%	17.4%
Plan fiduciary net position as a percentage of the total pension liability	80.2%	76.6%
PERS 2/3		
Employer's proportion of the net pension liability (asset)	0.2377%	0.2535%
Employer's proportionate share of the net pension liability (asset)	\$ (9,740,807)	\$ (9,400,944)
Covered employee payroll	33,034,897	31,335,035
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(29.5%)	(30.0%)
Plan fiduciary net position as a percentage of the total pension liability	107.0%	106.7%
PSERS		
Employer's proportion of the net pension liability (asset)	0.1246%	0.1415%
Employer's proportionate share of the net pension liability (asset)	\$ (132,138)	\$ (101,203)
Covered employee payroll	966,640	945,513
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	13.7%	10.7%
Plan fiduciary net position as a percentage of the total pension liability	107.9%	106.0%
LEOFF 1		
Employer's proportion of the net pension liability (asset)	0.2442%	0.2489%
Employer's proportionate share of the net pension liability (asset)	\$ (7,248,538)	\$ (7,139,375)
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	176.0%	169.6%
LEOFF 2		
Employer's proportion of the net pension liability (asset)	0.7235%	0.6316%
Employer's proportionate share of the net pension liability (asset)	\$ (17,352,657)	\$ (17,164,301)
State's proportion of the net pension liability (asset) associated with the employer	(11,081,228)	(11,118,660)
Total	<u>\$ (28,433,885)</u>	<u>\$ (28,282,961)</u>
Covered employee payroll	\$ 32,255,467	\$ 25,506,773
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(53.8%)	(67.3%)
Plan fiduciary net position as a percentage of the total pension liability	113.2%	116.1%

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 decreased from 3.75% to 3.25%.

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

As of June 30

Last 10 Fiscal Years

Page 2 of 2

2021	2020	2019	2018	2017	2016	2015
0.2114%	0.2126%	0.2239%	0.2304%	0.2396%	0.2437%	0.2473%
\$ 2,581,615	\$ 7,507,587	\$ 8,608,173	\$ 10,291,797	\$ 11,370,630	\$ 13,085,797	\$ 12,938,339
32,154,893	31,609,557	30,981,922	30,238,586	29,549,697	28,675,000	22,406,624
8.0%	23.8%	28.0%	34.0%	38.5%	46.0%	58.0%
88.7%	68.6%	67.1%	63.2%	61.2%	59.0%	59.1%
0.2586%	0.2592%	0.2730%	0.2771%	2.8844%	0.2903%	0.2942%
\$ (25,763,211)	\$ 3,314,662	\$ 2,651,884	\$ 4,731,133	\$ 10,021,946	\$ 14,618,037	\$ 10,512,470
31,002,101	30,344,986	29,750,683	29,077,617	29,284,000	27,400,579	21,024,500
(83.1%)	10.9%	8.9%	16.3%	34.2%	53.3%	50.0%
120.3%	97.2%	97.8%	96.8%	91.0%	85.8%	89.2%
0.1346%	0.1493%	0.1852%	0.2135%	0.2143%	0.2172%	0.2462%
\$ (309,174)	\$ (20,538)	\$ (24,082)	\$ 2,645	\$ 41,981	\$ 92,291	\$ 44,929
913,085	919,785	861,074	845,912	765,000	705,303	718,242
33.9%	2.2%	2.8%	0.3%	5.5%	13.1%	6.3%
123.7%	101.7%	101.9%	99.8%	96.3%	90.4%	95.1%
0.2523%	0.2593%	0.2608%	0.2633%	0.2625%	0.2642%	0.2686%
\$ (8,642,659)	\$ (4,896,828)	\$ (5,154,646)	\$ (4,781,106)	\$ (3,982,551)	\$ (27,222,428)	\$ (3,237,356)
—%	—%	—%	—%	—%	—%	—%
187.5%	146.9%	148.8%	144.4%	136.0%	123.7%	127.4%
0.6478%	0.6455%	0.6823%	0.7097%	0.7399%	0.7434%	0.7426%
\$ (37,628,068)	\$ (13,167,462)	\$ (15,806,217)	\$ (14,409,269)	\$ (10,267,387)	\$ (4,323,611)	\$ (7,632,597)
(24,274,211)	(8,419,594)	(10,350,954)	(9,329,730)	(6,660,262)	(741,394)	(719,689)
\$ (61,902,279)	\$ (21,587,056)	\$ (26,157,171)	\$ (23,738,999)	\$ (16,927,649)	\$ (5,065,005)	\$ (8,352,286)
\$ 25,210,904	\$ 24,461,464	\$ 23,998,147	\$ 23,520,795	\$ 23,238,000	\$ 22,519,542	\$ 21,561,911
(149.3%)	(53.8%)	(65.9%)	(61.2%)	(44.2%)	(19.2%)	(35.4%)
142.0%	115.8%	119.4%	118.5%	113.4%	106.0%	111.7%

Benefit changes: None to report.

Valuation assumptions: As of January 1, 2023: Economic assumptions - salary increases 3.5%, investment return assumption (discount rate) 3.25, 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

	2023	2022
PERS 1		
Statutorily or contractually required contributions	\$ 1,189,525	\$ 1,250,290
Contributions in relation to the statutorily or contractually required contributions	(1,189,525)	(1,250,290)
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 34,892,161	\$ 33,119,925
Contributions as a percentage of covered employee payroll	3.4%	3.8%
PERS 2/3		
Statutorily or contractually required contributions	\$ 2,148,681	\$ 2,041,098
Contributions in relation to the statutorily or contractually required contributions	(2,148,681)	(2,041,098)
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 33,794,311	\$ 32,092,726
Contributions as a percentage of covered employee payroll	6.4%	6.4%
PSERS		
Statutorily or contractually required contributions	\$ 66,499	\$ 61,000
Contributions in relation to the statutorily or contractually required contributions	(66,499)	(61,000)
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 1,001,033	\$ 933,481
Contributions as a percentage of covered employee payroll	6.6%	6.5%
LEOFF 2		
Statutorily or contractually required contributions	\$ 1,748,118	\$ 1,312,467
Contributions in relation to the statutorily or contractually required contributions	(1,748,118)	(1,312,467)
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 34,100,991	\$ 25,623,241
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 decreased from 3.75% to 3.25%.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the year ended December 31

Last 10 Fiscal Years

Page 2 of 2

2021	2020	2019	2018	2017	2016	2015
\$ 1,390,651	\$ 1,553,225	\$ 1,588,430	\$ 1,570,927	\$ 1,489,000	\$ 1,432,792	\$ 1,263,237
(1,390,651)	(1,553,225)	(1,588,430)	(1,570,927)	(1,489,000)	(1,432,792)	(1,263,237)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 32,197,771	\$ 31,835,568	\$ 31,546,711	\$ 30,471,519	\$ 29,079,000	\$ 29,271,148	\$ 28,060,087
4.3%	4.9%	5.0%	5.2%	5.1%	4.9%	4.5%
\$ 2,223,260	\$ 2,422,004	\$ 2,337,893	\$ 2,194,199	\$ 1,930,423	\$ 1,740,727	\$ 1,510,959
(2,223,260)	(2,422,004)	(2,337,893)	(2,194,199)	(1,930,423)	(1,740,727)	(1,510,959)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 31,133,321	\$ 30,580,945	\$ 30,285,570	\$ 29,256,142	\$ 28,706,000	\$ 27,400,579	\$ 26,793,741
7.1%	7.9%	7.7%	7.5%	6.7%	6.4%	5.6%
\$ 64,110	\$ 66,594	\$ 63,637	\$ 57,599	\$ 52,963	\$ 48,978	\$ 46,106
(64,110)	(66,594)	(63,637)	(57,599)	(52,963)	(48,978)	(46,106)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 937,407	\$ 924,911	\$ 891,749	\$ 840,693	\$ 800,000	\$ 705,303	\$ 712,214
6.8%	7.2%	7.1%	6.6%	6.6%	6.9%	6.5%
\$ 1,311,683	\$ 1,257,023	\$ 1,290,668	\$ 1,233,450	\$ 1,198,134	\$ 1,152,459	\$ 1,120,514
(1,311,683)	(1,257,023)	(1,290,668)	(1,233,450)	(1,198,134)	(1,152,459)	(1,120,514)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 25,541,326	\$ 24,407,692	\$ 24,804,414	\$ 23,473,737	\$ 23,417,000	\$ 22,519,542	\$ 22,188,444
5.1%	5.2%	5.2%	5.3%	5.1%	5.1%	5.0%

Benefit changes: None to report.

Valuation assumptions: As of January 1, 2023: Economic assumptions - salary increases 3.5%, investment return assumption (discount rate) 3.25, 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 2

	2023	2022
Fire Pension		
Balances at 12/31/2022	\$ 5,276,501	\$ 6,185,676
Changes for the year:		
Interest on total pension liability	188,597	118,726
Effect of economic/ demographic gains or losses	—	(140,823)
Effect of assumptions changes or inputs	179,857	(385,852)
Benefit payments	(499,075)	(501,226)
Net changes in total pension liability	(130,621)	(909,175)
Balance at 12/31/2023	<u>\$ 5,145,880</u>	<u>\$ 5,276,501</u>
Covered payroll	\$ —	\$ —
Police Pension		
Balances at 12/31/2022	\$ 2,747,211	\$ 3,492,482
Changes for the year:		
Interest on total pension liability	98,243	66,560
Effect of economic/ demographic gains or losses	—	(205,121)
Effect of assumptions changes or inputs	89,631	(312,174)
Benefit payments	(257,155)	(294,536)
Net changes in total pension liability	(69,281)	(745,271)
Balance at 12/31/2023	<u>\$ 2,677,930</u>	<u>\$ 2,747,211</u>
Covered payroll	\$ —	\$ —

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.

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS FIRE & POLICE PENSIONS

For the year ended December 31

Last 10 Fiscal Years

Page 2 of 2

2021	2020	2019	2018	2017
\$ 6,617,462	\$ 6,236,408	\$ 6,029,283	\$ 6,635,284	\$ 6,902,294
126,790	163,713	229,640	221,918	247,672
—	401,168	—	—	(43,347)
—	386,453	559,744	(233,241)	129,589
(558,576)	(570,280)	(582,259)	(594,678)	(600,924)
(431,786)	381,054	207,125	(606,001)	(267,010)
<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>

\$ — \$ — \$ — \$ — \$ —

\$ 3,715,125	\$ 4,451,427	\$ 4,269,513	\$ 4,664,239	\$ 5,381,844
71,377	118,369	163,222	156,580	194,378
—	(769,827)	—	—	(604,017)
—	211,346	400,381	(166,958)	92,572
(294,020)	(296,190)	(381,689)	(384,348)	(400,538)
(222,643)	(736,302)	181,914	(394,726)	(717,605)
<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>

\$ — \$ — \$ — \$ — \$ —

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) 3.25%, 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 2

	2023	2022
LEOFF 1 Fire		
Total OPEB liability - Beginning	\$ 19,031,764	\$ 23,813,442
Interest on total OPEB liability	697,919	468,316
Effect of economic/demographic gains or losses	—	582,178
Effect of assumptions, changes or inputs	1,131,013	(5,032,894)
Expected benefit payments	(848,980)	(799,278)
Net change in total OPEB liability	979,952	(4,781,678)
Total OPEB liability - ending	<u>\$ 20,011,716</u>	<u>\$ 19,031,764</u>
Covered payroll	\$ —	\$ —
Total OPEB liability as a % of covered payroll	n/a	n/a
LEOFF 1 Police		
Total OPEB liability - Beginning	\$ 17,111,639	\$ 22,500,246
Interest on total OPEB liability	628,352	443,518
Effect of economic/demographic gains or losses	—	(1,276,779)
Effect of assumptions, changes or inputs	992,118	(3,903,426)
Expected benefit payments	(717,765)	(651,920)
Net change in total OPEB liability	902,705	(5,388,607)
Total OPEB liability - ending	<u>\$ 18,014,344</u>	<u>\$ 17,111,639</u>
Covered payroll	\$ —	\$ —
Total OPEB liability as a % of covered payroll	n/a	n/a
Non-LEOFF		
Total OPEB liability - Beginning	\$ 5,982,192	\$ 6,425,956
Service cost	350,519	460,129
Interest on total OPEB liability	231,469	134,073
Effect of economic/demographic gains or losses	—	232,008
Effect of assumptions, changes or inputs	234,804	(903,271)
Expected benefit payments	(323,344)	(366,703)
Net change in total OPEB liability	493,448	(443,764)
Total OPEB liability - ending	<u>\$ 6,475,640</u>	<u>\$ 5,982,192</u>
Covered payroll	\$ —	\$ —
Total OPEB liability as a % of covered payroll	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.

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

For the year ended December 31

Last 10 Fiscal Years*

Page 2 of 2

2021	2020	2019	2018
\$ 24,147,639	\$ 25,326,993	\$ 21,471,567	\$ 22,910,332
474,902	686,436	842,411	789,207
—	(863,583)	—	—
—	(265,860)	3,843,768	(1,498,572)
(809,099)	(736,347)	(830,753)	(729,400)
(334,197)	(1,179,354)	3,855,426	(1,438,765)
<u>\$ 23,813,442</u>	<u>\$ 24,147,639</u>	<u>\$ 25,326,993</u>	<u>\$ 21,471,567</u>
\$ —	\$ —	\$ —	\$ —
n/a	n/a	n/a	n/a
\$ 22,771,904	\$ 24,999,972	\$ 21,153,082	\$ 22,457,760
448,274	678,519	831,587	775,314
—	(1,753,899)	—	—
—	(495,138)	3,749,293	(1,462,797)
(719,932)	(657,550)	(733,990)	(617,195)
(271,658)	(2,228,068)	3,846,890	(1,304,678)
<u>\$ 22,500,246</u>	<u>\$ 22,771,904</u>	<u>\$ 24,999,972</u>	<u>\$ 21,153,082</u>
\$ —	\$ —	\$ —	\$ —
n/a	n/a	n/a	n/a
\$ 6,186,687	\$ 8,079,332	\$ 8,316,041	\$ 8,189,958
444,569	378,171	533,439	563,641
129,295	227,730	345,146	299,553
—	(2,405,142)	—	—
—	261,882	(669,196)	(343,848)
(334,595)	(355,286)	(446,098)	(393,263)
239,269	(1,892,645)	(236,709)	126,083
<u>\$ 6,425,956</u>	<u>\$ 6,186,687</u>	<u>\$ 8,079,332</u>	<u>\$ 8,316,041</u>
\$ —	\$ —	\$ —	\$ —
n/a	n/a	n/a	n/a

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, 2023

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		
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	-	-	146,951	146,951	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	650,061	650,061	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	9,808	9,808	-	3
Total CDBG - Entitlement Grants Cluster:				-	806,820	806,820	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Dept of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-6221C-170	165,191	-	165,191	165,191	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	-	331,280	331,280	324,654	6

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, 2023

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	-	-	185,108	185,108	156,222	
Total ALN 14.239:				-	516,388	516,388	480,876	
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Dept. of Archeology & Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	FY23-CLG- YAKIMA	13,724	-	13,724	-	
OFFICE ON VIOLENCE AGAINST WOMEN, JUSTICE, DEPARTMENT OF (via STOP Grant -Interlocal Yak County)	Violence Against Women Formula Grants	16.588	120723-YKPD- STOP-GRANT	5,800	-	5,800	-	
OFFICE ON VIOLENCE AGAINST WOMEN, JUSTICE, DEPARTMENT OF (via Lisa Wallace)	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	15JOVW-21-GK -04706-HOMI	25,864	-	25,864	25,864	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	-	-	26,056	26,056	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	-	1,920	1,920	-	

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, 2023

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	-	-	7,860	7,860	-	
	Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	-	23,107	23,107	-	
Total ALN 16.738:				-	32,887	32,887	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	457,681	457,681	-	
	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	5,595	5,595	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	40,589	40,589	-	2
	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	1,766,580	1,766,580	-	2

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, 2023

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 AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	218,117	218,117	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	8,546	8,546	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	111,533	111,533	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	511,356	511,356	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	137,870	137,870	-	
Total ALN 20.106:				-	3,257,867	3,257,867	-	

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, 2023

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	Highway Planning and Construction	20.205		-	64,953	64,953	-	2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Highway Planning and Construction	20.205		-	155,590	155,590	-	2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Highway Planning and Construction	20.205		-	743	743	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Highway Planning and Construction	20.205		-	10,616	10,616	-	2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Highway Planning and Construction	20.205		-	103,068	103,068	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Highway Planning and Construction	20.205		-	186,700	186,700	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Highway Planning and Construction	20.205		-	565	565	-	
Total ALN 20.205:				-	522,235	522,235	-	

Federal Transit Cluster

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, 2023

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 TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	2,900,725	2,900,725	-	2
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507		-	1,377,600	1,377,600	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507		-	3,130,000	3,130,000	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507		-	1,100,000	1,100,000	-	
Total ALN 20.507:				-	8,508,325	8,508,325	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Small Urban Bus ITS Equipment Upgrades)	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2021-127- 00	51,121	-	51,121	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FY 2019 & 2020 5339 Formula Replacement Paratransit Vans)	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2022-054	307,296	-	307,296	-	
Total ALN 20.526:				358,417	-	358,417	-	

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, 2023

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		
		Total Federal Transit Cluster:		358,417	8,508,325	8,866,742	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Job Access & Reverse Commute Program)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	5311 Commuter Operation Asst (PDT0248)	111,082	-	111,082	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2024-HVE-5123 -REGION 13- TARGET 0 TASK FORCE	4,000	-	4,000	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2024-FG-5011- MAKE IT HOME SAFE YAKIMA	25,070	-	25,070	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2023-HVE-4694 -REGION 13 TARGET 0	24,251	-	24,251	-	
		Total ALN 20.616:		49,321	-	49,321	-	
		Total Highway Safety Cluster:		53,321	-	53,321	-	

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, 2023

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		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-96720-215 RODS HOUSE CHIP/APRA	117,014	-	117,014	117,014	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-56104-035	454,752	-	454,752	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	4,583,548	4,583,548	530,476	
Total ALN 21.027:				571,766	4,583,548	5,155,314	647,490	
Total Federal Awards Expended:				1,305,165	18,254,126	19,559,291	1,319,421	

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, 2023**

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:

HOME ENTITLEMENT- 14.239	\$324,654	YAKIMA OPPORTUNITY HOUSING	HOME
14.239	\$156,222	YAKIMA OPPORTUNITY HOUSING	
DEPT. OF COMMERCE (CDBG-CV2)	14.228	\$165,191	PEOPLE FOR PEOPLE
DEPT. OF COMMERCE (ARPA)	21.027	\$117,014	ROD'S HOUSE (CHIP)
US Treasury (ARPA)	21.027	\$530,476	ROD'S HOUSE (GF-180)
OVW/DOJ	16.590	25864.16	Lisa Wallace

Note 7- Prior Year Adjustment

16.607 YPD Bullet Proof vest had \$4292.06 of 2022 expenses in 2023 SEFA, that were not counted in 2022 SEFA.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Yakima
January 1, 2023 through December 31, 2023

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: 2023-001	Finding caption: The City did not have adequate internal controls over financial statement preparation to ensure accurate reporting.
Name, address, and telephone of City contact person: Maria Simons, Financial Services Officer 129 N. 2nd Street, Yakima, WA 98901 (509) 575-6070	
Corrective action the auditee plans to take in response to the finding: <i>The City understands the importance of compliance with federal regulations for Federal Awards. Management is committed to improve processes and procedures over the preparation and review of the financial statements to ensure accurate reporting.</i> <i>The City's Finance department has implemented new processes to improve education and communication throughout the organization. Finance staff will provide departments with a shared location to access and review capital asset reports as of 15th April 2024. Finance staff have been approved to receive direct email correspondence for Federal Aviation Administration (FAA) project closeout letters as of 28th August 2024. Finance staff will receive continuous training and education of the City's general ledger and fixed asset software system that is essential to maintain adequate internal controls and reporting of capital assets. The vendor will be on-site to work with staff November 2024.</i>	
Anticipated date to complete the corrective action: December 1, 2024	

Finding ref number: 2023-002	Finding caption: The City did not have adequate internal controls for ensuring compliance with federal suspension and debarment requirements.
Name, address, and telephone of City contact person: Maria Simons, Financial Services Officer 129 N. 2nd Street, Yakima, WA 98901 (509) 575-6070	
Corrective action the auditee plans to take in response to the finding: <ol style="list-style-type: none"> <i>1. Create a pre-bid checklist for City staff to use to vet potential sources of supply;</i> <i>2. Add suspension and debarment verification to the Bidder Responsibility Criteria Form;</i> <i>3. Add a clause or condition into contracts that state the contractor is not suspended or debarred;</i> <i>4. Work with Information Technology on the possibility to update the Cayenta system to require requestor indicate on purchase requisition if proposed purchase is federally funded.</i> 	
Anticipated date to complete the corrective action: <ol style="list-style-type: none"> <i>1. Create a pre-bid checklist for City staff to use to vet potential sources of supply; by 12/31/2024</i> <i>2. Add suspension and debarment verification to the Bidder Responsibility Criteria Form; Completed 8/30/2024</i> <i>3. Add a clause or condition into contracts that state the contractor is not suspended or debarred; Completed 8/30/2024</i> <i>4. Work with Information Technology on the possibility to update the Cayenta system to require requestor indicate on purchase requisition if proposed purchase is federally funded; by 12/31/2024</i> 	

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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