



COMPREHENSIVE ANNUAL FINANCIAL REPORT (C.A.F.R.)

Year ended December 31, 2006

REPORT PREPARED BY:

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COMPREHENSIVE ANNUAL FINANCIAL REPORT (C.A.F.R.)

Year ended December 31, 2006

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September 25, 2007



Honorable Mayor and Members of the City Council
City of Yakima, Washington

We are pleased to submit to you this Comprehensive Annual Financial Report of the City of Yakima for the fiscal year ended December 31, 2006, as required by State Statute RCW 43.09.230. Responsibility for both the accuracy of the presented data and the completeness and fairness of its presentation, including all disclosures, rests with the management of the City of Yakima. We believe the data, as presented, is accurate in all material respects; that it is presented in conformity with GAAP (Generally Accepted Accounting Principles) and with statements issued by GASB (Governmental Accounting Standards Board). GAAP and GASB regulations are established in an effort to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all required disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial affairs have been included.

THE REPORTING ENTITY

This report includes all funds, agencies, and boards controlled by or dependent on the City of Yakima. In addition to General Government activities, the City exercises oversight responsibilities over the *Yakima Air Terminal*, which is operated under a joint operating agreement with *Yakima County*. However, *Yakima County*; *Yakima Valley Regional Library*; the *Yakima, West Valley and Union Gap School Districts*; *Yakima Health District*; *Yakima Conference of Governments*; and the *Yakima Housing Authority* have separate governmental or other entity characteristics and have substantial autonomy and, thus do not meet the criteria of GASB 39 that would determine them to be a component unit of the City.

ABOUT THE CITY

The City of Yakima, county seat of Yakima County, was incorporated in 1886 and is located in central Washington State. It encompasses 25.92 square miles in an area of rich volcanic soil. The

City is 145 miles southeast of Seattle, 200 miles southwest of Spokane, and 180 miles northeast of Vancouver, Washington. The region is served by excellent rail, highway and air transportation facilities, which have helped develop the City as the commercial and business center of Central Washington. With a 2007 population of 82,867, Yakima is the tenth largest city in the State of Washington.

The City of Yakima operates as a first class charter city under the Council/Manager form of government. The City Council consists of seven Council members, four of whom are elected from separate districts, and three elected at large. The Council chooses the Mayor, from within its own membership, every two years.

The City provides the full range of municipal services contemplated by charter or statute. These include public safety (police, fire, building), public improvements (streets, traffic signals), sanitation (solid waste disposal, sanitary wastewater utility), water and irrigation utilities, transit, community development, parks and recreation, and general administrative services.

The City of Yakima lies within Yakima County in the fertile Yakima River Valley. Apples, cherries, pears, grapes, and other fruits, plus a wide variety of field crops and vegetables make the Yakima Valley one of the top agricultural producing areas of the nation. Agriculture crops stretch over 350,000 acres and produce over thirty types of fruits and vegetables. Irrigation in the valley is made possible from water from the U.S. Bureau of Reclamation's Yakima Project. With its farm production base, the Yakima area is also a major food-processing region.

Adding to the area's economy are over 250 manufacturing firms in the Yakima area that produced a variety of products including wood products, packaging, plastic products, clothing, farm implements, aircraft parts and recreational vehicles.

- *Snokist*, officially formed in the Yakima Valley in 1965, packs apples, cherries, apricots, prunes, plums and pears within the Yakima Valley and employs more than 350 people.
- *Shields Bag and Printing*, originating in 1935, has grown from a small town printer to a leader in the flexible packaging industry. Currently, *Shields* employs approximately 500 people.
- *Longview Fibre Company*, a manufacturer of paperboard, has been located in the Yakima area for over twenty years and employs approximately 140 people.
- *Smiths Aerospace Actuation Systems* located in Yakima, a primary manufacturer of hydraulic equipment for the aerospace industry. The Yakima plant, with approximately 325 people, focuses on landing gear and hydraulic systems.
- *Irwin Research and Development* located in Yakima, a primary manufacturer of polystyrene packaging machinery for the food industry. The company has operated in Yakima for over 20 years and employs approximately 200 people.

TRANSPORTATION – Yakima is serviced by air, rail and Interstate Highway systems. Both *Greyhound Bus* and the *Burlington Northern Santa Fe Railroad* have regular service schedules to/from Yakima. Commercial airline service is provided by *Horizon Air* and beginning in 2007, *Delta Airlines*,

through the Yakima Air Terminal. The air, rail and highway systems in the Yakima Valley provide critical, high quality services to our agricultural, industrial, commercial and tourism based businesses.

HOSPITALS – (1) The *Yakima Valley Memorial Hospital* in-patient services include Cardiology, Critical Care, Orthopedics, the Family Birthplace, Pediatrics Unit, Neonatal Intensive Care, Surgery, Psychiatric Health Care, Respiratory Therapy, as well as a Laboratory and a Pharmacy and maintains a staff of approximately 1500 employees. (2) *Yakima Regional Medical and Cardiac Center* provides a full complement of medical services, including open-heart surgery, state-of-the-art neurosurgery, a 17-bed CARF accredited inpatient rehabilitation unit, a newly renovated and expanded 21-bed emergency department, a level III trauma designation, an on-campus MRI service and over 900 employees.

CANCER CARE CLINIC – The *North Star Lodge* is a 36,000 square foot, \$7.5 million outpatient Cancer Center. In 2005, it merged with *Internal Medicine Associates Regional Cancer Care Center*, the combined facility now offers services beyond what many major medical centers offer. The innovative and comprehensive cancer care offered at North Star Lodge allows Central Washington cancer patients the same innovative treatments available at major cancer centers throughout the country -- without leaving Yakima. At North Star, quality care is a unique blend of technology, expertise and compassion, wrapped up in a distinctly beautiful environment, specifically designed for healing.

MUSEUM – The 65,000 square foot *Yakima Valley Museum* was recently remodeled, both inside and out. The \$4,000,000 project added 4,500 square feet of space to the interior, and gave the front of the building a new look. Historical exhibits about the Yakima Valley, including its natural history, American Indian culture, pioneer life, early city life, and information regarding the Yakima Valley's agriculture history are available, as well as the Museum Soda Fountain, a functioning replica of a late 1930's Art Deco soda fountain.

ECONOMIC DEVELOPMENT – The non-profit *Yakima County Development Association (New Vision)*, originally funded with \$1,000,000 in donations from local business and industry, has made tangible progress over the years in business expansion, industrial recruitment, development of new business ventures and infrastructure development with broad public and private sector involvement. In the past six years, eleven companies have relocated or expanded to the Yakima Valley. These companies have invested over \$70 million in new facilities and created over 1,500 new jobs.

HIGHER EDUCATION – There are several higher education institutions serving the Yakima area. *Yakima Valley Community College (YVCC)* in Yakima and Grandview is a two-year institution founded in 1928, which offers over 200 academic programs. In addition, *Central Washington University*, *Washington State University*, *Eastern Washington University*, and *University of Washington* all offer four-year degree programs on the YVCC campus. *Heritage University* is located a few miles west of Yakima, and is an accredited four-year liberal arts college. *Perry Technical Institute* offers a nationally recognized vocational/technical program and is accredited by ACCSCT (Accrediting Commission of Career Schools and Colleges of Technology).

TOURISM – Yakima is a popular location for sports events, conventions and a variety of tourism activities due to its dry climate, approximately 300 days of sunshine annually, and convenient central location in the State. In addition, Yakima is located within an hour’s drive of abundant recreational activities available in the beautiful Cascade Mountains. Yakima’s easy access to skiing, hiking, mountain climbing, and rock climbing in the Cascades , as well as hunting, fishing and water skiing in the greater Yakima area, provide numerous recreation opportunities in both summer and winter, including the spectacular Mt. Rainier National Park.

A growing industry bringing increasing numbers of tourists to the Yakima Valley is our magnificent vineyards and wineries. Yakima is fast becoming known as the “Gateway to Wine Country.” There are over thirty wineries located in the Yakima Valley, and many of our area wines have received significant recognition and awards.

Recreational opportunities are plentiful in Greater Yakima. A total of 31 parks are located within the City, providing 265 acres that are developed and in use. In 2006, the City operated two swimming pools – one outdoor and one indoor, along with two new water playground areas. In addition, there are two public and one private 18-hole golf courses, three nine hole courses and 26 public tennis courts. There are also six little league fields and eight softball fields – five of which have lighting. For soccer enthusiasts, the JMPerry Complex has fields that can be configured into either ten youth or six full size soccer fields.

Facilities within the area which provide for various convention, sports and other tourism related activities include:

- The *Yakima Convention Center* has an impressive 41,000 square feet of meeting space available. The fully carpeted, column free, 23,400 square foot Grand Ballroom can be divided into eight separate rooms and the new South Ballroom can be divided into six separate rooms, allowing many possible variations to fit specific needs.
- The *Yakima Valley Sun Dome*, a multi-purpose trade and convention center with 56,000 square feet of usable space and seating for up to 8,000 people. The *Sun Dome* is available for meetings, concerts, trade shows and indoor sporting events. It is home to the *Yakima Sun Kings*, a *Continental Basketball Association* (CBA) team and regularly hosts many state-wide, regional and high school sporting events.
- The *Yakima Baseball Stadium* is home to Yakima’s own minor league baseball team, the *Bears*, whose home stadium seats 3,000 and is located, along with the *Sun Dome*, at the *State Fair Park*.
- The *Capitol Theatre*, a magnificent and historical theatre originally built in 1920, seats 1,500 and holds numerous live performances annually.

THE “FUTURE”

ECONOMIC IMPROVEMENT – The City Council has identified Economic Development as one of the highest priorities for the City. The recent expansion / remodel of the *Convention Center* and *Sun Dome* as well as the addition of a new visitors center are all positive influences on the local tourism industry. The Yakima Valley is also emerging as a world-class wine producing area. The City continues to seek out opportunities to create economic growth in our region.

- Yakima has been designated a *Federal Renewal Community*, through 2009 (one of only two communities in the Northwest). This designation carries significant tax incentives for business investment that creates new jobs.
- Yakima has participated in a *Housing and Urban Development (HUD) Section 108 Loan / Grant Program* for businesses located in the Target Area. The program is designated to provide financial assistance in the form of a HUD loan to help fund start up or expansion costs for businesses who create a set level of new jobs. The City of Yakima is currently authorized for up to \$7 million. To date, 4 businesses have benefitted from this program through the year ending 2006.

GENERAL GOVERNMENT – The 2007 General Fund budget is balanced within available resources. However, the continued escalation in costs for public safety programs, mandated State and Federal costs, and other non-discretionary operating expenses makes balancing the budget a greater challenge each year. The local economy has been in a stressed state for several years and voter action to reduce taxes statewide has created additional challenges to the City’s ability to continue to provide essential services. Long-term allocation of General Government Resources (General Fund, Parks and Streets) continues to be of primary budgetary focus.

UTILITIES/ENTERPRISE FUNDS – In the area of utilities and enterprise operations, planning and improvement costs are driven primarily by unfunded State and Federal mandates and the need to upgrade aging facilities. The cost of these mandates and facility improvements are paid for through customer rates.

LEGISLATIVE CHANGES – In recent years voter approved initiatives have negatively affected governments in Washington State. The City’s management staff and policy makers recognize the challenges many of these initiatives will continue to have on our ability to balance future budgets. Additionally, the voters strong desire, as indicated in recent State and local elections, not to raise taxes (i.e. government revenues) significantly adds to the difficult challenges of balancing our budget within available resources while maintaining existing critical and core services to our community. Staff and City Council will continue to work closely with our state and federal legislative representatives to inform them of, and to promote, legislative changes necessary to help maintain the safety and security of our citizens and reduce the fiscal pressures on local government.

FORMAT OF REPORT

This report has been prepared in conformance with Generally Accepted Accounting Principles, including Governmental Accounting Standards Board pronouncement #34, which became effective for the City of Yakima in 2003. This report presents financial data at a city-wide level and incorporates increasing levels of detail as necessary to report the financial position and operating results of the City's individual funds, to demonstrate compliance with finance-related legal and contractual requirements and to assure adequate disclosure at both the individual fund level and on a City-wide basis.

This report is divided into three sections:

- The Introductory Section, which provides general information on the City's structure and personnel as well as information useful in assessing the City's financial condition.
- The Financial Section, which contains the basic financial statements and required supplementary information (including management's discussion and analysis), as well as the independent auditor's report. The financial section also provides information on each individual fund for which data is not reported separately in the basic financial statements.
- The Statistical Section, which provides a broad range of trend data covering key financial indicators from the past ten fiscal years. It also contains demographic and miscellaneous data that may be useful in assessing the City's financial condition.

ACCOUNTING SYSTEM AND POLICIES

The City's financial statements for governmental funds (General, Special Revenue, Debt Service, and Capital Project) have been prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles. Revenues on this basis are recognized when measurable and available to finance current expenditures; expenditures are recognized when goods and services are received and liabilities when due and payable. The City's proprietary funds (enterprise and internal service) and its Fire Pension Fund are accounted for on the accrual basis. Revenues on the accrual basis are recognized when earned and expenses are recognized when incurred.

All cities and counties of the State of Washington must comply with the system of budgeting, accounting and reporting prescribed by the Office of the State Auditor under the authority of State Statutes RCW 43.09.200 and 43.09.230. Annual financial reports are submitted to the State for review and the State Auditor's office conducts audits every year of cities our size. In addition, the City of Yakima maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and transactions are executed in conformance with management authorization and ensure that all transactions are recorded properly to permit the preparation of financial statements in accordance with both governmental and accounting financial reporting principles and generally accepted accounting principles.

The concept of reasonable assurance requires evaluation and judgment by management in order to determine if the cost of control exceeds the benefits likely to be derived. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. In order to provide credible and timely information in the most efficient manner, accounting policies, procedures and systems, along with internal controls are constantly monitored and revised to meet changing needs and regulations.

BUDGETARY CONTROLS

The City prepares and adopts a modified program budget in accordance with Chapter 35 of the Revised Code of Washington. Additional detailed financial statistics are provided in the budget document by service units for sub-functions of basic activities.

The budget is reviewed and approved annually by the City Council. Preliminary requests for funding are submitted by the various City departments to the City Manager, based on stated guidelines and management policies. In addition, for any new programs or staff position requests, departments are required to submit a separate, detailed request in the form of a "policy issue". The policy issue must include a description of what is being requested, why it is needed, the consequences of not implementing the policy issue and any impact (positive or negative) on revenue (by funding source) and expenditures. The financial worksheets are then compiled which details actual data for the prior year; the budget as revised, if applicable, for the current year; year to date actual data and preliminary data for the coming budget year. Meetings are held with each department to analyze the requests, identify city-wide priorities and determine what level of expenditures the projected revenues will support. A balanced Preliminary Budget is then finalized and submitted to the City Council for consideration.

At least sixty-days prior to the beginning of the next fiscal year, the Budget is filed with the City Clerk and submitted to the City Council for their review, with copies of the document made available to the general public. The Council review is accomplished through a series of public workshops during which Council reviews each department's proposed budget; asking questions, clarifying issues, addressing concerns, etc. Public hearings are held at which time the citizens may provide testimony to the City Council. As a result of this process, the Council makes any changes to the budget they deem appropriate, subject to legal limitations, and approves the final budget prior to December 31st, as required by State law.

As part of this process, the City Council approves the general property tax levy for the ensuing year. The City's general property tax levy for 2006 was \$14.1 million (and is \$14.3 million for 2007).

(Note: Prior to 2002, Council had legal authorization to declare "substantial need", if appropriate, and levy up to 106% of the City's largest regular tax levy for the prior three years, plus annexations to the City and the value of new construction. In November 2001, Washington State voters approved Initiative 747, which eliminated Council's previous authority to declare a "substantial need" and limited annual property tax increases to 101% of the previous year's levy or the percentage increase in the Implicit Price Deflator for consumer goods, whichever

is less, plus annexations to the City and the value of new construction. Additionally in 2006, the citizens of the City voted to join the Yakima County Rural Library District. Because of this annexation, the Library District will receive a direct Property Tax allocation of up to \$.50 per thousand starting in 2007. This will reduce the City's maximum rate of \$3.60/1,000 by the Library's actual levy, up to \$.50/1,000.

During the budget year, amendments may be made to the budget with City Council approval in the form of an appropriation ordinance. Washington State law requires that the budget be adopted and expenditure limitations controlled by fund. Transfers of appropriations, within funds, may be authorized by the City Manager.

CASH MANAGEMENT

All cash-related transactions for the City of Yakima are administered by the Department of Finance and Budget. City cash is deposited to a single concentration banking account. Cash expenditures are paid from consolidated warrant clearing account(s). In accordance with City Council adopted policies, temporarily idle cash is invested in: U.S. Treasury and Agency issues; Banker's Acceptances and high quality Commercial Paper sold on the secondary market; and other fixed income securities. City policies require the City to minimize counterparty risks by safekeeping all purchased securities and conducting all trades on a delivery versus payment (DVP) basis. A quarterly Treasurer's report is prepared by the Finance Department and submitted for review and approval by the City Council.

The amortized cost of investments held in the combined portfolios under the control of the Department of Finance and Budget as of December 31, 2006 was \$53 million. At the balance sheet date, the City was holding \$1.2 million face value in floating-rate and/or mortgage-backed (CMO) securities; the current principal balance is approximately \$24,000. These holdings represent only minimal market rate risk and are not expected to adversely affect the liquidity or performance of the portfolio as a whole. The City is not involved in any other floating rate, derivative, or swap transactions that have not been disclosed as of the balance sheet date. We feel the safety and liquidity of taxpayer dollars is reasonably protected from off-balance sheet risks. Earnings on these investments during 2006 totaled approximately \$2.5 million dollars.

GENERAL OBLIGATION – LONG-TERM DEBT

Washington State law provides for maximum general obligation debt limit capacities in three defined areas. At December 31, 2006, the remaining capacities were (a) \$96.2 million for General Government, (b) \$114.7 million for park and open space, and (c) \$114.7 million for utilities. Respectively, these amount to 2.1%, 2.5%, and 2.5%, of the City's 2006 assessed valuation (upon which they are calculated). While the City's general obligation debt limit (for general purposes) is \$114.7 million, its actual general obligation debt totals only \$18 million or 15.7% of that legally allowed.

The general obligation debt position, the ratio of net general bonded indebtedness to assessed valuation, and the amount of bonded debt per capita of the City at December 31, 2005 and 2006, was as follows:

DEBT RATIOS

	2005	2006
Ratio of Bonded Debt to Assessed Value	0.45%	0.38%
Bonded Debt Per Capita	\$229	\$209
Summary of Bonded Indebtedness:		
Gross Bonded Indebtedness Outstanding January 1	19,830,097	19,365,097
Add: New issues	755,000	0
Deduct: Bonds Redeemed	(1,220,000)	(1,325,000)
Gross Bonded Indebtedness Outstanding December 31	19,365,097	18,040,097
Less: Debt Service Funds	(723,611)	(751,318)
Net Bonded Indebtedness at December 31	\$18,641,486	\$17,288,779

RISK MANAGEMENT AND EMPLOYEE BENEFIT PROGRAMS

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 miscellaneous insurance coverages.

UNEMPLOYMENT COMPENSATION – In 1978, the City of Yakima established an Unemployment Compensation Reserve Fund to provide unemployment compensation coverage for employees and elected to participate in a cost reimbursement program with the State of Washington, instead of a monthly premium program. In doing so, the City retained its right to appeal awards and determinations made by the State Department of Employment Security. The City has contracted with Tax U.C. Express to represent the City in appeal hearings, and to provide audits of State awards.

MEDICAL AND DENTAL – The City, in August 1979, self-insured its medical and dental programs for all employees other than temporary employees and employees hired to work less than half-time. The City's Human Resources Division administers the self-insured program and Healthcare Management Administrators, Inc provides claims payment services. In order to avoid catastrophic losses, the City "reinsures" the program by purchasing insurance known as "stop-loss" insurance. In 2006, stop loss coverage was up to \$150,000 per year per individual. Additionally, there is an aggregate stop-loss to protect the City from multiple large claims; this limit is 125% of projected annual claims.

WORKER'S COMPENSATION – The City self-insured its Workers' Compensation Program for all employees (except those covered by the LEOFF I 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 Division and Nova Pro Risk Solutions provides claims administration and safety services. In order to avoid catastrophic losses, the City "reinsures" the program by purchasing insurance known as "stop loss" insurance under which the City is liable for the first \$500,000 of claims and insurance covers the next \$500,000 of claims resulting from a specific accident; the maximum coverage for any calendar year is \$1 million per claim.

THE RISK MANAGEMENT RESERVE FUND was established in 1986 when the City elected to self-insure the liability exposure portion of its insurance program. Resources accrue to the fund through charges to the City's Operating Funds for insurance coverage and the building and replenishment of reserves for potential liability claims. The fund provides for administration, legal services, claims adjustment, and for the purchase of property and other miscellaneous insurance coverages. In 2005, the City joined the Cities Insurance Association of Washington (CIAW) insurance pool. The City's general liability coverage is \$15 million insured by St. Paul Travelers with a \$100,000 deductible. The City also joined the Washington State Transit Insurance Pool (WSTIP) in September 2005. The deductible for the Transit division for this program is \$5,000 with \$12 million general liability coverage.

SUMMARY

- Refer to the 2006 Organizational Chart on the next page
- Refer to the list of City Council members and Executive Management on the following page.

CITY OF *Yakima*

2006 ORGANIZATIONAL CHART





CITY OF *Yakima*

CITY COUNCIL

Dave Edler
Neil McClure
Ron Bonlender
Susan Whitman
Norm Johnson
Micah Cawley
Bill Lover

Mayor District 2
Assistant Mayor District 1
District 3
District 4
At Large, Position 5
At Large, Position 6
At Large, Position 7

CITY MANAGEMENT EXECUTIVES

Richard A. Zais, Jr.
Dave Zabell
Ray Paoletta
Rita DeBord, CPA
Bill Cook

Sam Granato
Dennis Mayo
Chris Waarvick

City Manager
Assistant City Manager
City Attorney
Director of Finance
*Director of Community and
Economic Development*
Police Chief
Fire Chief
Director of Public Works

129 North Second Street
Yakima, WA 98901
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INDEPENDENT AUDIT

Washington State Statute RCW 43.09.260 requires that an audit of the books of account, financial records, and transactions of all administrative departments of the City be conducted at least once every three years by the State Auditor's Office. However, it is the practice of the State Auditor to conduct annual audits of cities the size of Yakima on an annual basis. Enclosed is a copy of the State Auditors' opinion related to their 2006 audit of the enclosed financial statements. The City of Yakima has received an unqualified opinion on our 2006 financial statements (refer to the Auditor's opinion in the front of the Financial Section, herein).

ACKNOWLEDGMENTS

Preparation of this report could *not* have been accomplished without the professional and dedicated services of the Finance and Information Systems staff. The assistance of the Examiners from the Office of the State Auditor is also gratefully acknowledged.

Further, appreciation is extended to the City Council for their encouragement, interest and support in conducting the financial operations of the City in a sound and progressive manner.

Respectfully submitted,

Richard A. Zais
City Manager

Rita M. DeBord, CPA
Director of Finance and Budget

Cindy Epperson
Financial Services Manager

Timothy M. Jensen
Treasury Services Officer

Edna Pettyjohn, CPA
Accountant

Jeanne Thompson, CPA
Accountant

Debbie Baldoz
Accountant



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

September 25, 2007

Council
City of Yakima
Yakima, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Yakima, Yakima County, Washington, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the City of Yakima's 2005 financial statements and, in our report dated August 31, 2006, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Yakima, Yakima County, Washington, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Community Development Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

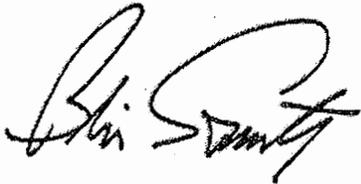
The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2005, from which such partial information was derived.

The management's discussion and analysis on pages 3 through 20 and pension trust information on page 88 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements for non-major governmental funds and internal service funds on pages 89 through 140 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory Section, Capital Assets on pages 141 through 145, Supplementary Information – State Required Data on pages 146 through 158, and the Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is stylized and cursive.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Yakima's discussion and analysis offers readers of the City's financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The total assets of the City of Yakima exceeded its liabilities at December 31, 2006 by \$196 million dollars. Net assets invested in capital (net of depreciation and related debt) account for 83% of this amount, with a value of about \$162 million. Of the remaining net assets, \$26.7 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- The City's total net assets increased by \$15 million. Over \$11 million was the result of capital grants and donations.
- As of December 31, 2006 the City of Yakima's governmental activities reported combined ending net assets of over \$86.7 million, an increase of \$9.5 million in comparison with the prior year. Of that amount, \$72.8 million was invested in capital assets, almost \$4.4 million was legally restricted for specific projects or programs, and almost \$9.5 million was available for spending at the government's discretion.
- Unreserved fund balance for the General Fund was \$9.1 million dollars at December 31, 2006. This balance represents 22.3% of total General Fund expenditures.
- The City of Yakima's total long-term debt at December 31, 2006 was nearly \$65.9 million (about \$30.9 million in Governmental Activities, and \$35 million in Business-Type Activities), with a remaining capacity for non-voted General Obligation debt at \$52 million. Total debt decreased by \$3.4 million during the current fiscal year. There were no new bonded debt issues in 2006.

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 assets 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 signification portion of their costs through user fees and charges (referred to as “business-type activities”). The governmental activities of the City of Yakima include a full range of local governmental services provided to the public, such as public safety (police, municipal court, fire, and building); public improvements (streets, traffic signals); parks and recreation; community development, and general administrative services. The business-type activities of the City of Yakima include sanitation (solid waste disposal and wastewater treatment); potable and irrigation water systems; and transit.

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

THE STATEMENT OF ACTIVITIES (CHANGES IN NET ASSETS) presents information showing how the government’s net assets changed during 2006. 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 assets 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 2006, 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 2006.

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 separate columns of financial data for the General Fund and the Community Development Fund, 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 non-major governmental funds is provided in the form of combining statements, outside of the basic financial statements.

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

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

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

PROPRIETARY FUNDS

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

Proprietary fund statements follow the governmental fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the Proprietary Fund Statement of Net Assets to the business-type column on the Government-Wide Statement of Net Assets, you will notice that the total net assets 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 non-major proprietary funds is provided in the form of combining statements. The proprietary fund combining statements follow the governmental fund combining statements in this report.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Yakima's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Yakima has one fiduciary fund for Firefighter pensions. The basic fiduciary fund financial statements can be found following the proprietary fund financial statements, pages 42-43.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET ASSETS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Yakima's net assets total \$196 million at December 31, 2006. The following table reflects the condensed Government-Wide Statement of Net Assets with comparative totals for 2005.

NET ASSETS

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and Other Assets	\$40,992,073	\$39,485,030	\$33,805,359	\$39,588,094	\$74,797,432	\$79,073,124
Capital Assets	92,016,437	84,304,653	115,903,561	106,451,588	207,919,998	190,756,241
Total Assets	\$133,008,510	\$123,789,683	\$149,708,920	\$146,039,682	\$282,717,430	\$269,829,365
Liabilities:						
Payables and Other Liabilities	\$15,350,402	\$14,383,752	\$5,728,054	\$6,049,615	\$21,078,456	\$20,433,367
Long-term Liabilities Outstanding	30,910,167	32,149,342	34,995,745	37,130,960	65,905,912	69,280,302
Total Liabilities	\$46,260,569	\$46,533,094	\$40,723,799	\$43,180,575	\$86,984,368	\$89,713,669
Net Assets:						
Inv. in Cap. Assets, Net of Rel. Debt	\$72,841,667	\$63,513,417	\$89,124,179	\$85,545,887	\$161,965,846	\$149,059,304
Restricted	4,407,375	4,792,240	2,705,125	2,700,600	7,112,500	7,492,840
Unrestricted	9,498,899	8,950,932	17,155,817	14,612,620	26,654,716	23,563,552
Total Net Assets	\$86,747,941	\$77,256,589	\$108,985,121	\$102,859,107	\$195,733,062	\$180,115,696

The City of Yakima's total assets stand at almost \$283 million as of December 31, 2006. Of this amount, almost \$208 million is accounted for by capital assets, which includes some infrastructure and construction in progress. Prior to 2003, infrastructure (roads, bridges, drainage systems, etc.) was not included in capital asset reporting for governmental activities. The new GASB Statement #34, implemented with the City's December 31, 2003 Financial Statements, requires that all capital assets, including infrastructure, be reported. Out of \$92 million in capital assets reported in Governmental activities at December 31, 2006, \$45 million (49%) is accounted for by infrastructure acquisitions (including the right-of-way land associated with these projects). It should be noted that this represents a partial implementation of accounting for infrastructure; only historical cost of street projects for the last 20 years is included. GASB #34 allows for a delayed implementation of infrastructure reporting, and the City intends to fully report all infrastructure within the guidelines and time lines set forth by the pronouncement.

Of the remaining City assets, approximately \$54.6 million were accounted for in cash, cash equivalents, and investments, \$13.2 million in accounts receivable, \$6 million in notes receivable, and \$1 million spread among miscellaneous assets.

At December 31, 2006 the City had outstanding liabilities of \$87 million, with \$66 million in long term liabilities. Of the long term liabilities, \$4.5 million was due within a year, with the remainder due over an extended period of time. Refer to the notes to the financial statements (Note 7) for a more in depth discussion of long term debt.

Included in "Payables and Other Liabilities", for total Governmental and Business-Type activities, in the table on the previous page, are \$6.8 million in deferred revenue, \$9.4 million in accounts payable, and \$4.8 million in accrued liabilities.

The largest portion of the City's net assets (82.7%) reflects its investment in capital, less any outstanding related debt used to acquire those assets. The City's capital assets, which are used to provide services to citizens, are investments in capital and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 3.6% of the City's net assets are subject to external restrictions on how they may be used (restricted by the Revised Code of the State of Washington or by contractual agreements with parties outside of the primary government). The remaining balance of \$26.7 million (unrestricted net assets), represents the amount that may be used to meet the City's ongoing obligations.

At December 31, 2006 the City of Yakima reports positive balances in all three categories of net assets, for the government as a whole, as well as for governmental activities and Business-type activities.

THE STATEMENT OF ACTIVITIES (CHANGES IN NET ASSETS)

The City of Yakima's total net assets increased by \$14.6 million in 2006. Net assets for governmental activities increased by \$9.5 million while business-type activities increased by \$5.1 million.

Total revenues for the City of Yakima were \$104.7 million in 2006. Governmental activities provided \$67.2 million (64%), while business-type activities added about \$37.4 million (36%).

Expenses for the year totaled almost \$89.3 million, with Governmental Activities accounting for about \$60.1 million or 67.3% and Business-type activities accounting for \$29.2 million or 32.7%. Key elements in changes in net assets are shown in the following table.

CHANGES IN NET ASSETS

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues						
Charges for Services	\$5,726,691	\$5,268,866	\$27,566,558	\$25,899,080	\$33,293,249	\$31,167,946
Operating Grants & Conts	5,235,180	5,133,664	2,800,648	3,102,508	8,035,828	8,236,172
Capital Grants & Contributions	9,300,451	3,921,071	1,912,037	2,386,711	11,212,488	6,307,782
General Revenues						
Property Tax	13,264,660	12,435,395	0	0	13,264,660	12,435,395
Sales Tax	17,113,489	15,689,755	4,510,944	4,234,263	21,624,433	19,924,018
Other Taxes	12,137,042	11,515,534	0	0	12,137,042	11,515,534
State Entitlements	3,496,905	2,953,049	0	0	3,496,905	2,953,049
Other	972,051	792,858	656,397	559,834	1,628,448	1,352,692
Total Revenues	67,246,469	57,710,192	37,446,584	36,182,396	104,693,053	93,892,588

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2006	2005	2006	2005	2006	2005
Expenses:						
General Government	7,336,009	7,380,940	0	0	7,336,009	7,380,940
Security of Persons and Property	32,058,638	30,221,979	0	0	32,058,638	30,221,979
Physical Environment	1,339,013	1,231,940	0	0	1,339,013	1,231,940
Transportation	6,820,836	5,962,249	0	0	6,820,836	5,962,249
Economic Environment	3,937,207	3,746,850	0	0	3,937,207	3,746,850
Mental & Physical Health	17,569	43,278	0	0	17,569	43,278
Cultural & Rec Environment	7,819,643	7,600,877	0	0	7,819,643	7,600,877
Interest on Long-Term Debt	814,870	809,068	0	0	814,870	809,068
Transit	0	0	6,768,564	6,282,080	6,768,564	6,282,080
Refuse	0	0	3,175,948	3,154,231	3,175,948	3,154,231
Wastewater	0	0	11,545,165	11,172,540	11,545,165	11,172,540
Water	0	0	5,044,091	4,921,257	5,044,091	4,921,257
Irrigation	0	0	1,571,861	1,644,801	1,571,861	1,644,801
Total Expenses	60,143,785	56,997,181	28,105,629	27,174,909	88,249,414	\$84,172,090
Increases in Net Assets Before						
Non-operating Sources (Uses)	7,102,684	713,011	9,340,955	9,007,487	16,443,639	9,720,498
Gain/loss on Sale of Capital Assets	222,218	256,750	100,254	(55,673)	322,472	201,077
Transfers	2,166,461	2,949,900	(3,315,205)	(3,171,182)	(1,148,744)	(221,282)
Debt Issue Cost	0	4,247	0	0	0	4,247
Change in Net Assets	9,491,363	3,923,908	6,126,004	5,780,632	15,617,367	9,704,540
Net Assets - Beginning	77,256,582	73,332,683	102,859,105	97,078,473	180,115,687	170,411,156
Net Assets - Ending	\$86,747,945	\$77,256,591	\$108,985,109	\$102,859,105	\$195,733,054	\$180,115,696

GOVERNMENTAL ACTIVITIES

Within governmental activities, tax revenue accounted for 63.2% of total revenue sources, with grants and contributions accounting for 21.6%. The remaining 15.2% of revenue was provided by charges for services, interest income, and miscellaneous revenues. (Note: the revenue indicators in the following charts do not include one-time only financing sources, such as proceeds from new debt or the sale of assets.)

Governmental activities increased net assets by \$9.5 million or 23%. Significant fluctuations in revenue are as follows:

- Capital Grants & Contributions increased \$5.4 million from 2005 to 2006. The City was successful in obtaining a state grant of about \$5 million to make major improvements to the downtown corridor and historic district, including sidewalk, lighting and beautification components. Other arterial street projects make up the majority of the balance of the total \$9.3 million in this account.

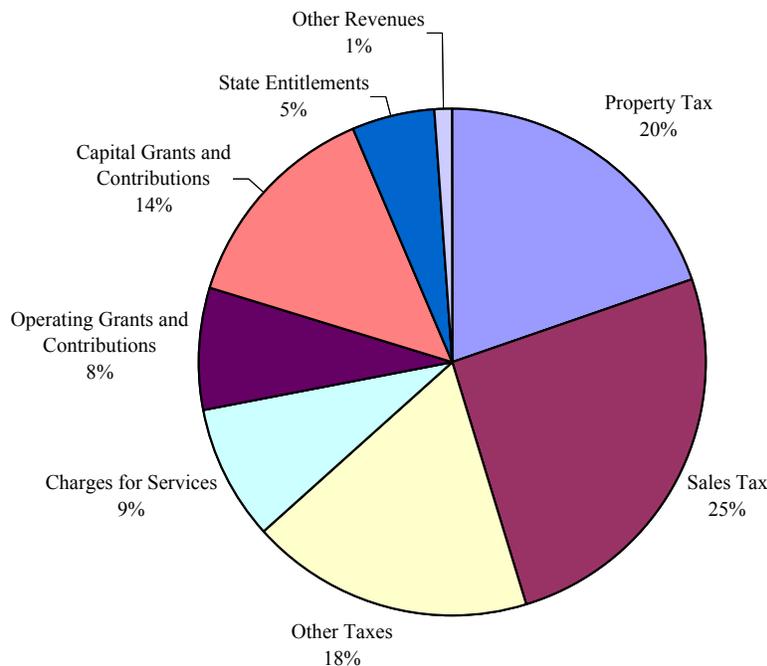
- Sales tax increased \$1.4 million or 9.1% during the year. About one-third of this increase can be attributed to a new County-wide sales tax for criminal justice purposes approved by voters in November 2004, which was imposed April 1, 2005. A large portion of the remaining increase was generated by new construction and sales of durable goods, which were precipitated by the low interest rate environment; recent annexations that are experiencing infill; and the City’s designation as a Federal Renewal Community, which provides tax benefits for capital improvement for job creation.
- Other Taxes experienced an increase of \$.6 million or 5.4% from 2005 to 2006. This account consists primarily of utility taxes, which were affected by annexations of about 1,240 households in late 2005 and early 2006. Generally, utility taxes exhibit change as a function of usage (i.e. weather patterns), and rate adjustments.

The largest program expenses consist of Security of persons and property (public safety), general government and cultural and recreational environment, respectively. These programs accounted for 78.5% of total governmental expenses.

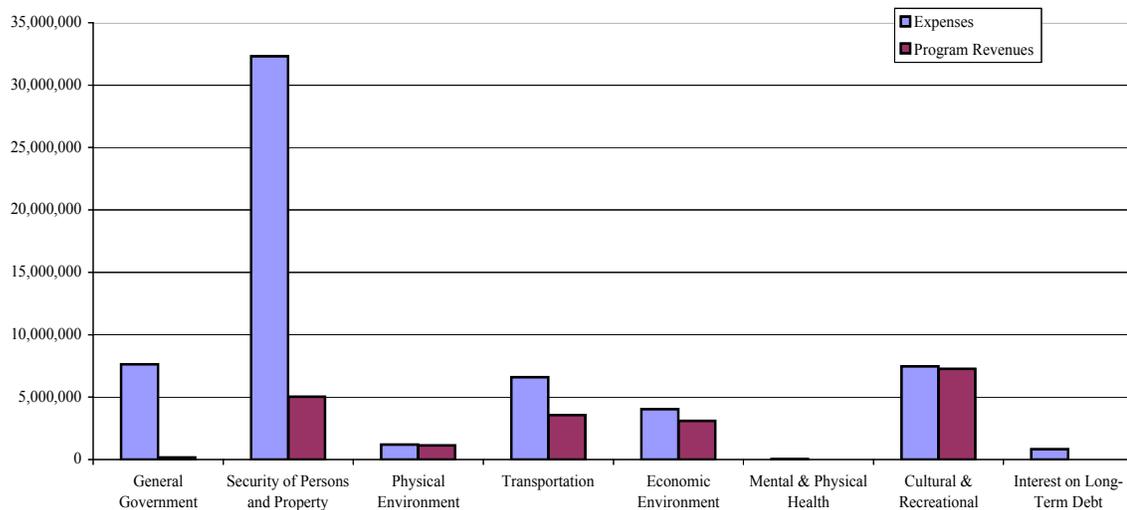
For the most part, changes in expenses corresponded with inflation. Security of Persons and Property demonstrated an increase of \$1.8 million or 6.1% primarily due to the programmatic costs related to new or enhanced Criminal Justice services provided as a result of the new voter approved criminal justice sales tax (mentioned above). Transportation increased by \$.86 million or 14.4% to meet new service demands in new annexation areas.

Following are graphs which illustrate revenue by source and expenditures by program for governmental funds in 2006.

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



BUSINESS-TYPE ACTIVITIES

Of the \$374 million in business-type revenues, 74% 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 \$1.2 million or 3.5% over 2005.

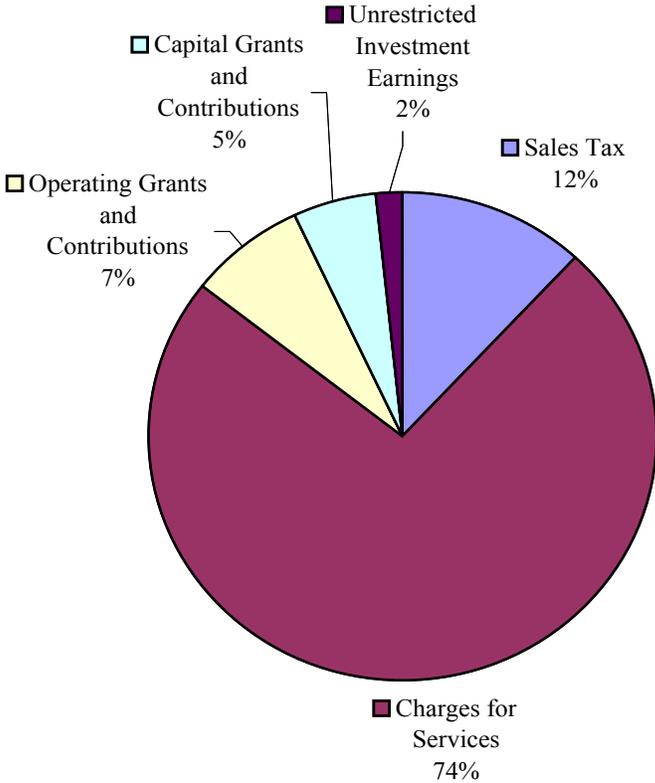
Business type revenues and expenses experienced the following fluctuations:

- Charges for Services increased by \$1.7 million or 6.4%, because of a combination of rate increases (5% for Refuse and 12% for Water), and additional connections in both wastewater and water utilities resulting both in the one time fees and new on-going accounts.
- Transit expenses demonstrated an increase of \$486,000 or 7.7% primarily because of additional services provided to neighboring communities and annexation areas.

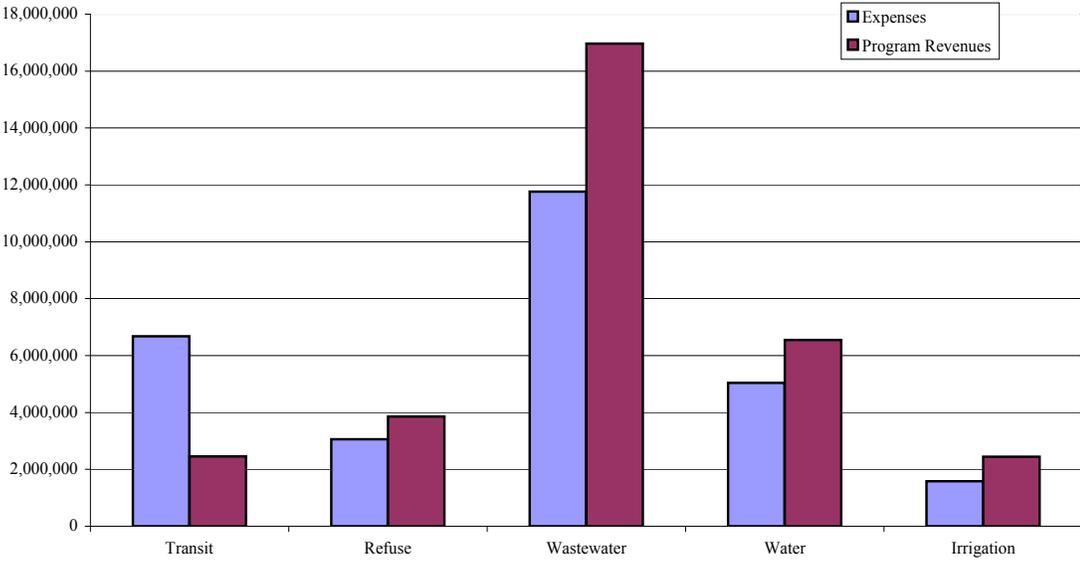
Of the \$28 million in business-type expenses, 41.1% are associated with the wastewater program and 24.1% with transit; domestic water programs represent about 18.0%, refuse 11.3% and irrigation 5.6%.

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 (74%) of revenue in these funds. The only fund that does not rely heavily on charges for service is the Transit fund, which is subsidized by a voter-approved local option sales tax of 0.3% and a federal operating grant.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

GOVERNMENTAL FUNDS ANALYSIS

The General Fund and the Community Development Fund (which administers the City's Community Development Block Grants), are the City's major funds (as defined in GASB #34) in 2006. Together these funds account for 58.4% of total governmental fund assets and 45.5% of total governmental fund balances.

The focus of the City of Yakima's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved 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, 2006, the City's governmental funds reported combined fund balances of about \$21.5 million. Of this total amount, about \$17.3 million (80%) is unreserved and available for spending within these funds. Reserved fund balance of \$4.2 million is not available for new spending because it was previously committed to; liquidate contracts and purchase orders of the prior period (\$2 million); pay debt service (\$.9 million); generate income to pay for the perpetual care of the municipal cemetery (\$.54 million); and for a variety of other restricted purposes (\$.8 million).

The General Fund is the chief operating fund of the City of Yakima. At the end of the 2006 fiscal year, unreserved fund balance of the General Fund was \$9.1 million, while total fund balance is about \$9.5 million. Unreserved fund balance is about 22% of total general fund expenditures (which represents about a 2.6 month reserve). Total assets in the General Fund amounted to \$13.7 million, accounting for 39.5% of total governmental fund assets.

The fund balance of the City of Yakima's General Fund increased by \$560,000 during the current fiscal year. Inflationary increases in insurance rates, including medical, property and liability; equipment; utilities; jail costs; state retirement system rates and fuel were slightly more than offset by growth in sales and utility taxes (as described above).

The General Fund accounts for 59% of all governmental fund revenue and 41% of all expenditures.

The Community Development fund performed as expected, showing a \$90,000 loss in fund balance in 2006.

Other governmental funds ended with a net decrease in fund balances of \$.6 million. While most funds had modest changes in fund balance, most of this decrease can be attributed to the use of capital reserves for the expansion of a fire station, the purchase of technology for police vehicles (i.e. video cameras and mobile data terminals), and emergency repairs to the Capitol Theatre roof.

ENTERPRISE FUNDS ANALYSIS

All of the enterprise funds of the City of Yakima, including Transit, Wastewater, Domestic (potable) Water, Irrigation Water and Refuse are considered major funds in the City’s 2006 (GASB 34) Financial Statements. These business-type activities demonstrated an increase in net assets from \$103.9 million to \$109 million, for a difference of \$5.1 million, due primarily to capital grants/donations of about \$1.9 million and an increase in capital reserves.

As of December 31, 2006, the City’s enterprise funds (including their allocation of internal service fund balances) reported combined net assets of \$109 million, with \$49 million or approximately 45% being contributed by the Wastewater fund. Of the \$109 million, over \$89.1 million (82%) of net assets is accounted for by investment in capital assets, net of related debt, \$2.7 million is restricted for debt service and \$17.2 million is unrestricted. The Notes to the Financial Statements (Note 9) present segment information that is grouped according to revenue bond requirements for these business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

GENERAL FUND CHANGES IN BUDGET

The following table shows the 2006 General Fund Adopted (original) Budget, the amended (final) Budget, Actual revenue and expenditure amounts and the variance of Actuals compared to the Final budget.

CHANGE IN GENERAL FUND BALANCE

	----- BUDGETED AMOUNTS -----		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Taxes and Special Assessments	\$32,869,600	\$32,869,600	\$34,350,810	\$1,481,210
Licenses and Permits	592,000	592,000	741,492	149,492
Intergovernmental Revenues	1,792,701	2,258,311	2,115,772	(142,539)
Charges for Services	4,104,864	4,104,864	4,182,839	77,975
Fines and Forfeits	1,316,000	1,316,000	1,309,431	(6,569)
Interest	599,000	599,000	694,610	95,610
Other Revenues	33,100	33,100	137,532	104,432
Total Revenues	41,307,265	41,772,875	43,532,486	1,759,611

	----- BUDGETED AMOUNTS -----		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES				
Current				
General Government	10,855,102	11,012,071	10,345,710	666,361
Security of Persons and Property	25,999,431	26,666,538	26,751,975	(85,437)
Physical Environment	1,421,213	1,425,725	1,341,936	83,789
Economic Environment	706,978	736,478	694,277	42,201
Mental & Physical Health	18,600	18,600	17,569	1,031
Cultural & Recreational Environment	1,320,440	1,320,440	1,320,440	0
Capital Outlay				
General Government	105,000	211,913	110,627	101,286
Security of Persons and Property	0	7,000	0	7,000
Debt Service				
Principal Retirement	346,078	346,078	331,013	15,065
Interest	64,692	64,692	63,209	1,483
Total Expenditures	40,837,534	41,809,535	40,976,756	832,779
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$469,731	(\$36,660)	\$2,555,730	\$2,592,390
OTHER FINANCING SOURCES (USES)				
Transfers In	\$110,000	\$110,000	\$40,000	(\$70,000)
Transfers (Out)	(2,032,000)	(2,032,000)	(2,100,949)	(68,949)
Intergovernmental Agreements	0	(39,095)	(39,095)	0
Sale of Capital Assets	100,000	100,000	100,000	0
Comp. for Loss of Gen. Capital Assets	1,000	1,000	688	(312)
Total Other Financing Sources (Uses)	(1,821,000)	(1,860,095)	(1,999,356)	(139,261)
Net Change in Fund Balances	(\$1,351,269)	(\$1,896,755)	\$556,374	\$2,453,129
Fund Balances - January 1	\$3,973,549	\$3,973,549	\$8,963,995	\$4,990,446
Change in Reserve for Inventory	0	0	1,510	1,510
Fund Balances - December 31	\$2,622,280	\$2,076,794	\$9,521,879	\$7,445,085

During the year, the 2006 General Fund budget was increased from \$42.9 million to \$43.9 million, or by \$1 million. (For the purposes of this discussion, the General Fund budget includes both expenditures and transfers out.) The increases in appropriations are summarized as follows.:

- \$229,000 in outstanding encumbrances/commitments which were re-budgeted from the prior year.
- \$382,000 for public safety related grants.
- \$70,000 for elections costs, caused mostly by a change in the voting system used by the County.

- \$57,000 for fuel increases precipitated by a rapid increase in fuel costs in mid 2006.
- \$234,000 for unanticipated retirement cash outs and overtime in public safety, in response to vacancies, extended illnesses/injuries, and response to unanticipated events.
- \$39,095 for an intergovernmental agreement with the County tied to road improvements in a newly annexed area.

The increases related to the grants were funded by a corresponding increase in intergovernmental revenue; while the balance of adjustments were to be funded from the General Fund reserves and/or current year revenue growth.

GENERAL FUND BUDGET TO ACTUAL

Total General Fund revenues were budgeted at about \$41.8 million. Actual revenue of \$43.5 million resulted in a positive variance of \$1.8 million, a gain of 4.2% over the amended budget. Sales tax contributed about \$.7 million to this variance – fueled by new construction and durable goods sales precipitated by the low interest rate environment, and the designation of the City as a Federal Renewal Community, which provides tax incentives for “Commercial Revitalization” projects. (Another \$.15 million was gained in the related area of Licenses and Permits.) Utility tax revenue was about \$.9 million greater than budget, the result of usage fluctuations and/or rate adjustments.

General Fund expenditures, including other financing uses, totaled \$43.1 million compared to the final budget of \$43.9 million – resulting in a positive variance of \$.8 million or 1.7%. Most of this variance is in the area of General Government, and is the result primarily of position vacancies the timing of project expenses in Information Systems.

The General Fund budget is built assuming positive variances in both revenue and expenditures. Revenue is conservatively estimated, while expenditure estimates utilize highest probable costs. Historically, actual amounts have been close to “break even”, and 2006 is not an exception, with a net increase in fund balance of \$557,884 (about 1.3% of the total General Fund budget).

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City of Yakima’s total investment in capital assets, including construction in progress, for its governmental and business type activities as of December 31, 2006, amounts to over \$208 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.

Major capital asset events during the 2006 fiscal year included the following:

- A variety of projects for street expansion/repair were ongoing during the year. \$3.5 million was spent on infrastructure projects in 2006, while the 2007 budget includes over \$12.6 million in planned projects, funded primarily by state and federal grants, matched by fuel tax and real estate excise tax. The major projects in 2006 and continuing into 2007 include the widening and improvement of an arterial street serving an industrial area (to be funded partially by a LTGO bond issued in May, 2007) and a railroad grade separation project.
- The City has obtained State and Federal grants of \$7.6 million to date for pedestrian safety and lighting improvements in the downtown corridor, and anticipate an additional \$1 million. The total project is estimated to cost \$10.5 million, with \$9 million funded from existing resources, and \$1.5 million by a future Councilmanic LTGO bond issue (completed in May, 2007). About \$5.2 million was spent on this project in 2006.
- Vehicles, street equipment, buses, and trucks were added to the fleet as either additional equipment or replacements during the year, at a cost of \$3.9 million.
- In the area of Public Safety, major capital projects undertaken include a remodeling project at the West Valley Fire Station. About \$.5 million was spent in 2006, representing about 50% completion.
- Wastewater capital improvements include \$1.6 million for new interceptor and trunk line extensions and \$5.3 million in treatment plant projects. The 2007 budget includes about \$8.1 million to continue upgrades at the plant, and \$2.7 million for interceptor and trunk line extensions funded by intergovernmental loans, capital reserves and current capital transfers from the operating fund.
- The Domestic Water Treatment plant is continuing a capital program, and about \$1.5 million was spent in 2006. Funding was provided by a State Revolving Fund loan of about \$.17 million and other capital reserves. The 2007 budget includes about \$1.1 million, to be funded by capital rates and reserves.
- In 2003, the City Council approved the re-build of the irrigation delivery system, which was estimated to cost approximately \$14 million and be completed over an eight-year period. The City issued revenue bonds for approximately \$5.2 million to accomplish the first phase of this project, and \$1.7 million was spent in 2006.

CAPITAL ASSETS (NET OF DEPRECIATION)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2006	2005	2006	2005	2006	2005
CAPITAL ASSETS						
Land	\$8,764,562	\$8,764,562	\$2,181,515	\$2,181,516	\$10,946,077	\$10,946,078
Building	34,891,020	35,615,829	27,263,194	27,629,801	62,154,214	63,245,630
Improvements Other Than Buildings	5,903,138	6,045,737	56,686,917	47,826,172	62,590,055	53,871,909
Machinery and Equipment	6,808,457	6,424,933	13,629,144	11,959,343	20,437,601	18,384,276
Infrastructure	21,950,665	18,405,297	0	0	21,950,665	18,405,297
Intangibles	0	0	115,659	115,659	115,659	115,659
Construction in Progress	13,698,595	9,048,295	16,027,132	16,739,097	29,725,727	25,787,392
TOTAL CAPITAL ASSETS	\$92,016,437	\$84,304,653	\$115,903,561	106,451,588	207,919,998	\$190,756,241

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

LONG-TERM DEBT

On December 31, 2006, the City of Yakima had total bonded debt outstanding of almost \$44.5 million. Of this amount, \$18 million is classified as governmental activity and backed by the full faith and credit of the City. The remaining \$26.5 million, represents bonds secured solely by specific revenue sources (i.e. revenue bonds).

The City of Yakima's total bonded debt had a net decrease of \$3 million during 2006.

The City participates in a loan program administered by the State's Department of Community Development, which are included as Intergovernmental loans in the long term debt schedules. Infrastructure improvements, such as street, bridge, water, or sewage projects, are eligible to compete for loan awards. This type of funding is preferred because the interest rates for new loans range from 0.5% to 1.5% based on the percentage of local match available for the project. (i.e. the higher the match, the lower the interest rate). In 2006, the City borrowed \$.17 million for Water projects utilizing this State program.

The City's remaining capacity for non-voted debt on December 31, 2006 was approximately \$52.2 million in comparison to the total legal limit of \$114.7 million. The City has a general guideline of retaining 50% of its non-voted capacity for emergencies. The City of Yakima maintains an "A3" rating from Moody's and an "A" rating from Standard & Poor's for general obligation debt. A summary of the City's bonded debt follows. Additional information on the City's long-term debt can be found in Note 7.

The City issued a Councilmanic LTGO in May, 2007 to support the completion of three projects. The following is a summary of the amounts, uses and planned revenue sources for debt service:

DEBT SERVICE

PROJECT DESCRIPTION	SOURCE OF DEBT SERVICE	AMOUNT OF ISSUE
River Road - Expansion/Signal/Utility Upgrade	Gas Tax	\$1.70 Million
Complete Downtown Ped Saf & Light Impr	Real Estate Excise Tax	1.50 Million
Fire Station Upgrade	Property Tax	.82 Million
Total		<u>\$4.02 Million</u>

OUTSTANDING DEBT

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2006	2005	2006	2005	2006	2005
Governmental Activities:						
General Obligation Bonds	\$18,040,097	\$19,365,097	\$0	\$0	\$18,040,097	\$19,365,097
Revenue Bonds	0	0	26,450,000	28,095,000	26,450,000	28,095,000
Intergovernmental Loans	2,087,928	2,526,127	8,460,541	9,029,301	10,548,469	11,555,428
Special Assessment Debt	564,500	261,700	0	0	564,500	261,700
Unfunded Pension Liability	4,309,741	3,795,872	0	0	4,309,741	3,795,872
Compensated Absences	5,134,446	4,992,721	0	0	5,134,446	4,992,721
Other Debt	773,455	1,207,825	85,204	6,659	858,659	1,214,484
TOTAL OUTSTANDING DEBT	<u>\$30,910,167</u>	<u>\$32,149,342</u>	<u>\$34,995,745</u>	<u>\$37,130,960</u>	<u>\$65,905,912</u>	<u>\$69,280,302</u>

ECONOMIC FACTORS

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

- In 2001 state voters approved Initiative 747, which capped property tax levy growth each year at a maximum of 1%, plus any additions for annexations and new construction. This initiative represents a severe restriction on local government revenue growth, which makes budget balancing more difficult because actual inflation rates are growing at an average of 3 times the 1% limitation.
- Since the closure of the Yakima Mall in 2003, the Downtown Merchants Association, the mall owner and the City have been researching different uses/businesses for the downtown area as it transitions from a retail center to a central business district. The City is actively participating in several projects to upgrade the downtown as follows:
 - The City was recently awarded State and Federal grants of about \$7.6 million for infrastructure improvements in the downtown core, with construction that began in mid 2006.

- The City owned Capitol Theatre, located in the center of the downtown area, has received state grants of \$1 million to make improvements to the facility. In 2007, the state legislature approved a sales tax credit for performing arts centers of .025%. The City will be researching options on how to maximize this revenue source, which will likely include new LTGO debt to be serviced by the tax credit.
- Section 108 loans of almost \$7 million were awarded by HUD to the City in 2003 and 2004. A majority of this funding was slated for downtown projects, including improvements to a section of the former mall to include a new hotel and related retail facilities, which opened in the spring of 2006.
- Due to a state-allowed property tax exemption for new residential development in downtown, another portion of the closed mall is being dedicated to the construction of a suite of luxury condominiums, and currently under construction.
- The non-agricultural unemployment rate (6.1% as of April, 2007) in the County continues to be higher than the State average. The County's predominant industry is agriculture and food related. This industry has a history of high unemployment rates, seasonal employment, and low median income (Yakima is about 75% of the state average). However, the local economy is improving in recent years—there were 8,200 unemployed in April 2006, compared to 7,100 unemployed in April 2007, a decrease in unemployment of 1,100. This unemployment rate is a remarkable 1.1% better than April of the prior year.
- Efforts to diversify our economic base include expansion of the current community college to offer four-year degree programs through major state institutions, including Washington State University and University of Washington. Additionally, a medical school has recently broken-ground in the urban area.
- In 2006, City voters approved annexing into the Yakima County Rural Library District, to be effective January 2007. Therefore, in these financial statements, the City receives property taxes and contracts for Library services. In 2007, related taxes will be levied directly by the Library, and the contract expense will be eliminated.
- The City is continuing to annex property within the Urban Growth Boundary that is being sewerred. In 2006, a residential area with assessed value (AV) of \$61.9 million and a population of 1,150 was annexed in February. Another residential area with an AV of \$88.7 million and population of 725 was effective early 2007.

The 2007 budget is balanced for all funds, within guidelines established by city management, to accomplish municipal service levels and priorities set by City Council. To date, overall budget results are performing as expected.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Yakima's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Yakima - Finance Director, 129 North Second Street, Yakima, WA 98901.

BASIC FINANCIAL STATEMENTS

The basic financial statements and note disclosures comprise the minimum acceptable fair presentation in conformity with General Accepted Accounting Principles (GAAP). Basic financial statements are designed to be “liftable” from the Financial Section of the Comprehensive Annual Financial Report (CAFR) for widespread distribution to users requiring less detailed information than is contained in the full CAFR. Basic Financial Statements include:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

- 1) Government-wide Statement of Net Assets – presents information on all City governmental and business-type assets and liabilities, with the difference reported as net assets.
- 2) Government-wide Statement of Activities – presents information on all City governmental and business-type revenues and expenses, with the difference reported as change in net assets.

FUND FINANCIAL STATEMENTS

- 3) Balance Sheet – Governmental Funds – presents the balance sheets for major funds and aggregated amounts for all other governmental funds.
- 4) Reconciliation of the Balance Sheet to the Government-wide Statement of Net Assets
- 5) Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – presents information for each major fund and aggregated information for all other governmental funds.
- 6) Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities
- 7) Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – presents budget information, along with actual results, on a separate statement for each major fund which has a legally adopted budget. Departmental information is included for the General Fund, in accordance with the City’s legally adopted budget.
- 8) Statement of Net Assets – Proprietary Funds – presents information on all assets and liabilities, with the difference reported as change in net assets for each of the enterprise funds, as well as a separate column of information for the internal service funds.
- 9) Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds – presents information for each of the enterprise funds, as well as a separate column for aggregated information for internal service funds.
- 10) Statement of Cash Flows – presents information on the sources and uses of cash for each of the enterprise funds and aggregated information for internal service funds.
- 11) Statement of Fiduciary Net Assets – presents information on the pension trust, fund assets and liabilities, with the difference reported as net assets.
- 12) Statement of Changes in Fiduciary Net Assets – presents information on additions to and deductions from the pension trust, with the difference reported as change in net assets.
- 13) Notes to Financial Statements – presents disclosure and further detail information to assist the reader in a better understanding of the financial statements and the data presented within them.

STATEMENT OF NET ASSETS

December 31, 2006

With comparative totals for December 31, 2005

	GOVERNMENTAL	BUSINESS-TYPE	----- TOTAL -----	
	ACTIVITIES	ACTIVITIES	2006	2005
ASSETS				
Cash and Cash Equivalents	\$15,102,203	\$12,946,853	\$28,049,056	\$27,987,719
Investments at Amortized Cost	11,130,838	12,751,507	23,882,345	29,185,225
Receivables (Net)	5,851,383	3,192,071	9,043,454	8,595,976
Due from Other Government Units	2,517,018	1,637,641	4,154,659	3,561,911
Internal Balances	107,250	(107,250)	0	0
Notes Receivable	6,050,152	5,374	6,055,526	6,234,178
Inventories	225,113	523,216	748,329	637,371
Unamortized Debt Issue Cost	0	147,793	147,793	158,999
Restricted Assets:				
Cash and Cash Equivalents	0	2,705,125	2,705,125	1,000,600
Fiscal Agent	8,116	3,029	11,145	11,145
Investments at Amortized Cost	0	0	0	1,700,000
Capital Assets (Net of Accumulated Depreciation):				
Land	8,764,562	2,181,515	10,946,077	10,946,078
Buildings	34,891,020	27,263,194	62,154,214	63,234,854
Improvements Other Than Buildings	5,903,138	56,686,917	62,590,055	53,871,614
Machinery & Equipment	6,808,457	13,629,144	20,437,601	18,395,347
Construction in Process	13,698,595	16,027,132	29,725,727	25,787,392
Intangibles	0	115,659	115,659	115,659
Infrastructure	21,950,665	0	21,950,665	18,405,297
Total Assets	\$133,008,510	\$149,708,920	\$282,717,430	\$269,829,365
LIABILITIES				
Accounts Payable and Other Current Liabilities	\$6,617,593	\$2,775,370	\$9,392,963	\$8,742,790
Accrued Liabilities	1,882,602	2,952,684	4,835,286	4,842,147
Due to Other Government Units	69,187	0	69,187	63,607
Deferred Revenue	6,781,020	0	6,781,020	6,784,823
Noncurrent Liabilities:				
Due Within One Year	2,008,056	2,443,213	4,451,269	4,516,493
Due in More than One Year	28,902,111	32,552,532	61,454,643	64,763,809
Total Liabilities	\$46,260,569	\$40,723,799	\$86,984,368	\$89,713,669
NET ASSETS				
Invested in Cap. Assets, Net of Related Debt (as restated)	\$72,841,667	\$89,124,179	\$161,965,846	\$149,059,304
Restricted for:				
Debt Service	877,349	2,705,125	3,582,474	3,453,866
Capital Projects	2,544,048	0	2,544,048	929,202
Other Purposes	985,978	0	985,978	3,109,772
Unrestricted	9,498,899	17,155,818	26,654,716	23,563,552
Total Net Assets	\$86,747,941	\$108,985,122	\$195,733,062	\$180,115,696

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

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2006
With comparative totals for December 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	----- PROGRAM REVENUES -----		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS -----				
		FOR SERVICES	OPERATING GRANTS & CONT'S	CAPITAL GRANTS & CONT'S	GOV'T ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
							2006	2005
Governmental Activities:								
General Government	\$7,336,009	\$169,989	\$0	\$0	(\$7,166,020)	\$0	(\$7,166,020)	(\$7,225,287)
Security of Persons & Property	32,058,638	1,388,835	3,314,850	314,895	(27,040,058)	0	(27,040,058)	(25,584,257)
Physical Environment	1,339,013	1,100,428	0	32,813	(205,772)	0	(205,772)	(325,312)
Transportation	6,820,836	63,903	0	3,504,129	(3,252,804)	0	(3,252,804)	(2,449,334)
Economic Environment	3,937,207	1,259,319	1,843,122	0	(834,766)	0	(834,766)	(558,067)
Mental & Physical Health	17,569	0	0	0	(17,569)	0	(17,569)	(43,278)
Cultural & Recreational Env't	7,819,643	1,744,217	77,208	5,448,614	(549,604)	0	(549,604)	(5,678,977)
Interest on Long-Term Debt	814,870	0	0	0	(814,870)	0	(814,870)	(809,068)
Total Governmental Activities	60,143,785	5,726,691	5,235,180	9,300,451	(39,881,463)	0	(39,881,463)	(42,673,580)
Business-Type Activities:								
Transit	6,768,564	484,518	1,973,486	0	0	(4,310,560)	(4,310,560)	(3,114,311)
Refuse	3,175,948	3,861,219	0	0	0	685,271	685,271	353,551
Wastewater	11,545,165	14,614,151	816,176	1,531,909	0	5,417,071	5,417,071	5,276,054
Water	5,044,091	6,157,535	10,986	380,128	0	1,504,558	1,504,558	907,648
Irrigation	1,571,861	2,449,135	0	0	0	877,274	877,274	790,448
Total Business-Type Activities	28,105,629	27,566,558	2,800,648	1,912,037	0	4,173,614	4,173,614	4,213,390
Total	\$88,249,414	\$33,293,249	\$8,035,828	\$11,212,488	(\$39,881,463)	\$4,173,614	(\$35,707,849)	(\$38,460,190)
GENERAL REVENUES								
Taxes:								
Property Taxes					\$13,264,660	\$0	\$13,264,660	\$12,435,395
Sales and Use Taxes					17,113,489	4,510,944	21,624,433	19,924,018
Franchise and Utility Taxes					9,045,058	0	9,045,058	8,301,905
Excise Taxes					3,080,877	0	3,080,877	3,212,905
Penalties and Interest					11,107	0	11,107	724
State Entitlements					3,496,905	0	3,496,905	2,953,049
Unrestricted Investment Earnings					694,610	656,397	1,351,007	1,295,691
Miscellaneous					277,441	0	277,441	57,001
Gain/Loss on Sale of Capital Assets					222,218	100,254	322,472	201,077
Transfers					2,166,461	(3,315,205)	(1,148,744)	(221,282)
Debt Issue Cost					0	0	0	4,247
Total General Revenues, Transfers, Special Item, and Prior Period Adjustments					49,372,826	1,952,390	51,325,216	48,164,730
Change in Net Assets					9,491,363	6,126,004	15,617,367	9,704,540
Net Assets - Beginning (as restated)					77,256,582	102,859,105	180,115,687	170,411,149
Net Assets - Ending					\$86,747,945	\$108,985,109	\$195,733,054	\$180,115,689

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

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	#000 GENERAL FUND	#124 COMMUNITY DEVELOPMENT	OTHER GOVERNMENTAL FUNDS	----- TOTAL ----- GOVERNMENTAL FUNDS	
				2006	2005
ASSETS					
Cash & Equity in Pooled Investments	\$3,281,181	\$0	\$10,006,830	\$13,288,011	\$13,333,308
Deposits w/ Fiscal Agent/Trustee	0	0	100	100	100
Receivables:					
Taxes	4,100,191	0	219,985	4,320,176	4,498,733
Accounts	51,653	0	195,777	247,430	267,425
Special Assessments	0	0	1,535	1,535	2,697
LID Assessments - Delinquent	0	0	11,855	11,855	1,732
LID Assessments - Deferred	0	0	607,954	607,954	365,622
Notes/Contracts	0	6,025,908	24,244	6,050,152	6,228,804
Interest/Penalties	133,286	0	20,028	153,314	161,436
Other Receivables	0	0	5,156	5,156	75,302
Due from Other Funds	369,881	0	0	369,881	511,606
Due from Other Government Units	129,660	556,435	1,830,923	2,517,018	2,103,730
Inventories	50,181	0	0	50,181	48,671
Investments, at Amortized Cost	5,614,925	0	1,527,126	7,142,051	6,921,029
Total Assets	<u>\$13,730,958</u>	<u>\$6,582,343</u>	<u>\$14,451,513</u>	<u>\$34,764,814</u>	<u>\$34,520,195</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants/Accounts Payable	\$513,301	\$193,390	\$934,136	\$1,640,827	\$1,608,005
Wages/Benefits Payable	3,348,383	71,907	672,098	4,092,388	3,657,027
Contracts Payable	0	0	123,569	123,569	88,070
Due to Other Funds	0	25,076	174,161	199,237	511,606
Due to Other Government Units	55,552	0	13,635	69,187	63,607
Deposits Payable	247,429	250	88,346	336,025	116,128
Deferred Revenue	44,414	6,025,908	710,698	6,781,020	6,784,823
Total Liabilities	<u>\$4,209,079</u>	<u>\$6,316,531</u>	<u>\$2,716,643</u>	<u>\$13,242,253</u>	<u>\$12,829,266</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	#000	#124	OTHER	----- TOTAL -----	
	GENERAL	COMMUNITY	GOVERNMENTAL	GOVERNMENTAL FUNDS	
	FUND	DEVELOPMENT	FUNDS	2006	2005
FUND BALANCES:					
Reserved for:					
Restricted Donations	\$0	\$0	\$0	\$0	\$0
Inventory	50,181	0	0	50,181	48,671
Encumbrances	327,324	1,044,747	645,978	2,018,049	2,422,964
Continuing Appropriations	0	0	683,982	683,982	929,202
Debt Service	0	0	877,349	877,349	753,266
Endowment	0	0	544,526	544,526	535,080
Parking and Business Improvement	0	0	64,704	64,704	103,057
Probation Center	0	0	0	0	0
Unreserved Designated	0	0	0	0	0
Unreserved:					
General Fund	9,144,374	0	0	9,144,374	8,686,430
Special Revenue Funds	0	(778,935)	4,936,868	4,157,933	4,924,600
Capital Projects Funds	0	0	3,981,463	3,981,463	3,287,659
Total Fund Balances	<u>9,521,879</u>	<u>265,812</u>	<u>11,734,870</u>	<u>21,522,561</u>	<u>21,690,929</u>
Total Liabilities and Fund Balances	<u>\$13,730,958</u>	<u>\$6,582,343</u>	<u>\$14,451,513</u>		

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	88,866,086	81,493,835
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	0	0
Internal service funds are used by management to charge the costs of services to individual funds. A ratable allocation of the assets and liabilities of the internal service funds are included in government activities in the statement of net assets.	7,346,232	6,305,353
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(30,910,167)	(32,149,342)
Accrued interest payable on General Obligation Debt	(76,767)	(84,193)
Net assets of governmental activities	<u>\$86,747,945</u>	<u>\$77,256,582</u>

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	#000	#124	OTHER	----- TOTAL -----	
	GENERAL	COMMUNITY	GOVERNMENTAL	GOVERNMENTAL FUNDS	
	FUND	DEVELOPMENT	FUNDS	2006	2005
REVENUES					
Taxes and Special Assessments	\$34,350,810	\$0	\$11,249,707	\$45,600,517	\$42,557,425
Licenses and Permits	741,492	0	0	741,492	690,783
Intergovernmental Revenues	2,115,772	1,816,005	13,413,918	17,345,695	11,838,789
Charges for Services	4,182,839	452,583	907,862	5,543,284	5,595,782
Fines and Forfeits	1,309,431	0	0	1,309,431	1,190,300
Interest	694,610	45,809	427,354	1,167,773	869,708
Other Revenues	137,532	1,779	1,712,539	1,851,850	1,239,941
Total Revenues	43,532,486	2,316,176	27,711,380	73,560,042	63,982,728
EXPENDITURES					
Current					
General Government	10,345,710	0	105,922	10,451,632	10,090,173
Security of Persons and Property	26,751,975	0	4,177,102	30,929,077	28,684,239
Physical Environment	1,341,936	0	361,856	1,703,792	1,698,635
Transportation	0	0	5,128,605	5,128,605	4,600,634
Economic Environment	694,277	2,364,090	917,291	3,975,658	3,680,610
Mental & Physical Health	17,569	0	0	17,569	43,278
Cultural & Recreational Environment	1,320,440	0	5,630,741	6,951,181	6,899,656
Capital Outlay					
General Government	110,627	0	149,126	259,753	75,262
Security of Persons and Property	0	0	864,402	864,402	578,628
Physical Environment	0	0	23,784	23,784	873,666
Transportation	0	0	4,391,527	4,391,527	3,328,310
Economic Environment	0	11,866	5,258,495	5,270,361	367,501
Cultural & Recreational Environment	0	0	1,343,850	1,343,850	109,743
Debt Service					
Principal Retirement	331,013	0	2,020,099	2,351,112	2,130,375
Interest	63,209	0	759,087	822,296	812,931
Total Expenditures	40,976,756	2,375,956	31,131,887	74,484,599	63,973,641
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$2,555,730	(\$59,780)	(\$3,420,507)	(\$924,557)	\$9,087

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	#000 GENERAL FUND	#124 COMMUNITY DEVELOPMENT	OTHER GOVERNMENTAL FUNDS	----- TOTAL ----- GOVERNMENTAL FUNDS	
				2006	2005
OTHER FINANCING SOURCES (USES)					
Proceeds from Capital Lease Financing	\$0	\$0	\$0	\$0	\$0
Proceeds from L.T. Debt - G.O. Bonds	0	0	0	0	759,597
Proceeds from Intergovernmental Loans	0	0	50,000	50,000	148,286
Other Note Proceeds	0	0	546,252	546,252	371,075
Transfers In	40,000	0	5,008,727	5,048,727	3,878,293
Transfers (Out)	(2,100,949)	(30,000)	(2,919,316)	(5,050,265)	(3,845,134)
Intergovernmental Agreements	(39,095)	0	0	(39,095)	0
Sale of Capital Assets	100,000	0	9,087	109,087	316,982
Comp. for Loss of Gen. Capital Assets	688	0	89,285	89,973	161,535
Total Other Financing Sources (Uses)	(1,999,356)	(30,000)	2,784,035	754,679	1,790,634
Net Change in Fund Balances	\$556,374	(\$89,780)	(\$636,472)	(\$169,878)	\$1,799,721
Fund Balances - January 1	8,963,995	355,592	12,371,342	21,690,929	19,886,687
Change in Reserve for Inventory	1,510	0	0	1,510	4,521
Fund Balances - December 31	\$9,521,879	\$265,812	\$11,734,870	\$21,522,561	\$21,690,929

The Notes to the Financial Statements, found in the Basic Financial Statements 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, 2006

With comparative totals for December 31, 2005

	<u>2006</u>	<u>2005</u>
Net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:	(\$169,878)	\$1,799,721
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,115,055	1,490,007
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 assets differs from the change in fund balance by the cost of the fund assets.	(742,804)	(221,767)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of the bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	1,894,769	855,664
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore not reported as expenditures in governmental funds (compensated absences, inventory).	(646,658)	(739,004)
Internal service funds are used by management to charge the costs of services to individual funds, a portion of the net revenue (expenses) of internal service funds is reported with governmental activities.	1,040,879	739,286
Change in net assets, as reflected on the Statement of Activities	<u>\$9,491,363</u>	<u>\$3,923,907</u>

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

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

For the Year Ended December 31, 2006

	----- BUDGETED AMOUNTS -----		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes and Special Assessments	\$32,869,600	\$32,869,600	\$34,350,810	\$1,481,210
Licenses and Permits	592,000	592,000	741,492	149,492
Intergovernmental Revenues	1,792,701	2,258,311	2,115,772	(142,539)
Charges for Services	4,104,864	4,104,864	4,182,839	77,975
Fines and Forfeits	1,316,000	1,316,000	1,309,431	(6,569)
Interest	599,000	599,000	694,610	95,610
Other Revenues	33,100	33,100	137,532	104,432
Total Revenues	41,307,265	41,772,875	43,532,486	1,759,611
EXPENDITURES				
Current				
General Government	10,855,102	11,012,071	10,345,710	666,361
Security of Persons and Property	25,999,431	26,666,538	26,751,975	(85,437)
Physical Environment	1,421,213	1,425,725	1,341,936	83,789
Economic Environment	706,978	736,478	694,277	42,201
Mental & Physical Health	18,600	18,600	17,569	1,031
Cultural & Recreational Environment	1,320,440	1,320,440	1,320,440	0
Capital Outlay				
General Government	105,000	211,913	110,627	101,286
Security of Persons and Property	0	7,000	0	7,000
Debt Service				
Principal Retirement	346,078	346,078	331,013	15,065
Interest	64,692	64,692	63,209	1,483
Total Expenditures	40,837,534	41,809,535	40,976,756	832,779
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$469,731	(\$36,660)	\$2,555,730	\$2,592,390
OTHER FINANCING SOURCES (USES)				
Transfers In	\$110,000	\$110,000	\$40,000	(\$70,000)
Transfers (Out)	(2,032,000)	(2,032,000)	(2,100,949)	(68,949)
Intergovernmental Agreements	0	(39,095)	(39,095)	0
Sale of Capital Assets	100,000	100,000	100,000	0
Comp. for Loss of Gen. Capital Assets	1,000	1,000	688	(312)
Total Other Financing Sources (Uses)	(1,821,000)	(1,860,095)	(1,999,356)	(139,261)
Net Change in Fund Balances	(\$1,351,269)	(\$1,896,755)	\$556,374	\$2,453,129
Fund Balances - January 1	3,973,549	3,973,549	8,963,995	4,990,446
Change in Reserve for Inventory	0	0	1,510	1,510
Fund Balances - December 31	\$2,622,280	\$2,076,794	\$9,521,879	\$7,445,085

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

**COMMUNITY DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL**

For the Year Ended December 31, 2006

	----- BUDGETED AMOUNTS -----		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental Revenues	\$1,925,000	\$2,941,320	\$1,816,005	(\$1,125,315)
Charges for Services	206,000	206,000	452,583	246,583
Interest	34,275	34,275	45,809	11,534
Other Revenues	1,000	1,000	1,779	779
Total Revenues	\$2,166,275	\$3,182,595	\$2,316,176	(\$866,419)
EXPENDITURES				
Current				
Economic Environment	2,068,575	3,072,395	2,364,090	708,305
Capital outlay				
Economic Environment	0	12,500	11,866	634
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$97,700	\$97,700	(\$59,780)	(\$157,480)
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	\$0	(\$30,000)	(\$30,000)	\$0
Net Change in Fund Balances	97,700	67,700	(89,780)	(157,480)
Fund Balances - January 1	303,423	303,423	355,592	52,169
Fund Balances - December 31	\$401,123	\$371,123	\$265,812	(\$105,311)

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

PROPRIETARY FUNDS

THE TRANSIT FUND was created on September 26, 1966, pursuant to the result of a special election on September 20, 1966, ratifying Ordinance 821, which proposed that the City of Yakima lease, operate and subsidize a City transit system. On October 1, 1970, the City assumed full management of the City transit system. The system is subsidized by a .3% sales tax which became effective in November 1980 by the vote of the citizens ratifying Ordinance 2469.

THE REFUSE FUND is a self supporting fund. This fund was established for the purpose of accumulating moneys derived from the operation and maintenance of the garbage collection and disposal service of the City, and for the purpose of defraying all of the operating and maintenance expenses and costs incurred by the City of Yakima in the collection and disposal of refuse.

THE WATER AND WASTEWATER FUNDS account for the provision of water and wastewater services to the residents of the City and other outside utility agreements. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, financing and related debt service, billing and collection.

THE IRRIGATION UTILITY FUND was established in 1998 to replace the Special Revenue Fund titled Irrigation. This fund is responsible for the operation, maintenance and reconstruction of the existing irrigation system.

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	#462 & #364 TRANSIT	#471 REFUSE	#973 WASTEWATER
ASSETS			
Current Assets:			
Cash & Equity in Pooled Investments	\$242,056	\$358,437	\$4,943,278
Deposits w/ Fiscal Agent/Trustee			0
Receivables:			
Accounts/Taxes (Net)	797,765	290,679	1,497,564
Notes/Contracts	0	0	5,374
Interest/Penalties	5,666	0	48,653
Other Receivables	0	0	9,750
Interfund Loan Receivable	0	0	0
Due from Other Government Units	1,612,641	0	25,000
Inventories	0	0	18,660
Investments, at Amortized Cost	500,518	0	5,010,914
Total Current Assets	3,158,646	649,116	11,559,193
Noncurrent Assets:			
Restricted Assets:			
Cash	0	0	2,312,250
Investments, at Amortized Cost	0	0	0
Land	1,307,989	0	583,270
Buildings	7,363,248	0	55,222,861
Other Improvements	97,645	0	41,537,000
Machinery & Equipment	6,988,367	0	5,923,290
Accumulated Depreciation	(5,173,397)	0	(53,735,671)
Construction in Progress	0	0	11,973,211
Completed Construction - not Classified	0	0	0
Intangibles	0	0	0
Unamortized Debt Issue Costs	0	0	92,757
Total Noncurrent Assets	10,583,852	0	63,908,968
TOTAL ASSETS	\$13,742,498	\$649,116	\$75,468,161

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

#974 WATER	#975 IRRIGATION	----- TOTAL -----		INTERNAL SERVICE FUNDS
		2006	2005	
\$2,787,790	\$3,418,149	\$11,749,710	\$10,546,619	\$3,011,335
425		425	425	10,620
117,591	225,891	2,929,490	2,484,578	632,247
0	0	5,374	5,374	0
9,028	0	63,347	55,681	61,200
0	0	9,750	9,750	0
0	0	0	0	0
0	0	1,637,641	1,458,181	0
231,978	0	250,638	222,287	447,510
1,000,000	3,000,000	9,511,432	17,316,763	7,228,862
4,146,812	6,644,040	26,157,807	32,099,658	11,391,774
357,440	35,435	2,705,125	1,000,600	0
0	0	0	1,700,000	0
191,756	98,500	2,181,515	2,181,516	0
3,777,980	0	66,364,089	64,740,203	37,397
41,645,412	7,152,374	90,432,431	77,737,519	7,251
3,034,722	67,761	16,014,140	13,969,427	18,003,647
(18,766,817)	(2,551,315)	(80,227,200)	(75,823,631)	(10,008,323)
1,139,816	2,914,105	16,027,132	16,739,097	0
0	0	0	2,232,245	0
221,830	0	221,830	221,830	0
9,520	45,516	147,793	158,999	0
31,611,659	7,762,376	113,866,855	104,857,805	8,039,972
\$35,758,471	\$14,406,416	\$140,024,662	\$136,957,463	\$19,431,746

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	#462 & #364 TRANSIT	#471 REFUSE	#973 WASTEWATER
LIABILITIES			
Current Liabilities:			
Warrants/Accounts Payable	\$72,548	\$186,398	\$786,865
Wages/Benefits Payable	263,618	99,346	400,820
Compensated Absences Payable	272,220	125,158	535,961
Claims and Judgments Payable	0	0	0
Due to Other Funds	0	0	0
Accrued Payables	0	0	169,231
Deposits Payable	6,100	0	4,500
Current Portion Long-term Debt	0	0	586,214
Restricted Payables:			
Current Portion L.T. Debt	0	0	1,408,700
Total Current Liabilities	614,486	410,902	3,892,291
Noncurrent Liabilities:			
Bonds Payable	0	0	17,612,475
Unamortized Bond Discount/Premium	0	0	311,686
Deferred Amount On Debt Refunding	0	0	(131,718)
Loans Payable - Long Term	0	0	4,637,917
Total Noncurrent Liabilities	0	0	22,430,360
TOTAL LIABILITIES	\$614,486	\$410,902	\$26,322,651
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	\$10,583,852	\$0	\$43,561,114
Restricted for Debt Service	0	0	2,312,250
Unrestricted	2,544,160	238,214	3,272,146
TOTAL NET ASSETS	\$13,128,012	\$238,214	\$49,145,510

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.
Net assets of business-type activities

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

#974 WATER	#975 IRRIGATION	----- TOTAL -----		INTERNAL SERVICE FUNDS
		2006	2005	
\$142,297	\$206,598	\$1,394,706	\$1,861,388	\$785,518
173,379	49,868	987,031	956,306	156,468
175,176	70,411	1,178,926	1,052,523	195,968
0	0	0	0	2,739,485
0	0	0	0	170,644
47,622	72,214	289,067	309,014	0
220,904	0	231,504	267,474	0
161,999	0	748,213	747,854	0
181,300	105,000	1,695,000	1,645,000	0
<u>1,102,677</u>	<u>504,091</u>	<u>6,524,447</u>	<u>6,839,559</u>	<u>4,048,083</u>
2,232,525	4,910,000	24,755,000	26,450,000	0
(20,821)	(130,788)	160,077	167,091	0
(18,363)	0	(150,081)	(185,432)	0
3,149,619	0	7,787,536	8,306,447	0
<u>5,342,960</u>	<u>4,779,212</u>	<u>32,552,532</u>	<u>34,738,106</u>	<u>0</u>
<u>\$6,445,637</u>	<u>\$5,283,303</u>	<u>\$39,076,979</u>	<u>\$41,577,665</u>	<u>\$4,048,083</u>
\$25,520,338	\$4,427,976	\$84,093,280	\$80,942,490	\$8,039,972
357,440	35,435	2,705,125	2,700,600	0
3,435,056	4,659,702	14,149,278	11,736,708	7,343,691
<u>\$29,312,834</u>	<u>\$9,123,113</u>	<u>\$100,947,683</u>	<u>\$95,379,798</u>	<u>\$15,383,663</u>
		\$8,037,424	\$7,479,307	
		<u>\$108,985,107</u>	<u>\$102,859,105</u>	

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

For the Year Ended December 31, 2006
With comparative totals for December 31, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	#462 & #364 TRANSIT	# 471 REFUSE	#973 WASTEWATER
OPERATING REVENUES			
Charges for Services	\$471,181	\$3,860,837	\$14,607,722
Charges for Insurance	0	0	0
Employer Contributions	0	0	0
Employee Contributions	0	0	0
Other Operating Revenues	13,337	382	6,429
Total Operating Revenues	484,518	3,861,219	14,614,151
OPERATING EXPENSES			
Operations and Maintenance	5,443,716	3,175,501	6,309,361
Administration/Overhead	730,839	438,793	1,212,441
Taxes	0	0	2,490,410
Depreciation/Amortization	722,363	0	2,798,937
Other Benefits	0	0	0
Total Operating Expenses	6,896,918	3,614,294	12,811,149
Operating Income (Loss)	(\$6,412,400)	\$246,925	\$1,803,002
NON-OPERATING REVENUES (EXPENSES)			
Operating Grants and Subsidies	\$6,484,430	\$0	\$0
Interest Revenue	30,857	1,000	416,972
Other Non-Operating Revenues	0	0	816,176
Interest Expenses	0	0	(842,985)
Amortization of Bond Payment Discount	0	0	(25,519)
Gain (Loss) on Capital Assets Disposition	14,007	0	86,247
Non-Operating Revenue Net of Expenses	6,529,294	1,000	450,891
Income (Loss) Before Contributions and Transfers	116,894	247,925	2,253,893
Capital Contributions	0	0	1,531,909
Transfers In	0	0	32,939
Transfers (Out)	(30,000)	0	(92,071)
Change in Net Assets	86,894	247,925	3,726,670
Total Net Assets - January 1	13,041,120	(9,711)	45,418,840
Total Net Assets - December 31	\$13,128,014	\$238,214	\$49,145,510

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.
Change in net assets of business-type activities.

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

#974 WATER	#975 IRRIGATION	----- TOTAL -----		INTERNAL SERVICE FUNDS
		2006	2005	
\$6,148,560	\$2,447,259	\$27,535,559	\$25,869,893	\$5,120,325
0	0	0	0	2,170,302
0	0	0	0	7,939,865
0	0	0	0	1,692,113
8,975	1,876	30,999	29,187	151,155
<u>6,157,535</u>	<u>2,449,135</u>	<u>27,566,558</u>	<u>25,899,080</u>	<u>17,073,760</u>
2,156,906	1,082,550	18,168,034	17,435,487	5,373,510
1,495,053	203,598	4,080,724	3,770,043	2,162,875
1,280,992	47,299	3,818,701	3,645,477	0
903,256	86,019	4,510,575	4,248,632	1,091,297
0	0	0	0	7,773,922
<u>5,836,207</u>	<u>1,419,466</u>	<u>30,578,034</u>	<u>29,099,639</u>	<u>16,401,604</u>
<u>\$321,328</u>	<u>\$1,029,669</u>	<u>(\$3,011,476)</u>	<u>(\$3,200,559)</u>	<u>\$672,156</u>
\$0	\$0	\$6,484,430	\$6,951,840	\$0
39,914	167,654	656,397	559,834	732,859
10,986	0	827,162	384,931	15,914
(121,560)	(166,950)	(1,131,495)	(1,147,706)	0
(6,359)	(7,665)	(39,543)	(39,543)	0
0	0	100,254	(55,673)	(53,353)
<u>(77,019)</u>	<u>(6,961)</u>	<u>6,897,205</u>	<u>6,653,683</u>	<u>695,420</u>
244,309	1,022,708	3,885,729	3,453,124	1,367,576
380,128	0	1,912,037	2,386,711	231,420
0	0	32,939	32,939	0
(106,997)	(33,750)	(262,818)	(287,380)	0
<u>517,440</u>	<u>988,958</u>	<u>5,567,887</u>	<u>5,585,394</u>	<u>1,598,996</u>
<u>28,795,394</u>	<u>8,134,155</u>			<u>13,784,667</u>
<u>\$29,312,834</u>	<u>\$9,123,113</u>			<u>\$15,383,663</u>
		<u>558,117</u>	<u>195,238</u>	
		<u>\$6,126,004</u>	<u>\$5,780,632</u>	

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	#462 & #364 TRANSIT	#471 REFUSE	#973 WASTEWATER
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$471,181	\$3,782,856	\$13,962,184
Contributions Received - Employer and Employee	0	0	0
Cash Paid to Suppliers for Goods and Services	(3,430,997)	(2,156,062)	(2,946,385)
Cash Paid for Salaries and Benefits	(2,821,813)	(1,090,712)	(4,739,061)
Other Operating Revenues Collected	13,337	382	6,429
Cash Paid to Claimants and Beneficiaries	0	0	0
Cash Paid in Lieu of Taxes	0	(347,126)	(1,886,184)
Net Cash Provided by Operating Activities	(5,768,292)	189,338	4,396,983
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Grants Received/Sales Tax	6,300,751	0	0
Transfers Out to Other Funds	(30,000)	0	0
Net Cash Provided by Noncapital Financing Activities	6,270,751	0	0
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Proceeds f/Public Works Trust/SIED Loan/Revenue Bonds	0	0	0
Proceeds for Debt Service from Other Governments	0	0	665,475
Cash Received from Disposal of Capital Assets	19,602	0	86,247
Cash Contributions in Aid of Construction	0	0	1,033,408
Principal Paid on Revenue Bonds	0	0	(1,364,525)
Principal Paid on Public Works Trust Loan	0	0	(585,854)
Capital Expenditures Paid	(2,253,651)	0	(7,447,637)
Interest and Other Debt Service Paid	0	0	(855,157)
Capital Grants Received	0	0	(25,000)
Other Non-Operating Capital Revenue	0	0	150,701
Transfer In	0	0	32,939
Transfer Out	0	0	(92,071)
Net Cash Used for Capital Financing Activities	(2,234,049)	0	(8,401,474)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Investment Securities	462	0	7,704,870
Interest Received on Investments	30,858	1,000	381,806
Purchase of Investment Securities	0	0	(2,000,000)
Net Cash Provided by Investing Activities	31,320	1,000	6,086,676
Net Increase (Decrease) in Cash and Cash Equivalents	(\$1,700,270)	\$190,338	\$2,082,185
Cash and Cash Equivalents at Beginning of Year	1,942,326	168,099	5,173,343
Cash and Cash Equivalents at End of Year	\$242,056	\$358,437	\$7,255,528
CASH AT THE END OF THE YEAR CONSISTS OF			
Operating Fund Cash	\$242,056	\$358,437	\$4,943,278
Revenue Bond Reserve Account Cash	0	0	2,046,954
Revenue Bond Redemption Account Cash	0	0	265,296
Total Cash at the End of the Year	\$242,056	\$358,437	\$7,255,528

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2006
With comparative totals for December 31, 2005

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

#974 WATER	#975 IRRIGATION	----- TOTAL -----		INTERNAL SERVICE FUNDS
		2006	2005	
\$6,035,653	\$2,429,673	\$26,681,547	\$26,008,259	\$5,393,280
0	0	0	0	11,667,935
(2,106,465)	(751,257)	(11,391,166)	(11,233,182)	(5,810,237)
(1,901,420)	(571,596)	(11,124,602)	(10,554,915)	(1,652,598)
8,975	1,876	30,999	29,187	20,598
0	0	0	0	(7,465,294)
(852,016)	0	(3,085,326)	(2,916,741)	0
1,184,727	1,108,696	1,111,452	1,332,608	2,153,684
0	0	6,300,751	6,811,199	0
0	0	(30,000)	0	0
0	0	6,270,751	6,811,199	0
239,138	0	239,138	1,269,883	0
0	0	665,475	384,931	0
0	0	105,849	0	23,922
380,128	0	1,413,536	1,542,022	0
(175,475)	(105,000)	(1,645,000)	(1,580,001)	0
(171,836)	0	(757,690)	(743,397)	0
(2,027,614)	(1,706,423)	(13,435,325)	(9,167,175)	(1,928,431)
(128,631)	(167,654)	(1,151,442)	(1,080,937)	0
0	0	(25,000)	0	0
10,986	0	161,687	0	231,420
0	0	32,939	32,939	0
(106,997)	(33,750)	(232,818)	(287,380)	0
(1,980,301)	(2,012,827)	(14,628,651)	(9,629,115)	(1,673,089)
1,500,000	5,300,000	14,505,332	12,182,840	221,260
39,914	195,154	648,732	588,518	704,378
0	(3,000,000)	(5,000,000)	(13,500,000)	(2,502,690)
1,539,914	2,495,154	10,154,064	(728,642)	(1,577,052)
\$744,340	\$1,591,023	\$2,907,616	(\$2,213,950)	(\$1,096,457)
2,400,890	1,862,561	11,547,219	13,761,169	4,107,792
\$3,145,230	\$3,453,584	\$14,454,835	\$11,547,219	\$3,011,335
\$2,787,790	\$3,418,149	\$11,749,710	\$10,546,619	\$3,011,335
344,029	0	2,390,983	687,384	0
13,411	35,435	314,142	313,216	0
\$3,145,230	\$3,453,584	\$14,454,835	\$11,547,219	\$3,011,335

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	#462 & #364 TRANSIT	#471 REFUSE	#973 WASTEWATER
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net Operating Income (Loss)	(\$6,412,400)	\$246,925	\$1,803,002
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: - Depreciation	722,363	0	2,798,937
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	0	(77,981)	(329,846)
Increase in Allowance for Uncollectibles	0	0	25,539
(Increase) Decrease in Inventory	0	0	(6,705)
Increase (Decrease) in Warrants/Accounts Payable	(106,477)	9,303	30,684
Increase (Decrease) in Wages/Benefits Payable	7,448	(5,449)	24,103
Increase (Decrease) in Compensated Absences Payable	20,774	16,540	51,269
Increase (Decrease) in Claims and Judgments Payable	0	0	0
Increase (Decrease) in Due to Other Funds	0	0	0
Total Adjustments	644,108	(57,587)	2,593,981
Net Cash Provided by Operating Activities	(\$5,768,292)	\$189,338	\$4,396,983

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Assets Acquired by Noncash Contributions	\$0	\$0	\$498,501
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The Notes to the Financial Statements, found in the Basic Financial Statements section, are an integral part of this statement.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

<u>#974</u> <u>WATER</u>	<u>#975</u> <u>IRRIGATION</u>	<u>----- TOTAL -----</u>		<u>INTERNAL</u> <u>SERVICE FUNDS</u>
		<u>2006</u>	<u>2005</u>	
\$321,328	\$1,029,669	(\$3,011,476)	(\$3,200,559)	\$672,156
903,256	86,019	4,510,575	4,248,632	1,091,297
(48,918)	(17,586)	(474,331)	271,035	8,053
(2,870)	0	22,669	49,368	0
(21,646)	0	(28,351)	(26,936)	(81,097)
5,668	(3,939)	(64,761)	66,412	401,074
4,266	356	30,724	68,080	(3,023)
23,643	14,177	126,403	37,636	4,423
0	0	0	0	(109,843)
0	0	0	(181,060)	170,644
<u>863,399</u>	<u>79,027</u>	<u>4,122,928</u>	<u>4,533,167</u>	<u>1,481,528</u>
<u>\$1,184,727</u>	<u>\$1,108,696</u>	<u>\$1,111,452</u>	<u>\$1,332,608</u>	<u>\$2,153,684</u>
\$0	\$0	\$498,501	\$844,689	\$0

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	FIREMEN'S RELIEF AND PENSION	
	<u>2006</u>	<u>2005</u>
ASSETS		
Cash & Equity in Pooled Investments	\$524,140	\$547,105
LIABILITIES		
Warrants/Accounts Payable	\$127	\$1,276
NET ASSETS		
Held in Trust for Pension Benefits and Other Purposes	<u>\$524,013</u>	<u>\$545,829</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	FIREMEN'S RELIEF AND PENSION	
	<u>2006</u>	<u>2005</u>
ADDITIONS:		
Employer Contributions	\$1,558,186	\$1,460,424
Interest Revenue	3,000	3,000
Total Additions	<u>1,561,186</u>	<u>1,463,424</u>
DEDUCTIONS:		
Administration/Overhead	35,806	38,074
Pension Benefits	767,724	780,706
Other Benefits	779,472	668,873
Total Deductions	<u>1,583,002</u>	<u>1,487,653</u>
CHANGE IN NET ASSETS	<u>(\$21,816)</u>	<u>(\$24,229)</u>
Total Net Assets, January 1	<u>545,829</u>	<u>570,058</u>
Total Net Assets, December 31	<u>\$524,013</u>	<u>\$545,829</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2006

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NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2006

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) which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles nationally. The following is a summary of the more significant policies. The policies should be reviewed as an integral part of the financial statements and are presented to assist the reader in interpreting the financial statements and other data in this report.

REPORTING ENTITY

The City of Yakima was incorporated in 1886, and operates under a Council / Manager form of government with a full-time City Manager. The City of Yakima provides a full range of municipal services, which include: police, fire, engineering, parks, cemetery, street, and administrative services. Included in the City's Enterprise Fund financial reports are: water, irrigation, sanitary wastewater, solid waste, and transit. The Yakima Air Terminal is operated under a joint venture agreement with Yakima County (see Note 10).

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. Applying these criteria, the combined financial statements do not include the financial position or results of operations of the following:

YAKIMA SCHOOL DISTRICT No. 7; WEST VALLEY SCHOOL DISTRICT No. 208; UNION GAP SCHOOL DISTRICT No. 2 – These school districts are municipal corporations empowered by the state to educate the children of the City of Yakima. These school districts have independently elected boards of directors, adopt and control their own budgets and have their own taxing authority.

YAKIMA COUNTY – The County of Yakima was incorporated in 1865 under the authority of the Revised Code of Washington. The County has an elected board of commissioners, adopts and controls its own budget, and has its own taxing authority. The City has no legal interest in or responsibility for the assets or liabilities of the County.

YAKIMA VALLEY REGIONAL LIBRARY – The Yakima Valley Regional Library is a separate county-wide municipal corporation with its own taxing authority. It provides library services for the City of Yakima, Yakima County and its other cities. The City has no legal interest in or responsibility for the assets or liabilities of the Library.

YAKIMA HEALTH DISTRICT – The Yakima Health District has its own board of directors, and adopts and controls its own budget. The City has no legal interest in or responsibility for the assets or liabilities of the Yakima Health District.

YAKIMA CONFERENCE OF GOVERNMENTS – The Yakima Conference of Governments is an agency comprised of the County, cities, and other boards which assists in long range planning for the member entities. The City has no legal interest in or responsibility for its assets or liabilities.

RELATED ORGANIZATION – 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.

YAKIMA HOUSING AUTHORITY – The Yakima Housing Authority 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, except for a Contingent Loan Agreement dated October 1, 1998 for a single bond issue of \$2.6 million.

YAKIMA REGIONAL PUBLIC FACILITIES DISTRICT – Although a separate legal entity, the City has elected to account for the operations of the Public Facilities District in a Non-major Special Revenue Fund. The cities of Yakima, Selah and Union Gap formed a Public Facilities District (PFD) for the purpose of expanding the Yakima Convention Center. The City appoints a majority of the board members, and must approve the annual budget. The financial agreement stipulates that all revenue derived by the PFD (primarily a state sales tax credit) be transferred to the City and the City will use these funds for Center debt service and operations, and reimbursement of administrative costs of the PFD.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements consist of the statement of net assets and the statement of activities. These statements report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 instead as general revenues.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

All governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Certain charges for service, sales based taxes, and interest associated within the current period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current

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

The City of Yakima reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Development Fund* accounts for the Office of Neighborhood Development, which is the focus of the City's effort to improve economic opportunities and housing conditions in Yakima. Federal Housing and Urban Development grants are the major revenue source for this program.

The City reports all enterprise funds as major funds:

- The *Transit Fund* accounts for the operation of the City Transit System, funded primarily by 0.03% sales tax, federal grants and fares.
- The *Refuse Fund* accounts for the provision of garbage collection and disposal service of the City.
- The *Water and Wastewater Funds* account for the provision of water and wastewater services to the residents of the City and other outside utility agreements.
- The *Irrigation Utility Fund* is responsible for the operation, maintenance and reconstruction of the existing irrigation system.

Additionally, the government reports the following fund types:

- *Internal Service Funds* account for fleet management services, liability insurance, employee benefit reserves, and public works administration services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.
- *Pension Trust Funds* are used to account for the operations of trust established for employee retirement benefits. They are accounted for in essentially the same manner as proprietary funds because of the need for determining the periodic income of the trust.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of

the Governmental Accounting Standards Boards. Governments also have the option of the following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

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

ASSETS, LIABILITIES AND EQUITIES

CASH AND INVESTMENTS

Cash and investments are managed under the guidance of the City's Investment Policy adopted by Resolution No. R98-07 of the City Council. The policy was based on the Model Investment Policy prepared by the Association of Public Treasurers of the United States and Canada and applies to all financial assets of the City of Yakima.

Investments are made using the "prudent person" standard with primary objectives being safety of principal, liquidity enabling the City to meet all operating requirements and a return on investment objective of attaining a market rate of return through budgetary and economic cycles.

Investments of City funds except those of the Firemen's Relief and Pension Fund are limited to:

- Investment deposits, including certificates of deposit with qualified public depositories as defined in Chapter 39.58 Revised Code of Washington.

- a. Certificates, notes or bonds of the United States, or other obligations of the United States, or its agencies, or of any corporation wholly owned by the government of the United States (such as the Government National Mortgage Association).
 - b. Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include but are not limited to Federal Home Loan Bank notes and bonds, Federal Farm Credit Bank consolidated notes and bonds, Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation).
 - c. Bankers Acceptances and Commercial Paper purchased on the secondary market
 - d. Washington State Local Government Investment Pool.
 - e. General obligation bonds of any state or local government in the United States and revenue bonds from jurisdictions in Washington state having a long-term credit rating of no less than A3 as rated by Moody's or A- by Standard and Poor's.
- Repurchase and reverse repurchase agreements are excluded as eligible investments.
 - Resources of the Firemen's Relief and Pension Fund may be invested in high quality corporate bonds in addition to instruments listed above.
 - The City purchases investments from SEC registered security broker- dealers and banks having offices within Washington State.

The City's Treasury Services Officer, under the direction of the Director of Finance and Budget, invests or deposits all temporary cash. These investments and time deposits do not result in reductions to the cash balances of the various funds and are considered to be cash equivalents to the funds under the definition promulgated in GASB Statement #31, which states that investments purchased within thirty days of maturity are considered to be cash equivalents. These amounts are reported on the Combined Balance Sheet as part of "Cash and Cash Equivalents."

RECEIVABLES

Taxes receivable consist of property and other taxes including related interest and penalties (See Note 4 - Receivables) 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. Deferred assessments consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2006, \$11,855 of special assessments receivables were delinquent. Customer accounts receivable consist of amounts due from private individuals or organizations for goods and services. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered. The major component of the notes receivable

category is in the Community Development fund, and represents a revolving home ownership assistance program.

AMOUNTS DUE TO AND FROM OTHER FUNDS; INTERFUND LOANS AND ADVANCES RECEIVABLE

These accounts include all interfund receivables and payables. A separate schedule of interfund loans receivable and payable is furnished in Note 4 - Interfund Receivables. Long-term interfund loans are separately identified as "Advances" – at December 31, 2006 there were no interfund advances.

AMOUNTS DUE TO AND FROM OTHER GOVERNMENTAL UNITS

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 governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditure.

Inventories in the General Fund, Enterprise Funds and Internal Service Funds are valued at cost on a moving average method.

RESTRICTED ASSETS AND LIABILITIES

These accounts contain resources for debt service reserve/redemption in the enterprise funds. The current portion of related liabilities is shown as Payables from Restricted Assets. Specific debt service reserve requirements are described in Note 7.

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

<i>Cash - Debt Service</i>	<i>\$2,705,125</i>
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CAPITAL ASSETS (SEE NOTE 4 - CAPITAL ASSETS)

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

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

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

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

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

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

Buildings	25 - 40 Years
Improvements Other than Buildings	7 - 50 Years
Utility Plant	33 - 50 Years
Equipment	2 - 25 Years
Intangibles (Organization Costs and Goodwill)	75 - 100 Years
Infrastructure	15 - 50 Years

CUSTODIAL ACCOUNTS

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

ACCRUED LIABILITIES

Other accrued liabilities include primarily interest payable on long-term debt, Public Works Trust Loans and small miscellaneous payables not classified in other categories in Enterprise Funds.

DEFERRED REVENUES

This account includes amounts recognized as receivables but not as revenue in governmental funds because the revenue recognition criteria has not been met. (See Note 1 - Measurement Focus)

NONCURRENT LIABILITIES

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

The amounts of unpaid vacation and sick leave accumulated by City employees are accrued as expenses when incurred in proprietary funds, which use the accrual basis of accounting. In the governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current-year expenditures. The City uses the last-in, first-out method of recognizing the hours used of compensated absences. Employees are charged for the last day of vacation or sick leave earned when the leave is

used. Thus, unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional expenditures are accrued. Therefore, the entire unpaid liability for the governmental funds is a reconciling item between the fund and government-wide presentations. For additional information on long-term debt see Note 7.

FUND EQUITY

Fund equity is recognized as fund balance in governmental fund types, and as net assets in proprietary fund types. Certain fund equity may be reserved for a specific future use, or to denote unavailability for current operations. Designations of fund balance represent tentative management plans that are subject to change. Unless otherwise noted, fund balances and retained earnings (deficits) are unreserved and undesignated.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$30,910,167 difference are as follows:

Bonds Payable	\$18,040,097
Intergovernmental Loans	2,087,928
Contractual Agreements – Yakima County	324,500
Special Assessments – Notes	564,500
Lease Purchase Agreements	448,955
Unfinanced Pension Liability	4,309,741
Compensated Absences	<u>5,134,446</u>
<i>Net adjustments to reduce fund balance – total governmental funds to arrive at net assets – governmental activities</i>	<u>\$30,910,167</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 a reconciliation between net changes in fund balances-total governmental funds and *changes in net assets 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.” The details of this \$8,115,055 difference are as follows:

Capital Outlay	\$12,153,677
Depreciation Expense	<u>(4,038,622)</u>
<i>Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$8,115,055</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.” The details of this (\$742,804) difference are as follows:

In the statement of activities, only the gain 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 assets differs from the change in fund balance by the cost of the capital assets sold/disposed	
<i>Net adjustment to increase/(decrease) net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>(\$742,804)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,894,769 difference are as follows:

Debt Issued or Incurred:	
Contractual Agreement – Yakima County	(50,000)
Special Assessment Notes	(546,252)
Principal Repayments:	
General Obligation Debt	1,325,000
Intergovernmental Loans	438,199
Contractual Agreement – Yakima County	293,667
Special Assessment Notes	243,452
Lease Purchase Agreements	<u>190,703</u>
<i>Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$1,894,769</u>

Another element of that reconciliation states that “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.” The details of this (\$646,658) difference are as follows:

Compensated Absences	(\$141,725)
Change in Unfunded Pension Liability	(513,869)
Change in Reserve for Inventory	1,510
Accrued Interest Payable	<u>7,426</u>
<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>(\$646,658)</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETS AND BUDGETARY ACCOUNTING

SCOPE OF BUDGET

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

Annual appropriated budgets are adopted on the modified accrual basis of accounting. For governmental funds, there are no differences between budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for the General Fund and Special Revenue Funds only. 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. Budgetary comparisons for proprietary funds, although not legally required, may be requested from the Department of Finance and Budget.

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

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

PROCEDURES FOR ADOPTING THE ORIGINAL BUDGET

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

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

AMENDING THE BUDGET

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

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

The budget amounts shown in the financial statements represent the original adopted budget and all supplemental appropriations. City-wide, supplemental appropriations totaled \$14.4 million. The principal four amendments were to reappropriate 2005 outstanding encumbrances in the amount of \$2.9 million; the appropriation for Downtown Futures Initiatives projects in the amount of \$4.4 million; appropriation for Kiwanis Park Fourth Ballfield in the amount of \$.75 million; and the appropriation for William O. Douglas Bridge Restoration and Trail Enhancements in the amount of \$.83 million.

ENCUMBRANCES

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

FUND EQUITY

DEFICIT FUND EQUITIES

The Fire Capital fund had a deficit of fund balance of \$29,327 at December 31, 2006. This was due to West Valley Fire Addition project being ahead of schedule. On January 25, 2007, the City drew on it's line of credit to finance part of the project. On April 17, 2007, G.O. bonds were issued to pay the line of credit draw.

Temporary deficits of the Local Improvement Construction Fund arise because long-term financing has not been issued. During the construction phase, the Local Improvement District issues warrants, which accrue interest and are held as an investment internally, shown on the balance sheet as Warrants Payable, resulting in a deficit fund balance. When the LID is completed, bonds or notes are issued and the Warrants Outstanding are redeemed eliminating the deficit.

The Risk Management Reserve Internal Service fund had a deficit fund balance of \$304,163 at December 31, 2006. Even though the fund has approximately \$1.2 million in assets, the claims manager's estimate of outstanding claims and judgments payable is over \$1.5 million. The interfund contribution charged to operating funds was increased by 10% in the 2007 budget to begin to eliminate this deficit and build reserves.

DESIGNATED FUND BALANCES

This category is used to set aside governmental fund balances when city management has plans or tentative commitments to expend resources for certain purposes in future periods. Further legal action will be required to authorize the actual expenditures. Special Revenue Funds have a designated fund balance of \$626,202 for the Capitol Theatre Reserve Fund for modifications to the Capitol Theatre. The Capital Project Funds have a designated fund balance of \$930,428 for replacement of equipment and other capital improvements.

RESERVED FUND BALANCE IN PERMANENT FUNDS

The reserve of \$544,526 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. The Reserve for Endowments represents an endowment for cemetery beautification. The provisions of the endowment stipulate that income from the endowment be used only for grounds improvements.

FIDUCIARY FUND NET ASSETS

The Firemen's Relief and Pension Fund has Net Assets held in Trust for Pension Benefits and other purposes of \$524,013, which represents the accumulated contributions made by the government through property taxes (see Note 4) plus interest earnings and state fire insurance premium tax proceeds.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

The City of Yakima implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* beginning in its 2005 Notes to the Financial Statements – an amendment of GASB Statement No. 3, issued in March 2003. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2004. This statement addresses common deposit and investment risks related to credit risk, concentration of credit and counterparty risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The City holds no such investments as of the Statement of Net Assets Date.

As required by state law, all deposits and investments of the City's funds are direct or indirect obligations of the U.S. Government, high quality Municipal Bonds, Bankers' Acceptances, high quality Commercial Paper or deposits with Washington State banks and savings and loan institutions and the Local Government Investment Pool. Investments of trust funds are not subject to the preceding limitations.

DEPOSITS

The City of Yakima maintains deposit relationships with several Washington State commercial banks and savings and loan institutions.

The Public Deposit Protection Commission of the State of Washington (PDPC) covers all deposits not covered by the Federal Depository Insurance Corporation (FDIC). The PDPC is a statutory authority established under RCW 39.58. It constitutes a multiple financial institution

collateral pool that insures public deposits. In such a pool, a group of financial institutions holding public funds pledge collateral to a common pool. The PDPC provides protection by maintaining strict standards as to the amount of public deposits financial institutions can accept, and by monitoring the financial condition of all public depositaries and optimizing collateralization requirements. The City's agent in the name of the City holds all deposits.

The City of Yakima had the following bank balances on hand on December 31, 2006:

Banks and Savings and Loan Institutions	\$1,967,712
Petty Cash and Other Imprest Funds	18,180
Local Government Investment Pool (LGIP)	<u>30,005,152</u>
<i>Total</i>	<u>\$31,991,044</u>

CUSTODIAL CREDIT RISK: DEPOSITS – The custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, the City's deposits with banks and savings and loan associations may not be recovered. Because of the PDPC, the City's deposits are not subject to this risk.

The LGIP is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines, the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are all classified as category 1 risk level investments. They are either insured or held by a third-party custody provider in the LGIP's name.

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

INVESTMENTS

As of December 31, 2006 The City of Yakima had the following investments:

INVESTMENT PORTFOLIO

<u>INVESTMENT TYPES</u>	<u>CARRYING/ VALUE</u>	<u>FAIR/ VALUE</u>	<u>WEIGHTED AVERAGE MATURITY ⁽¹⁾</u>
Federal Agency Coupon Securities	\$4,503,761	\$4,500,365	.370
Federal Agency Callable Securities	18,308,157	18,244,794	1.316
Treasury Securities	500,518	489,260	1.072
Municipal Securities	569,909	569,909	N/A
Total Portfolio	<u>\$23,882,345</u>	<u>\$23,804,328</u>	
Weighted Average Maturity			.493

(1) Macaulay modified duration, which approximates Weighted Average Maturity, is used for this purpose.

Note: Investments are reported at Carrying Value on the Statement of Net Assets as the Weighted Average Maturity of the portfolio is less than one year and the difference between Carrying Value and Fair Value is considered immaterial.

INTEREST RATE RISK

In accordance with its adopted investment policy, the City manages its exposure to declines in fair value due to rising interest rates by limiting the weighted average maturity of the portfolio as a whole to not more than 2.5 years, and has a five-year maximum investment limitation. Additionally, the City does not use derivatives, pass through obligations or other extremely interest rate sensitive instruments in its portfolio. Weighted average maturity on callable securities is calculated using the final maturity date rather than the call date for conservatism.

INVESTMENT MANAGEMENT

INVESTMENT TYPES	FAIR/ VALUE	CARRYING/ VALUE	LESS THAN 1 YEAR	2 - 5 YEARS
Federal Agency Coupon Securities	\$4,500,365	\$4,503,761	\$3,499,994	\$1,003,767
Federal Agency Callable Securities	18,244,794	18,308,157	8,785,094	9,523,063
Treasury Securities	489,260	500,518	0	500,518
Local Assessment Notes ⁽¹⁾	569,909	569,909	0	569,909
Total Portfolio	<u>\$23,804,328</u>	<u>\$23,882,345</u>	<u>\$12,285,088</u>	<u>\$11,597,257</u>

(1) Represents 10-year LID Notes the City is holding. All other investments in this category are under five-year final maturity. Callable securities are stated at their final maturity

CREDIT RISK

State law, under RCW sections 35.39 and 39.59, limits investments that a Washington class 1 City may hold to Direct and Indirect obligations of the US Government, high quality Municipal Bonds of the State or Cities and Towns within the State, high quality General Obligation bonds of another State or City and by administrative allowance not in the RCW's, Bankers Acceptances and high quality Commercial Paper, holding one of the 2 highest Credit ratings issued by Moody's and Standard and Poor's and the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is a 2(a)7 like pool and investments in the pool are reported at the share price of 100% of dollars invested. The City's own adopted Investment Policy adheres to the RCW's and also allows for investment in high quality Commercial Paper, Banker's Acceptances and the LGIP (see Deposit Note for information on the LGIP)

CUSTODIAL CREDIT RISK

The City's investment Policy does not include Repurchase, Reverse-Repurchase agreements or securities lending as allowable investment activity; therefore no custodial or counterparty credit risk exists. All investments are held in the City's name by a third party custodian through a Trust Agreement, and are considered Category 1 investments, with the exception of the LGIP (see Note 4 - Deposits, for custodial risk details).

PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied within the county for all taxing authorities. Collections are distributed after the end of each month, on the tenth day of the following month.

PROPERTY TAX CALENDAR

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property is established for next year's levy at 100-percent of market value.
October 31	Second installment is due.

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

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

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

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

For 2006, the City's regular tax levy was \$3.3813 per \$1,000 on a total assessed valuation of \$4,169,739,611, for a total regular levy of \$14,099,087. Included in the City's regular levy is an authorization to levy for the Firemen's Relief and Pension Fund (see Note 5). This levy is subject to the same limitations as the levy for general government services. The Firemen's Relief and Pension portion of the regular tax levy for 2006 was \$.3595 per \$1,000, or \$1,498,895. Additionally, special levies for G.O. Bond obligations totaled \$300,000.

RECEIVABLES

Receivables as of year-end for the City's individual major funds, non-major, internal service and agency funds in the aggregate, including applicable allowance for uncollectible accounts are shown in the following chart.

ACCOUNTS RECEIVABLE

	TAXES	ACCOUNTS	SPECIAL ASMTS	DUE FROM OTHER GVTS	INTEREST & PENALTIES	OTHER	TOTAL
General Fund	\$4,100,191	\$51,653	\$0	\$129,660	\$133,286	\$0	\$4,414,790
Com & Econ Development	0	6,025,908	0	556,435	0	0	6,582,343
Non-Major Governmental	219,985	220,021	621,344	1,830,923	20,028	5,156	2,917,457
Transit	797,765	0	0	1,612,641	5,666	0	2,416,072
Refuse	0	290,679	0	0	0	0	290,679
Wastewater	0	1,502,938	0	25,000	48,653	9,750	1,586,341
Water	0	117,591	0	0	9,028	0	126,619
Irrigation	0	225,891	0	0	0	0	225,891
Internal Service Funds	0	632,247	0	0	61,200	0	693,447
Total	<u>\$5,117,941</u>	<u>\$9,066,928</u>	<u>\$621,344</u>	<u>\$4,154,659</u>	<u>\$277,861</u>	<u>\$14,906</u>	<u>\$19,253,639</u>

Revenues of the Water, Wastewater, Refuse and Irrigation funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period of approximately 1% of billed revenue are as follows:

Refuse	\$38,570
Wastewater	131,186
Water	61,118
Irrigation	<u>24,473</u>
<i>Total</i>	<u>\$255,347</u>

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

CLASSIFICATION OF INTERFUND TRANSACTIONS

Interfund transactions are classified as follows:

1. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services, are similarly treated when they involve other funds of the City.
2. Transfers to support the operations of other funds are recorded as "Transfers" and classified with "Other Financing Sources or Uses."
3. Contributions to the capital of enterprise or internal service funds, (transfers between those funds and the general capital assets account group,) transfers to establish or reduce working capital in other funds, and transfers of remaining balances when funds are closed are classified as transfers and reported as non-operating revenues.
4. Loans between funds are classified as interfund loans receivable and payable or as advances to and from other funds on the combined balance sheet depending on the time period for which the loan was made. Interfund loans do not affect total fund equity, but advances to other funds are offset by a reservation of fund equity. At 12/31/06 there were no advances to/from any funds.

INTERFUND LOANS AND RECEIVABLES

The following table depicts the temporary cash overdrafts in individual funds as of December 31, 2006 – caused either by timing of cash flow or short-term over allocation of investments:

INTERFUND LOANS

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$369,881	\$0
Special Revenue Funds:		
Community Development	0	25,076
Trolley	0	1,913
Capital Project Funds:		
CBD Capital Improvement	0	144,468
Cumulative Reserve	0	27,780
Internal Service Funds:		
Risk Management	0	170,644
Total	<u>\$369,881</u>	<u>\$369,881</u>

INTERFUND TRANSFERS

Interfund transfers represent subsidies and contributions provided to other funds with no corresponding debt or promise to repay. General Fund transfers are primarily used to: 1) allocate the portion of utility taxes that are designated to support Parks and Recreation and Law and Justice Capital programs; 2) Support the Public Safety dispatch operation with a portion of the telephone tax; and 3) contribute to the Contingency Fund. The Internal Service transfer in represents capital contributions from other funds to purchase new vehicle additions to the rolling stock fleet. Other transfers generally represent debt service and capital project funding.

The following table depicts interfund operating transfer activity during 2006:

OPERATING TRANSFERS

<u>TRANSFER OUT</u>	<u>TRANSFER IN</u>				<u>TOTAL</u>
	<u>GENERAL FUND</u>	<u>NON-MAJOR GOV'T</u>	<u>WASTE- WATER</u>	<u>INTERNAL SERVICE</u>	
General Fund	\$0	\$2,081,548	\$0	\$19,401	\$2,100,949
Community & Econ Dev	0	30,000	0	0	30,000
Non-major Government	40,000	2,696,851	0	182,465	2,919,316
Transit	0	30,000	0	0	30,000
Wastewater	0	62,516	0	29,555	92,071
Water Operating Fund	0	74,058	32,939	0	106,997
Irrigation	0	33,750	0	0	33,750
Total	<u>\$40,000</u>	<u>\$5,008,723</u>	<u>\$32,939</u>	<u>\$231,421</u>	<u>\$5,313,083</u>

CAPITAL ASSETS

CAPITAL ASSET ACTIVITY

	BALANCE 1/1/06	ADDITIONS	ADJUSTMENTS	DELETIONS	BALANCE 12/31/06
GOVERNMENTAL ACTIVITIES					
Capital Assets (not being depreciated):					
Land	\$8,764,562	\$0	\$0	\$0	\$8,764,562
Construction in Progress	9,048,295	11,258,834	(5,691,207)	(917,327)	13,698,595
Total Capital Assets (not being depreciated)	17,812,857	11,258,834	(5,691,207)	(917,327)	22,463,157
Capital Assets (being depreciated):					
Buildings & Structures	47,707,731	352,197	0	0	48,059,928
Other Improvements	9,131,899	93,204	221,647	0	9,446,750
Equipment & Machinery	7,214,744	600,807 ⁽¹⁾	0	(141,629)	7,673,922
Infrastructures	40,164,535	0	5,469,560	0	45,634,095
Capitalized Leases	1,320,869	0	0	0	1,320,869
Total Capital Assets (being depreciated):	105,539,778	1,046,208	5,691,207	(141,629)	112,135,564
Less Accumulated Depreciation For:					
Buildings & Structures	(12,112,514)	(1,050,904)	(18,424)	0	(13,181,842)
Other Improvements	(3,090,159)	(474,529)	17,358	0	(3,547,330)
Equipment & Machinery	(4,420,314)	(470,376)	(28,039)	164,787	(4,753,942)
Infrastructures	(21,759,238)	(1,925,235)	1,043	0	(23,683,430)
Capitalized Leases	(476,575)	(117,558)	28,042	0	(566,091)
Total Accumulated Depreciation	(41,858,800)	(4,038,602)	(20)	164,787	(45,732,635)
Total Capital Assets (being depreciated net)	63,680,978	(2,992,394)	5,691,187	23,158	66,402,929
Governmental Activities Capital Assets (net)	\$81,493,835	\$8,266,440	(\$20)	(\$894,169)	\$88,866,086
INTERNAL SERVICE FUNDS - GOVERNMENTAL ACTIVITIES					
Capital Assets (being depreciated)					
Buildings	\$20,612	\$0	\$121	\$0	\$20,733
Other Improvements	3,997	0	23	0	4,020
Machinery	6,352,225	782,274	0	(80,862)	7,053,637
Total Capital Assets (being depreciated)	6,376,834	782,274	144	(80,862)	7,078,390
Less Accumulated Depreciation For:					
Buildings	(5,414)	(2,385)	0	0	(7,799)
Other Improvements	(295)	(7)	0	0	(302)
Machinery	(3,560,307)	(425,567)	0	65,936	(3,919,938)
Total Accumulated Depreciation	(3,566,016)	(427,959)	0	65,936	(3,928,039)
Total Capital Assets (being depreciated net)	2,810,818	354,315	144	(\$14,926)	3,150,351
Total Capital Assets - Governmental Activities	\$84,304,653	\$8,620,755	\$124	(\$909,095)	\$92,016,437

	BALANCE 1/1/06	ADDITIONS	ADJUSTMENTS	DELETIONS	BALANCE 12/31/06
BUSINESS-TYPE ACTIVITIES					
Capital Assets (not being depreciated):					
Land	\$2,181,516	\$0	\$0	\$0	\$2,181,516
Construction in Progress	17,802,700	10,278,971	(10,970,937)	(1,083,602)	16,027,132
Total Capital Assets (not being depreciated)	19,984,216	10,278,971	(10,970,937)	(1,083,602)	18,208,648
Capital Assets (being depreciated):					
Buildings & Structures	64,740,203	215,265	1,408,621	0	66,364,089
Other Improvements	77,737,519	983,139	11,711,773	0	90,432,431
Equipment & Machinery	13,969,427	2,074,529 ⁽¹⁾	82,786	(112,602)	16,014,140
Completed Construction - Not Classified	2,232,245	0	(2,232,245)	0	0
Intangibles	221,830	0	0	0	221,830
Total Capital Assets (being depreciated)	158,901,224	3,272,933	10,970,935	(112,602)	173,032,490
Less Accumulated Depreciation For:					
Buildings & Structures	(37,127,187)	(1,984,107)	0	0	(39,111,294)
Other Improvements	(31,532,809)	(1,602,119)	(613,575)	0	(33,748,503)
Equipment & Machinery	(6,443,889)	(923,072)	0	105,731	(7,261,230)
Completed Construction - Not Classified	(613,575)	0	613,575	0	0
Intangibles	(106,171)	0	0	0	(106,171)
Total Accumulated Depreciation	(75,823,631)	(4,509,298)	0	105,731	(80,227,198)
Total Capital Assets (being depreciated net)	83,077,593	(1,236,365)	10,970,935	(6,871)	92,805,292
Business-Type Activities Capital Assets (net)	<u>\$103,061,809</u>	<u>\$9,042,606</u>	<u>(\$2)</u>	<u>(\$1,090,473)</u>	<u>\$111,013,940</u>
INTERNAL SERVICE FUNDS - BUSINESS-TYPE ACTIVITIES					
Capital Assets Being Depreciated					
Buildings	\$16,785	\$0	(\$121)	\$0	\$16,664
Other Improvements	3,254	0	(23)	0	3,231
Machinery	10,075,099	1,150,616	0	(275,705)	10,950,010
Total Capital Assets Being Depreciated	10,095,138	1,150,616	(144)	(275,705)	10,969,905
Less accumulated depreciation for:					
Buildings	(5,361)	(904)	0	0	(6,265)
Other Improvements	(462)	220	0	0	(242)
Machinery	(5,635,933)	(662,654)	0	224,811	(6,073,776)
Total Accumulated Depreciation	(5,641,756)	(663,338)	0	224,811	(6,080,283)
Total Capital Assets (being depreciated net)	4,453,382	487,278	(144)	(50,894)	4,889,622
Total Capital Assets - Business-Type Activities	<u>\$107,515,191</u>	<u>\$9,529,884</u>	<u>(\$146)</u>	<u>(\$1,141,367)</u>	<u>\$115,903,562</u>

(1) Total machinery added - \$4,251,659.

NOTES:

The City is still in the process of summarizing, categorizing, and costing its infrastructure. The balance presented for infrastructure represents historical cost for major street projects from 1980 through 2006.

The 2006 adjustment column represents (a) construction works in progress that were completed and classified into the appropriate capital asset category, and (b) minor reclassification corrections.

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Governments	\$201,187
Security of Persons and Property	808,814
Physical Environment	12,650
Transportation	1,961,572
Economic Environment	74,162
Cultural and Recreational Environment	980,237
Capital assets held by the City's internal service funds are charged to the various functional base on their usage of the assets	<u>427,959</u>
<i>Total Depreciation - Governmental Activities</i>	<u><i>\$4,466,581</i></u>
Business-Type Activities	
Transit	\$722,363
Wastewater	2,798,937
Water	903,256
Irrigation	86,019
Capital assets held by the City's internal service funds are charged to the various functional base on their usage of the assets	<u>663,338</u>
<i>Total Depreciation - Business Type Activities</i>	<u><i>\$5,173,913</i></u>

COMMITMENTS

CONSTRUCTION COMMITMENTS

The City has active construction projects as of December 31, 2006. The projects include widening and construction of existing streets; improvements to the Wastewater facility and collection system; and the rebuilding of the Irrigation system.

CURRENT CONSTRUCTION PROJECTS

<u>PROJECT</u>	<u>CONTRACT AMOUNT</u>	<u>SPENT TO DATE</u>	<u>REMAINING COMMITMENT</u>
Street Construction	\$9,161,943	\$5,161,138	\$4,000,805
Water/Wastewater Treatment Plant & Pipes	12,654,392	3,902,889	8,751,503
Irrigation System Design/Rebuild	1,134,839	170,777	964,062
Total	<u>\$22,951,174</u>	<u>\$9,234,804</u>	<u>\$13,716,370</u>

Street constructions are being financed by gas tax and federal, state or local grants. Wastewater improvements are being financed by State Public Works Trust Fund loans and wastewater utility revenues/capital reserves. The Irrigation System rebuild is being financed by revenue bonds and irrigation revenue/capital reserves.

NOTE 5 – PENSION PLANS

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

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLANS 1, 2 & 3

PLAN DESCRIPTION

PERS is a cost-sharing multiple employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within ninety days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within ninety days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after thirty years of service, or at the age of sixty with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two-percent of the average final compensation per year of service, capped

at sixty-percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at three-percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at age 55 with twenty-years of service, with an allowance of two-percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive sixty-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least thirty-years of service, a three-percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three-percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one-percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive sixty-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plans 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least thirty-years of service, a three-percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 1181 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

Retirees and Beneficiaries Receiving Benefits	68,609
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	22,567
Active Plan Members Vested	104,574
Active Plan Members Nonvested	<u>51,004</u>
<i>Total</i>	<u>246,754</u>

FUNDING POLICY

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates; and Plan 3 employer contribution

rates. Employee contribution rates for Plan 1 are established by statute at six-percent for state agencies and local government unit employees. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from five to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2006, were as follows:

	<u>PERS PLAN 1</u>	<u>PERS PLAN 2</u>	<u>PERS PLAN 3</u>
Employer*	3.51%	3.51%	3.51%**
Employee	6.00%	0.65%	***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** Plan 3 defined benefit portion only.

*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:

	<u>PERS PLAN 1</u>	<u>PERS PLAN 2</u>	<u>PERS PLAN 3</u>
2006	\$83,761	\$569,572	\$82,908
2005	57,836	345,207	48,343
2004	44,564	235,935	32,255

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF) PLANS 1 AND 2

PLAN DESCRIPTION

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become member of LEOFF Plan 2. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at age fifty. The benefit per year of service calculated as a percent of final average salary is as follows:

<u>TERM OF SERVICE</u>	<u>PERCENT OF FINAL AVERAGE</u>
Twenty or More Years	2.0%
Ten years, less than twenty years	1.5%
Five years, less than ten years	1.0%

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at sixty-percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of fifty with twenty years of service, or at the age of 53 with five years of service, with an allowance of two-percent of the final average salary per year of service. The final average salary is based on the highest consecutive sixty-months. Plan 2 retirements prior to the age of 53 are reduced three-percent for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three-percent annually.

There are 376 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

Retirees and Beneficiaries Receiving Benefits	8,723
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	577
Active Plan members Vested	12,348
Active Plan Members Nonvested	<u>3,543</u>
<i>Total</i>	<u>25,191</u>

FUNDING POLICY

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at

the level adopted by the LEOFF Plan 2 Retirement Board in accordance with Chapter 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature has the ability, by means of a special funding arrangement, to appropriate money from the state General Fund to supplement the current service liability and fund the prior service costs of Plans 1 and 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2006, were as follows:

	<u>LEOFF PLAN 1</u>	<u>LEOFF PLAN 2</u>
Employer*	0.18%	4.90%**
Employee	0.00%	7.85%
State	N/A	3.13%

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for ports and universities is 5.28%.

Both the City and the employees made the required contributions. The City's required contributions for the years ending December 31 were as follows:

	<u>LEOFF PLAN 1</u>	<u>LEOFF PLAN 2</u>
2006	\$1,086	\$672,425
2005	1,594	528,585
2004	1,692	411,645

OTHER RETIREMENT SYSTEMS – VOLUNTEER FIRE FIGHTERS’ RELIEF AND PENSION FUND

The Volunteer Fire Fighters’ Relief and Pension Fund System is a cost-sharing multiple-employer retirement system which was created by the Legislature in 1945 under Chapter 41.16 RCW. It provides pension, disability and survivor benefits. Membership in the system requires service with a fire department of an electing municipality of Washington State except those covered by LEOFF. The system is funded through member contributions of \$30 per year; employer contributions of \$30 per year; and forty-percent of the Fire Insurance Premium Tax; and earnings from the investment of moneys by the Washington State Investment Board. However, members may elect to withdraw their contribution upon termination.

FIREMEN’S PENSION

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

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

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

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

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 may be provided by an annual tax levy of up to \$.45 per \$1,000 of assessed valuation of all taxable property of the City. The Firemen's Pension Fund also receives a proportionate share of the 25 percent of the tax on fire insurance premiums set aside by the state for all paid firemen in the state. Additional funding is provided by investment interest earnings.

During the year ended December 31, 2006, there were no plan amendments.

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

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 required contributions are determined using an aggregate projected benefit funding method with the annual cost increasing six-percent per year over the period ending December 31, 2012.

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

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

POLICE PENSION

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

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

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

- Return of 75% of contributions made after June 8, 1955, less any benefits paid.
- When Police Officer would have had 25 years of service, 2% of salary for each year of service.

Plan members are no longer required to contribute to the Police Pension. The City is operating on a pay-as-you-go basis.

During the year ended December 31, 2006, there were no plan amendments.

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

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, 2003. The valuation provided actuarially determined rates to accumulate sufficient assets to pay benefits when due rather than the current pay-as-you-go basis. The required contributions are determined using an aggregate projected benefit method with the annual cost increasing six-percent per year over the period ending December 31, 2012.

**SUMMARY OF FIREMEN'S PENSION AND POLICE PENSION
SCHEDULE OF FUNDING PROGRESS**

	VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITIES	UNFUNDED ACTUARIAL ACCRUED LIABILITIES (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE COVERED PAYROLL
Fire Pension	1/1/98	\$69,599	\$10,445,000	\$10,375,401	0.67%	\$270,000	3842.74%
	1/1/03	657,889	8,520,000	7,862,111	7.72%	0	0.00%
Police Pension	1/1/98	0	8,277,000	8,277,000	0.00%	264,000	3135.23%
	1/1/03	0	8,154,000	8,154,000	0.00%	0	0.00%

NOTE 6 – SELF-INSURANCE FUNDS

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

UNEMPLOYMENT COMPENSATION

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

The City has contracted with Talx Corporation UCeXpress to represent the City in appeal hearings, and to provide audits of state awards.

The State of Washington invoices the City on a quarterly basis for reimbursement of claims which represent payment of unemployment compensation and related administrative costs. Resources accrue to the Unemployment Compensation Reserve Fund through monthly charges made to each Operating Fund based on employee earnings. Normal accrual rates have been between .5 and .75 percent of gross payroll, while costs under the monthly premium program would have been approximately three-percent of payroll. The City has achieved considerable savings. Interfund premiums are based primarily upon the insured funds claims experience and are reported as quasi-external interfund transactions, a total for 2006 of \$153,976. Incurred but not reported claims of \$19,222 have been accrued as a liability.

SELF-INSURED MEDICAL/DENTAL PROGRAM

The City, in August, 1979, self-insured its medical and dental programs for all employees other than temporary employees, employees hired to work less than half-time. The City's Human Resources Office administers the self-insured program and claims payment services are provided by Health Care Management Administration, Inc.

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 Fisher Consulting. Factors considered by Fisher Consulting 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 to the Employee Health Benefit Reserve Fund for 2006 were \$6,703,255. Incurred but not reported claims of \$984,044 have been accrued as a liability.

In order to avoid catastrophic losses, the City "reinsures" the program by purchasing insurance known as "stop-loss insurance." Two types of "stop-loss" insurance are purchased: 1) individual stop-loss; and, 2) aggregate stop-loss, with both provided through Sunlife Insurance Co. Under the individual stop-loss insurance, the City pays the first \$150,000 of claims for an individual employee or dependent. Any charges accrued by an individual in excess of \$150,000 in a calendar year are thereafter reimbursed by Sunlife, up to a lifetime maximum benefit of \$1 million per person. The aggregate stop-loss is designed to protect the City from multiple large claims which may not reach the individual stop-loss attachment point (\$150,000). The aggregate stop-loss attachment point is calculated by determining the projected amount of claims for the year and adding an additional 25% of that amount (125% of projected claims.)

WORKERS' COMPENSATION PROGRAM

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 Nova Pro Risk Solutions (formerly Ward North America).

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 is reviewed to determine a contribution rate which provides for an appropriate reserve. Interfund premiums to the Workers' Compensation Fund for 2006 were \$981,803. Based on the claims manager's estimate, the City has accrued incurred but not reported claims of \$636,219 at December 31, 2006.

In order to avoid catastrophic losses, the City "reinsures" the program by purchasing insurance known as "stop-loss" insurance. This insurance is provided through Wells Fargo Insurance Services under a policy purchased from Employers Reinsurance Corporation. Under the individual stop-loss coverage, the City pays the first \$500,000 of a claim and the insurance company pays (a) the balance up to \$1 million for an individual claim or (b) the balance up to a maximum of \$25 million for multiple claims arising from a single incident.

RISK MANAGEMENT PROGRAM

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 contributions to the Risk Management Reserve Fund for 2006 were \$2,027,904. 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 have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider recent claim settlement trends, inflation, and other economic or social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims. Estimated recoveries, for example from subrogation, are another component of the claims liability estimate. Based on these factors, the claims manager's estimate of claims liability at December 31, 2006 is \$1,100,000.

In late 2005, the City joined an insurance pool and now maintains general liability coverage of \$15 million, insured by St. Paul Travelers with a \$100,000 deductible. The City also joined the Washington State Transit Insurance Pool (WSTIP) in September 2005. The deductible for the

Transit division for this program is \$5,000 with \$12 million general liability coverage. Changes in the balance of claims liability during 2006 follows:

	<u>2006</u>	<u>2005</u>
Unpaid Claims, January 1	\$1,200,000	\$1,200,000
Incurring Claims (including IBNRs)	1,133,956	1,119,622
Claim Payments (including direct legal costs)	<u>(1,233,956)</u>	<u>(1,119,622)</u>
<i>Unpaid Claims, December 31</i>	<u>\$1,100,000</u>	<u>\$1,200,000</u>

NOTE 7 – LONG-TERM DEBT AND CAPITAL LEASES

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

LEGAL DEBT PERCENTAGE

		<u>LIMIT BY SECTION</u>	<u>CUMULATIVE LIMIT</u>
I. General Purpose			
Without a Vote (includes capital leases)	1.50%		
With a Vote	1.00%	2.50%	2.50%
II. Utilities Purpose		2.50%	5.00%
III. Open Space and Parks Facilities		2.50%	7.50%
Total Legal Limit		<u>7.50%</u>	

The basic percentages for Section I are the maximum levels of indebtedness those sections may incur. However, utility or parks indebtedness may each exceed 2.50% and reduce the general indebtedness margin. The percentages are applied to the taxable assessed value (regular levies) of \$4,586,923,853 resulting in the debt limits, as of December 31, 2006, for the City as follows:

DEBT LIMITS

	<u>WITHOUT A VOTE</u>		<u>----- WITH A VOTE -----</u>	
	<u>GENERAL PURPOSE 1.5%</u>	<u>GENERAL PURPOSE 2.5%</u>	<u>UTILITIES 5.0%</u>	<u>OPEN SPACE & PARKS 7.5%</u>
Legal Limit	\$68,803,858	\$114,673,096	\$229,346,192	\$344,019,288
Net Outstanding Indebtedness*	<u>16,633,613</u>	<u>18,433,027</u>	<u>18,433,027</u>	<u>18,433,027</u>
Margin Available	<u>\$52,170,245</u>	<u>\$96,240,069</u>	<u>\$210,913,165</u>	<u>\$325,586,261</u>

* Indebtedness is the outstanding debt less cash, investments, and tax receivables available to redeem debt.

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

The accompanying schedule of long-term debt provides a listing of the outstanding debt of the City and summarizes the City's debt transactions for 2006.

LONG-TERM LIABILITIES

	BALANCE 1/1/2006	ADDITIONS	PAYMENTS/ RETIREMENTS	BALANCE 12/31/2006	AMOUNTS DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
General Obligation Debt:					
Line of Credit	\$64,569	\$0	\$20,000	\$44,569	\$20,000
Bonds	19,300,528	0	1,305,000	17,995,528	1,222,615
Total General Obligation Debt:	19,365,097	0	1,325,000	18,040,097	1,242,615
Intergovernmental Loans	2,526,127	0	438,199	2,087,928	401,392
Contractual Agreement - Yakima Co.	568,167	50,000	293,667	324,500	104,549
Special Assessment - Notes	261,700	546,252	243,452	564,500	62,597
Lease Purchase Agreements	639,658	0	190,703	448,955	196,903
Unfunded Pension Liability	3,795,872	513,869	0	4,309,741	0
Vacation/Sick Leave Accrual	4,992,721	141,725	0	5,134,446	0
Total General Long-Term Debt	32,149,342	1,251,846	2,491,021	30,910,167	2,008,056
BUSINESS-TYPE ACTIVITIES					
Revenue Debt Payable					
Revenue Bonds	28,095,000	0	1,645,000	26,450,000	1,695,000
Intergovernmental Loans	9,029,301	174,638	743,398	8,460,541	735,486
SIED Loans - Yakima County	25,000	64,500	14,293	75,207	12,727
Unamortized Debt Issue Cost/ Prem/Disc/Def Amt	(18,341)	0	(28,338)	9,997	0
Total Revenue Debt	37,130,960	239,138	2,374,353	34,995,745	2,443,213
TOTAL LONG TERM DEBT	\$69,280,302	\$1,490,984	\$4,865,374	\$65,905,912	\$4,451,269

GENERAL OBLIGATION DEBT

General obligation bonds consist of serial and term bonds, to be retired through the fiscal year ending December 31, 2026. The City levies a special property tax; collects motel/hotel taxes, Business License fees, utility taxes, and receives State sales tax credits 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 12/31/06	AVERAGE ANNUAL DEBT SERVICE
Special Property Tax Levy:					
2004 Fire Improvement Bonds Ref 1995	12/01/2014	2.0% - 3.5%	\$2,300,000	\$2,010,000	291,028
Regular Property Tax Levy:					
G.O. Line of Credit-Chesterly Pk Parking Lot	12/19/2008	Variable	104,569	44,569	22,000
2005 Parks Capital Projects	12/01/2015	4.0% - 4.5%	755,000	695,000	94,625
Total Regular Property Tax Levy			859,569	739,569	
Reg Prop Tax Levy/Real Estate Excise Tax/Gas Tax:					
1998 Street Overlay Program Bonds	06/01/2008	4.0%-4.5%	1,430,000	340,000	177,763
Motel/Hotel Tax:					
1996 Convention Center Expansion Bonds	11/01/2007	5.29%	6,000,000	235,000	247,925
2004 Conv Center Expansion Bonds Ref 1996	11/01/2019	2.0% - 4.2%	4,175,000	4,035,000	403,559
Total Motel/Hotel Tax			10,175,000	4,270,000	
Public Facilities District (State Sales Tax Credit):					
2002 Convention Center Addition	06/01/2026	3.0%-5.0%	6,735,000	6,025,000	470,463
Business Licenses & Real Estate Excise Tax:					
2003 Sundome Expansion	12/01/2023	2.34%-4.72%	1,430,528	1,430,528	139,984
Utility Tax:					
2003 Criminal Justice/I-82 Bonds ref 1994	12/01/2013	4.35%-5.25%	4,155,000	3,225,000	514,896
			<u>\$27,085,097</u>	<u>\$18,040,097</u>	

REVENUE BONDS

Water/Wastewater/Irrigation revenue bonds consist of serial and term bonds, to be retired through the fiscal year ending December 31, 2034, with the exception of the Apple Tree Bond which will mature September 1, 2041. The Apple Tree Bonds are subordinated debentures and the City shall have no obligation to make any payment into this Apple Tree Bond from any source other than the Ahtanum connection charges. If the bonds are not fully retired by 2041, the system's obligation to pay dissolves. The Apple Tree Bonds are not parity bonds. The Apple Tree Bonds do not have a lien on System Revenue beyond connection charges from inside the project area. The principal and interest for the water/wastewater parity revenue bonds are provided by the results of operations. Principal and interest on Irrigation System Bonds are provided by capital rates.

UTILITY REVENUE BONDS

	DATE OF FINAL MATURITY	INTEREST RATE	ORIGINAL ISSUE	OUT- STANDING 12/31/2006	AVERAGE ANNUAL DEBT SERVICE
1996 Water/Wastewater Revenue Bonds (Refund of 1978 Issue)	12/01/08	4.0%-5.2%	\$3,320,000	\$685,000	\$369,243
1998 Water/Wastewater Revenue Bonds (Refund of 1991 Issue)	9/01/11	4.0%-4.3%	4,715,000	2,410,000	546,605
1998 Water Revenue Bonds	9/01/18	4.0%-5.0%	3,195,000	2,215,000	242,906
2001 Apple Tree Bond	6/01/41	6.00%	600,000	600,000	N/A
2003 Wastewater Revenue Bonds	11/01/23	2.0%-5.0%	17,545,000	15,525,000	1,347,335
2005 Irrigation Revenue Bonds	9/01/34	2.0% - 4.8%	5,215,000	5,015,000	320,170
			\$34,590,000	\$26,450,000	

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

REVENUE DEBT SERVICE

	BONDED DEBT	INTEREST	NOTES AND CONTRACTS	INTEREST
2007	\$1,695	1,133	\$756	\$60
2008	1,750	1,073	756	51
2009	1,455	1,003	702	44
2010	1,505	952	676	37
2011	1,560	898	671	31
2012 - 2016	5,815	3,741	2,296	72
2017 - 2021	6,520	2,303	1,062	24
2022 - 2026	3,465	829	270	2
2027 - 2031	1,210	389	0	0
2032 - 2034	875	85	0	0
	\$25,850	\$12,406	\$7,189	\$321

At December 31, 2006, the City had \$2,705,125 in reserved net assets for debt service for the enterprise funds. These represent reserve requirements as contained in the various indentures.

INTERGOVERNMENTAL LOANS AND CONTRACTUAL AGREEMENTS

The City participated in a program administered by the State's Department of Community Development on behalf of the Public Works Board. The program provides financial assistance for general government activities, such as street / bridge improvements, or proprietary activities, such as water or sewage projects. The City has 20 loans through the Washington State Loan Programs as described in the following chart.

PUBLIC WORKS TRUST FUND LOANS

	<u>INTEREST</u>	<u>MATURITY DATE</u>	<u>MAXIMUM AUTHORIZED</u>	<u>OUTSTANDING 12/31/2006</u>
REAL ESTATE TRANSFER TAX:				
PW-87-002				
Nob Hill Overpass	1%	07/01/2008	\$213,454	\$10,326
PW-5-89-962-0056				
Resignalization and Lighting	1%	07/01/2009	765,000	126,452
PW-5-89-962-0057				
Fruitvale Canal Wasteway Piping	3%	07/01/2009	174,879	19,131
PW-5-91-280-071				
Fruitvale Canal Wasteway	3%	07/01/2011	1,188,000	303,344
ARTERIAL STREET GAS TAX:				
PW-5-90-280-050				
Tieton Drive, 5th Ave. to 16th Ave.	3%	07/01/2010	803,157	127,024
PW-5-91-280-070				
N. 1st Avenue, Yakima Ave. to "I" St.	1%	07/01/2011	1,155,000	249,855
PW-5-95-791-052				
Fair Avenue Improvements	1%	07/01/2015	1,000,000	479,257
PW-00-691-062				
Downtown Yakima Rehab Project	1%	06/10/2010	1,180,000	504,190
GENERAL FUND SALES TAX:				
CERB Loan #C95-107				
Utilities-Madison Ave. & 8th, "J" St. & 8th	6%	07/01/2016	425,448	268,349
Sub-Total – General Long-Term Debt				<u>2,087,928</u>
WASTEWATER OPERATING REVENUE:				
PW-88-962-54				
Treatment Plant Rehabilitation	1%	07/01/2008	945,000	111,158
PW-5-92-280-046				
Wastewater Collection System Impr.	1%	07/01/2012	1,120,000	370,386
PW-5-93-280-054				
Wastewater Facility Rehabilitation	1%	07/01/2013	3,221,708	1,193,539
PW-5-94-784-049				
Wastewater Collection System Impr,	1%	07/01/2014	1,481,000	327,192
PW-5-95-791-053				
Headworks/Digester Rehabilitation	1%	07/01/2015	3,030,558	1,470,370
PW-5-95-791-054				
Wastewater Impr. King St Collector	1%	07/01/2015	209,367	105,166
PW-01-691-071				
Fruitvale Neighborhood				
Wastewater-Water Project Phase I	.5%	07/01/2021	1,466,250	1,164,375
PW-05-691-064				
Fruitvale Neighborhood				
Wastewater-Water Project Phase II	.5%	07/01/2025	2,307,000	461,400
WATER OPERATING REVENUE:				
PW-5-89-962-0058				
Domestic Well and Pumphouse	3%	07/01/2009	495,000	81,821
PW-03-027				
Naches River Water Trtmnt Plant Impr	.5%	07/01/2023	2,694,500	2,290,325
SRF-04-65104-037				
Naches River Water Trtmnt Filter Rehab	.5%	10/01/2025	966,772	884,808
Sub-Total – Revenue Debt				<u>\$8,460,540</u>
Total Intergovernmental Loans				<u>\$10,548,468</u>

The Public Works Trust Fund loans have a term not to exceed twenty years and require 1/19th

of the original principal plus interest to be paid each July 1st. These are subordinate to utility systems' parity debt and do not require a full-faith and credit pledge.

The City entered into a contractual agreement with Yakima County for financing an agricultural trade and convention facility, the SunDome. The agreement will run over the term of County bonds issued for this purpose. The County issued bonds in the amount of \$1,280,000 in 1988, and \$3,000,000 in 1989. The City of Yakima is contractually responsible for the repayment of a portion of the issues plus corresponding interest and will make semi-annual payments to the County over the 20 year bond redemption schedule. In 2002, the City entered into a contractual agreement with Yakima County for a Supporting Investments in Economic Development (SIED) Loan for \$44,000 to fund public infrastructure improvements related to Cascade Quality Molding. In 2003, the City entered into a contractual agreement with Yakima County for a SIED Loan for \$75,000 to fund the Visitor's Center Information Project. In 2005, the City issued a contractual agreement with Yakima County for a SIED loan: \$25,000 to fund an eight inch sewer main about 700 feet from Washington Avenue to the Cub Crafters facility at the Yakima Air Terminal and \$100,000 to fund North Sixth Avenue improvements 30 foot wide curb and gutter, per side, and a five foot sidewalk on the east side. In 2006, the City issued a contractual agreement with Yakima County for an SIED loan: \$50,000 to fund infrastructure improvement at Nob Hill Boulevard and Fair Avenue and \$64,500 to fund installation of approximately 1,240 linear feet of 12-inch water main, 45 linear feet of 6-inch water main, fire hydrants, valves and connection to existing mains.

CONTRACTUAL AGREEMENTS

<u>FUNDING SOURCE</u>	<u>ISSUE DATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE</u>	<u>OUTSTANDING 12/31/2006</u>
Business Licenses	1988 Issue	11/1/2006	\$780,000	\$0
Real Estate Excise Taxes	1989 Issue	11/1/2008	781,518	125,609
Contracted Assessment	2001 Issue	06/1/2011	44,000	24,244
Hotel/Motel Tax	2003 Issue	06/1/2010	75,000	42,857
Contracted Assessment	2005 Issue	06/01/2010	25,000	20,544
Contracted Assessment	2005 Issue	06/01/2010	100,000	81,789
Contracted Assessment	2006 Issue	06/01/2011	50,000	50,000
Contracted Assessment	2006 Issue	06/01/2012	64,500	54,663
			<u>\$1,920,018</u>	<u>\$399,706</u>

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

GENERAL OBLIGATION DEBT SERVICE

	BONDED DEBT	INTEREST	NOTES AND CONTRACTS	INTEREST
2007	\$1,418	\$641	\$506	\$64
2008	1,465	599	502	51
2009	1,369	576	439	33
2010	1,408	544	394	24
2011	1,442	505	206	15
2012-2016	5,616	1,913	365	30
2017-2021	3,089	1,200	0	0
2022-2026	2,188	449	0	0
	<u>\$17,995</u>	<u>\$6,427</u>	<u>\$2,412</u>	<u>\$217</u>

At December 31, 2006, the City had \$739,447 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.

SPECIAL ASSESSMENT DEBT WITH GOVERNMENTAL COMMITMENT

Debt service requirements for special assessment notes are met by assessments levied against property owners. The special assessment debt are notes, that are due as moneys become available from payments on individual assessments. Special assessment debts currently outstanding are as follows:

LID #1055; 02/10/07 Wastewater Alpine Court Installment Note; 9.25% Interest	\$25,500
LID #1056; 10/01/07 Wastewater South 70th Avenue & Lindgren Dr Installment Note; 9.25% Interest	209,000
LID #1057; 06/05/10 Wastewater North 85th Avenue Wastewater Installment Note; 10.75% Interest	170,000
LID #1058; 12/17/02 Wastewater South 7th, 8th, & 9th Avenue Installment Note, 8.75% Interest	<u>160,000</u>
	<u>\$564,500</u>

Debt service requirements for special assessment notes/bonds are met by assessments levied against property owners. Pursuant to RCW 35.54, the City maintains a Local Improvement Guarantee Fund for the purpose of guaranteeing, to the extent of the fund, the payments of its LID bonds. The fund balance at December 31, 2006 of the LID Guarantee Fund totaled \$77,792.

LEASE PURCHASE AGREEMENTS

GENERAL CAPITAL ASSETS

As part of the City's capital equipment budgeting program, selected items are obtained via lease purchase and municipal lease / deferred purchase plans. Since the leases are financing agreements which transfer ownership to the City at the end of the lease term, the

City records the present value of future lease payments as a capital outlay expenditure and as an offset to other financial sources in the year that the asset is received. The present value of payments due in future periods is shown as a liability in the financial statements and the cost of the asset is recorded in the financial statements. A summary of the leased equipment is detailed below:

Police In-Car Video System	\$204,933
Printer/Copier	43,911
Mobile Wireless Data Network	168,951
Printer/Copier	<u>31,161</u>
	<u>\$448,956</u>

The following is a schedule of the future minimum lease payments under the above capital lease, and the present value of net minimum lease payments at December 31, 2006 for the fiscal year listed:

2007	\$209,448
2008	209,448
2009	49,382
Less: Amount Representing Interest	<u>(19,322)</u>
Present Value of Net Minimum Lease Payments	<u>\$448,956</u>

UNFUNDED PENSION LIABILITIES

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

The Police Pension is a department in the General Fund, and is operating on a pay-as-you-go basis. The unfunded pension liability will be adjusted annually by comparing actual expenditures for pension benefits to the actuarially determined contribution. The City intends to maintain this plan on a pay-as-you-go basis. The liability incurred is \$513,869 in 2006, and the outstanding balance at December 31, 2006 is \$4,309,741.

The Firemen’s Pension is a trust fund, and has as its funding sources a portion of local property taxes, a state tax on fire insurance premiums, and interest income. This fund has an unfunded pension liability of \$1,230,785 at December 31, 2006.

See Note 5 for additional information on the pension funds.

NOTE 8 – CONTINGENCIES

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for

reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

SECTION 108 LOAN PROGRAM

In 2003, the City was authorized to administer a Housing and Urban Development (HUD) Section 108 Loan program. HUD has authorized the City to lend up to a maximum of \$6.945 million in two separate loan pools (\$4 million in 2003, and \$2.945 million in 2005). These federal loans are available for the purpose of funding property rehabilitation for economic development activities that will create new jobs within the target area. As of December 31, 2006, the City has approved all its authorized maximum Section 108 loans of \$6.945 million. The nature of this program is the City approves qualified projects for the loan within HUD guidelines, and acts as a conduit for HUD funds. The loan proceeds flow directly to the ultimate Corporate Borrower. Payments flow from the Corporate Borrower to the City's Custodian and then to HUD. The loans are on an amortization schedule from 10 years to 25 years. The HUD contract specifically provides that the loans are not full faith and credit obligations of the City, but instead, future Community Development Block Grant (CDBG) allocations are pledged on these loans. The City has entered into agreements to collateralize their position within HUD underwriting guidelines. In 2006, one of the loans was defeased. Additionally, the City has been awarded a \$1 million Economic Development Initiative (EDI) grant from HUD as a protection in case of a default. As of December 31, 2006, all of the loans were current, however, one of the loans is currently in default and the City is working with the Corporate Borrowers on a resolution. (The EDI grant can be utilized for past due payments).

POTENTIAL LITIGATION

On February 15, 2005, Congdon Orchards, Inc. and Congdon Development Company, LLC (Congdon) filed a damage claim with the City alleging Congdon has been wrongfully damaged by Yakima's breaches of contract, negligence, tortious conduct, breaches of duties, errors and omissions, and other wrongful conduct. Congdon alleged its damages exceeded \$21 million and continue. The City believes that the chances of recovery are low.

Because of the nature of its activities, the City is subject to certain pending legal actions which arise in the ordinary course of business. The City believes, based on the information presently known, that the ultimate liability for any such legal actions will not be material to the financial position of the City.

NOTE 9 – SEGMENT INFORMATION

For the purposes of revenue bond debt issuance, the water and wastewater utilities are combined in a single segment (i.e., the System). Therefore, investors in the revenue bonds rely on the revenue generated by both activities for repayment. In 2004, the City issued the first \$5 million of \$10 million revenue bonds authorized for the Irrigation system. The balance will be issued in 2008 or 2009. Investors in these revenue bonds rely solely on the revenue generated from the irrigation utility for repayment. Summary financial information for the System and irrigation utility follows.

SYSTEM INFORMATION

	<u>WATER / WASTEWATER</u>	<u>IRRIGATION</u>	<u>TOTAL</u>
CONDENSED STATEMENT OF NET ASSETS			
Assets:			
Current Assets	\$15,706,005	\$6,644,040	\$22,350,045
Restricted Assets	2,669,690	35,435	2,705,125
Capital Assets	92,850,937	7,726,941	100,577,878
Total Assets	<u>111,226,632</u>	<u>14,406,416</u>	<u>125,633,048</u>
Liabilities:			
Current Liabilities	4,994,968	504,091	5,499,059
Noncurrent Liabilities	27,773,320	4,779,212	32,552,532
Total Liabilities	<u>32,768,288</u>	<u>5,283,303</u>	<u>38,051,591</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	69,081,452	4,427,976	73,509,428
Restricted	2,669,690	35,435	2,705,125
Unrestricted	6,707,202	4,659,702	11,366,904
Total Net Assets	<u>\$78,458,344</u>	<u>\$9,123,113</u>	<u>\$87,581,457</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
Operating Revenues:			
Charges for Services	\$20,756,282	\$2,447,259	\$23,203,541
Other Operating Revenues	15,404	1,876	17,280
Total Operating Revenues	<u>20,771,686</u>	<u>2,449,135</u>	<u>23,220,821</u>
Operating Expenses:			
Operations and Maintenance	16,008,766	1,333,447	17,342,213
Depreciation	3,702,193	86,019	3,788,212
Total Operating Expenses	<u>19,710,959</u>	<u>1,419,466</u>	<u>21,130,425</u>
Operating Income (Loss)	<u>1,060,727</u>	<u>1,029,669</u>	<u>2,090,396</u>
Non-Operating Revenues (Expenses)			
Operating Grants and Subsidies	0	0	0
Miscellaneous Interest (Net)	(539,537)	(6,961)	(546,498)
Other Non-Operating (Net)	913,409	0	913,409
Total Non-Operating Revenues (Expenses)	<u>373,872</u>	<u>(6,961)</u>	<u>366,911</u>
Income (Loss) Before Contributions and Transfers	<u>1,434,599</u>	<u>1,022,708</u>	<u>2,457,307</u>
Capital Contributions	1,912,037	0	1,912,037
Operating Transfers (Net)	(166,129)	(33,750)	(199,879)
Change in Net Assets	<u>3,180,507</u>	<u>988,958</u>	<u>4,169,465</u>
Total Net Assets - January 1	<u>\$75,277,837</u>	<u>\$8,134,155</u>	<u>\$83,411,992</u>
Total Net Assets - December 31	<u>\$78,458,344</u>	<u>\$9,123,113</u>	<u>\$87,581,457</u>
CONDENSED STATEMENT OF CASH FLOWS			
Net cash Provided (Used) by:			
Operating Activities	\$4,518,107	\$1,108,696	\$5,626,803
Noncapital Financing Activities	0	0	0
Capital and Related Financing Activities	(9,318,172)	(2,012,827)	(11,330,999)
Investing Activities	7,626,590	2,495,154	10,121,744
Net Increase (Decrease)	<u>2,826,525</u>	<u>1,591,023</u>	<u>4,417,548</u>
Beginning Cash and Cash Equivalents	<u>7,574,233</u>	<u>1,862,561</u>	<u>9,436,794</u>
Ending Cash and Cash Equivalents	<u>\$10,400,758</u>	<u>\$3,453,584</u>	<u>\$13,854,342</u>

NOTE 10 – JOINT VENTURES

The City and the County of Yakima entered into a joint venture for operation of the Yakima Air Terminal on July 1, 1982. The Yakima Air Terminal Board is comprised of five individuals; two appointed by the City, two by the County, and one selected by the four appointees. Annually, the governing bodies of the City and County each designate one of its members as an advisory ex-officio member of the Air Terminal Board.

The City and the County contribute equally to the joint venture and own jointly, in equal shares, all properties or facilities; however, annual profits and losses are retained by the Airport. The Yakima Air Terminal is presently self-sustaining. We have considered disclosure requirements promulgated in GASB 39 and have elected to continue to disclose the joint venture in a manner consistent with prior years. We feel the effects of the joint venture on the combined Financial statements taken as a whole is immaterial.

The Air Terminal budget is approved, amended and/or supplemented by joint resolution of the City and County. Real property acquisition and sale in excess of \$50,000 must be approved by both the City and County. Issuance of bonds for Airport purposes by the City or County requires both party's approval. Unaudited key financial data for the year ended December 31, 2006, is as follows:

NET ASSETS	
Current Assets	\$744,155
Property, Plant and Equipment, Net	8,487,947
Intangible Assets, Net	182,300
Construction in Progress	303,788
Total Assets	<u>9,718,190</u>
Liabilities	
Current Liabilities:	161,837
Other Liabilities - Long Term Debt	46,752
Total Liabilities	<u>208,589</u>
Net Assets:	
Restricted Net Assets	8,955,326
Unrestricted Net Assets	554,275
Total Net Assets	<u>\$9,509,601</u>
REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS	
Operating Revenues	\$886,068
Operating Expenses:	
Operations/Maintenance	(913,027)
Depreciation	(1,068,032)
Total Operating Expenses	<u>(1,981,059)</u>
Total Operating Income (Loss)	<u>(\$1,094,991)</u>
Non-operating Revenues (Expenses)	
Miscellaneous Interest Revenue	\$22,786
Operating Subsidies	274,436
Disposal of Equipment	(4,972)
Other	168,479
Total Non-operating Revenues (Expenses)	<u>460,729</u>
Total Net Income (Loss)	<u>(\$634,262)</u>
Total Net Assets, January 1	<u>10,143,865</u>
Total Net Assets, December 31	<u>\$9,509,603</u>

Complete financial statements for the Airport can be obtained from the Yakima Air Terminal at 2400 West Washington Avenue, Yakima, WA, 98903.

NOTE 11 – POST RETIREMENT BENEFITS OTHER THAN PENSION BENEFIT

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 2006, the costs totaled \$779,472 for the Firemen’s Pension which has a total of 81 participants currently eligible to receive benefits and \$669,790 for the Police Pension which has a total of 72 participants currently eligible to receive benefits.

NOTE 12 – OTHER DISCLOSURES

PRIOR PERIOD ADJUSTMENTS

Construction in Progress in the water fund, as presented in the 2005 Financial Statements, included start up/study costs for projects that will never be completed. The related expenses of \$1,063,603 are reported as a direct adjustment to the beginning Total Net Assets on the Statement of Revenues, Expenses and Changes in Fund Net Assets, and to the 2005 Net Asset category or “Invested in Capital Assets, Net of Related Debt” on the Statement of Net Assets.

SUBSEQUENT EVENTS

On April 17, 2007, the City of Yakima issued \$8,980,000 in Limited Tax General Obligation Bonds to finance various projects: River Road Infrastructure Improvement - \$1,765,000, Downtown Revitalization and Renovation - \$1,490,000, and West Valley Fire Station Addition - \$815,000. Part of the proceeds of the bonds were used to refund the 2002 General Obligation Debt - Convention Center Addition - \$4,910,000. The transaction resulted in an economic gain of \$166,372 at present value, and a reduction of \$256,258 in future debt service payments. The coupons on the bonds range from 4.25 to 5.00 percent and the maturity date is May 1, 2026.

**POLICE AND FIRE PENSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

December 31, 2006

Required Supplementary Information

POLICE

FISCAL YEAR ENDING	ACTUAL EMPLOYER CONTRIBUTIONS TAXES & FIRE INSURANCE PREMIUMS	MEDICAL BENEFIT PAYMENTS & ADMINISTRATIVE EXPENSES	NET EMPLOYER CONTRIBUTION	ANNUAL REQUIRED CONTRIBUTION (ARC)	PERCENTAGE OF ARC CONTRIBUTED
12/31/00	\$1,147,560	\$513,778	\$633,782	\$671,522	94.38%
12/31/01	933,831	442,878	490,953	671,522	73.11%
12/31/02	991,009	478,769	512,240	671,522	76.28%
12/31/03	1,133,242	561,692	571,550	657,086	86.98%
12/31/04	1,287,904	702,241	585,663	657,086	89.13%
12/31/05	1,204,159	644,225	559,934	657,086	85.21%
12/31/06	1,235,437	535,647	699,790	657,086	106.50%

FIRE

FISCAL YEAR ENDING	ACTUAL EMPLOYER CONTRIBUTIONS TAXES & FIRE INSURANCE PREMIUMS	MEDICAL BENEFIT PAYMENTS & ADMINISTRATIVE EXPENSES	NET EMPLOYER CONTRIBUTION	ANNUAL REQUIRED CONTRIBUTION (ARC)	PERCENTAGE OF ARC CONTRIBUTED
12/31/00	\$1,256,578	\$445,493	\$811,085	\$840,067	96.55%
12/31/01	1,332,816	481,554	851,262	836,095	101.81%
12/31/02	1,325,372	530,732	794,640	836,095	95.04%
12/31/03	1,406,347	639,871	766,476	633,545	120.98%
12/31/04	1,425,048	769,426	655,622	633,545	103.48%
12/31/05	1,460,423	706,947	753,476	633,545	118.93%
12/31/06	1,558,187	815,278	742,909	633,545	117.26%

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	#100 SPECIAL REVENUE	#200 DEBT SERVICE	#300 CAPITAL PROJECT	#600 PERMANENT FUND	----- TOTAL ----- GOVERNMENTAL FUNDS 2006 2005	
ASSETS						
Cash & Equity in Pooled Investments	\$5,219,836	\$828,205	\$3,924,573	\$34,216	\$10,006,830	\$8,572,222
Deposits w/Fiscal Agent / Trustee	100	0	0	0	100	0
Receivables:						
Taxes	205,055	14,930	0	0	219,985	297,007
Accounts	192,782	0	2,995	0	195,777	142,451
Special Assessments	1,535	0	0	0	1,535	2,697
LID Assessments - Delinquent	0	11,855	0	0	11,855	1,732
LID Assessments - Deferred	0	607,954	0	0	607,954	365,622
Notes/Contracts	24,244	0	0	0	24,244	32,629
Interest/Penalties	6,611	0	5,467	7,950	20,028	21,505
Other Receivables	0	0	5,156	0	5,156	75,302
Due from Other Government Units	818,073	0	1,012,850	0	1,830,923	1,578,253
Investments, at Amortized Cost	502,407	22,359	500,000	502,360	1,527,126	1,804,549
Total Assets	6,970,643	1,485,303	5,451,041	544,526	14,451,513	12,893,969
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants/Accounts Payable	496,715	0	437,421	0	934,136	920,644
Wages/Benefits Payable	672,098	0	0	0	672,098	297,122
Contracts Payable	7,432	0	116,137	0	123,569	78,332
Due to Other Funds	1,913	0	172,248	0	174,161	511,606
Due to Other Government Units	8,114	0	5,521	0	13,635	17,052
Deposits Payable	88,346	0	0	0	88,346	54,864
Deferred Revenue	90,349	607,954	12,395	0	710,698	463,534
Total Liabilities	1,364,967	607,954	743,722	0	2,716,643	2,343,154
Fund Balances:						
Reserved for:						
Encumbrances	604,104	0	41,874	0	645,978	1,068,517
Continuing Appropriations	0	0	683,982	0	683,982	929,202
Debt Service	0	877,349	0	0	877,349	753,266
Endowment	0	0	0	544,526	544,526	535,080
Parking and Business Improvement	64,704	0	0	0	64,704	103,057
Unreserved Designated - Replacement	626,202	0	930,428	0	1,556,630	2,135,676
Unreserved	4,310,666	0	3,051,035	0	7,361,701	5,026,017
Total Fund Balances	5,605,676	877,349	4,707,319	544,526	11,734,870	10,550,815
Total Liabilities and Fund Balances	\$6,970,643	\$1,485,303	\$5,451,041	\$544,526	\$14,451,513	\$12,893,969

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	#100 SPECIAL REVENUE	#200 DEBT SERVICE	#300 CAPITAL PROJECT	#600 PERMANENT FUND	----- TOTAL ----- GOVERNMENTAL FUNDS	
					2006	2005
REVENUES						
Taxes	\$7,921,509	\$1,135,625	\$2,192,573	\$0	\$11,249,707	\$5,321,498
Intergovernmental Revenues	7,422,498	0	5,991,420	0	13,413,918	6,656,281
Charges for Services	898,416	0	0	9,446	907,862	203,434
Interest	105,584	106,958	200,460	14,352	427,354	74,255
Other Revenues	1,200,239	300,292	212,008	0	1,712,539	1,001,268
Total Revenues	17,548,246	1,542,875	8,596,461	23,798	27,711,380	13,256,736
EXPENDITURES						
Current						
General Government	89,935	0	15,987	0	105,922	139,296
Security of Persons and Property	3,337,324	0	839,778	0	4,177,102	3,585,518
Physical Environment	361,856	0	0	0	361,856	337,311
Transportation	4,728,524	0	400,081	0	5,128,605	245,464
Economic Environment	912,954	0	4,337	0	917,291	197,955
Mental & Physical Health	0	0	0	0	0	25,023
Cultural & Recreational Environment	5,510,341	0	120,400	0	5,630,741	2,349,144
Capital Outlay						
General Government	0	0	149,126	0	149,126	18,577
Security of Persons and Property	67,443	0	796,959	0	864,402	578,628
Physical Environment	0	0	23,784	0	23,784	873,666
Transportation	3,385,683	0	1,005,844	0	4,391,527	3,322,440
Economic Environment	0	0	5,258,495	0	5,258,495	359,386
Cultural & Recreational Environment	48,706	0	1,295,144	0	1,343,850	109,743
Debt Service						
Principal Retirement	294,229	1,568,452	157,418	0	2,020,099	1,815,639
Interest	24,143	722,066	12,878	0	759,087	734,525
Total Expenditures	18,761,138	2,290,518	10,080,231	0	31,131,887	14,692,315
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(\$1,212,892)</u>	<u>(\$747,643)</u>	<u>(\$1,483,770)</u>	<u>\$23,798</u>	<u>(\$3,420,507)</u>	<u>(\$1,435,579)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from L.T. Debt - G.O. Bonds	\$0	\$0	\$0	\$0	\$0	\$759,597
Proceeds from Intergovernmental Loans	50,000	0	0	0	50,000	148,286
Other Note Proceeds	0	0	546,252	0	546,252	371,075
Transfers In	2,576,821	887,962	1,543,944	0	5,008,727	2,824,583
Transfers (Out)	(1,898,728)	(16,236)	(990,000)	(14,352)	(2,919,316)	(1,347,711)
Sale of Capital Assets	0	0	9,087	0	9,087	309,572
Comp. for Loss of Gen. Capital Assets	86,355	0	2,930	0	89,285	0
Total Other Financing Sources (Uses)	814,448	871,726	1,112,213	(14,352)	2,784,035	3,065,402
Net Change in Fund Balances	<u>(\$398,444)</u>	<u>\$124,083</u>	<u>(\$371,557)</u>	<u>\$9,446</u>	<u>(\$636,472)</u>	<u>\$1,629,823</u>
Fund Balances - January 1	6,004,120	753,266	5,078,876	535,080	12,371,342	8,920,992
Fund Balances - December 31	<u>\$5,605,676</u>	<u>\$877,349</u>	<u>\$4,707,319</u>	<u>\$544,526</u>	<u>\$11,734,870</u>	<u>\$10,550,815</u>

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

NONMAJOR SPECIAL REVENUE FUNDS

THE ECONOMIC DEVELOPMENT FUND was established in 1991 to account for payments received by Housing and Urban Development UDAG grant recipients to be used for future economic development within the City.

THE CABLE TV COMMUNICATIONS FUND was created by Ordinance No. 2510 in 1981 to pay expenses incurred by the City in administering Cable TV franchises for Cable TV operators doing business in the City and formulate community access television programming.

THE COMMUNITY SERVICES FUND was created in 2006. Healthy Families Yakima, currently its sole program, was established as a demonstration project to test the effectiveness of alternative approaches to child support enforcement issues. This program is supported by a federal grant passed through the state and local match (i.e. donations).

THE PARKS AND RECREATION FUND accounts for the Metropolitan Park District which was made a part of the General Fund in 1970 by Ordinance 1276. In 1971 it became a separate fund primarily supported by program fees, and tax levies.

THE GROWTH MANAGEMENT FUND was established in 1990 for the purpose of providing comprehensive planning in accordance with the Growth Management Act. The major sources of revenue are grants and interfund transfers.

THE STREET FUND, while not a self-supporting fund, is required to be a separate fund for the purpose of accounting for the disbursement of the Motor Vehicle Fuel Tax revenues paid by the State of Washington to the City. Primarily, the fund is used for maintenance of existing City streets and traffic signalization, supported by a portion of the gas tax and an allocation of property taxes.

THE ARTERIAL STREET FUND was created for the purpose of maintaining existing arterial streets and constructing new arterial streets out of moneys provided by the State from the one-half cent per gallon gas tax levied by the State for this purpose.

THE TRANSPORTATION IMPROVEMENT FUND was activated in order to create the I-82/Fair Avenue Interchange. Funding sources include Federal grants and bond proceeds, along with local match.

THE CEMETERY FUND for the operation of the Tahoma Cemetery is a self supporting fund. Revenues are provided through the sale of grave sites and other services, and receives interest from Cemetery Trust Fund investments. Disbursements from this fund are for all expenses for the care of lots, blocks or parts thereof under endowment or annual care.

THE EMERGENCY SERVICES FUND was established in 1991 when a special property tax levy was approved by the voters to provide for emergency medical services.

THE PUBLIC SAFETY COMMUNICATIONS FUND was created in 1996 to consolidate 9-1-1 call taking and public safety dispatch both for Yakima County and the City. This is supported by 9-1-1 and dispatching contracts with neighboring jurisdictions, and telephone utility tax transferred from the General Fund.

THE PARKING AND BUSINESS IMPROVEMENT FUND was formed to record the operating receipts and expenditures for Parking and Business Improvement. The major source of revenue is the assessment levied on businesses. Expenditures include costs associated with enhanced maintenance, and other promotion of the Downtown area.

THE TROLLEY FUND provides for the operations, maintenance and capital improvements of the Trolley System. The major source of revenue is grants.

THE FRONT STREET BUSINESS IMPROVEMENT FUND was established in 1997 for the purpose of assisting trade, economic viability and livability within the area. Revenues are derived from self assessments on businesses located within the boundaries.

THE TOURIST PROMOTION FUND was established in 1978 and centralizes all City expenditures for the support of tourist and convention activities and publicity, including operational expenses of the city owned Convention Center.

THE CAPITOL THEATRE OPERATING FUND was created in 1980 for the purpose of maintaining, managing, and operating the Capitol Theatre.

THE PUBLIC FACILITIES DISTRICT FUND was created in 2002 to account for the revenues received from the Yakima Regional Public Facilities District, which was established to expand the local convention center.

THE TOURISM PROMOTION AREA was created in 2005 by a self assessment of the lodging industry to fund activities designed to increase tourism and convention business within Yakima County.

THE CONTINGENCY FUND was created by Ordinance 1273 on December 14, 1970, for the purpose of providing funds for unforeseen needs.

THE CAPITOL THEATRE RESERVE FUND was established in 1981 using the \$1,000,000 proceeds of an insurance settlement. The fund has been maintained as a General Contingency Reserve. Interest earnings are allocated to fund a Depreciation Reserve for the Capitol Theatre.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	SPECIAL REVENUE FUNDS						
	#123	#125	#127	#131	#140	#141	#142
	ECONOMIC DEV	CABLE TV	COMM SERVICES	PARKS & REC	GROWTH MGMT	STREETS	ARTERIAL STREETS
ASSETS							
Cash & Equity in Pooled Investments	\$334,848	\$913,965	\$11,186	\$608,936	\$20,553	\$1,453,512	\$315,422
Deposits w/Fiscal Agent/Trustee	0	0	0	100	0	0	0
Receivables:							
Taxes	0	0	0	0	0	0	0
Accounts	0	1,600	0	9,127	0	0	0
Special Assessments	0	0	0	0	0	0	0
Notes/Contracts	0	0	0	0	0	0	24,244
Interest/Penalties	0	0	0	0	0	0	0
Due from Other Government Units	13,000	0	9,020	426	0	221,315	547,443
Investments, at Amortized Cost	0	0	0	0	0	0	0
Total Assets	\$347,848	\$915,565	\$20,206	\$618,589	\$20,553	\$1,674,827	\$887,109
LIABILITIES							
Warrants/Accounts Payable	\$9,620	\$706	\$6,504	\$59,677	\$775	\$126,788	\$194,010
Wages/Benefits Payable	2,805	29,882	0	117,410	0	262,502	0
Contracts Payable	0	0	0	0	0	0	7,432
Due to Other Funds	0	0	0	0	0	0	0
Due to Other Government Units	0	0	0	42	0	0	8,072
Deposits Payable	0	0	0	875	0	0	0
Deferred Revenue	0	1,600	0	9,553	0	0	24,244
Custodial Accounts	0	0	0	0	0	0	0
Total Liabilities	12,425	32,188	6,504	187,557	775	389,290	233,758
FUND BALANCES							
Reserved:							
Encumbrances	7,900	104,817	65,475	6,000	20,305	110,272	0
Parking & Business Improvement	0	0	0	0	0	0	0
Unreserved Designated - Repl	0	0	0	0	0	0	0
Unreserved	327,523	778,560	(51,773)	425,032	(527)	1,175,265	653,351
Total Fund Balances	335,423	883,377	13,702	431,032	19,778	1,285,537	653,351
Total Liabilities and Fund Balances	\$347,848	\$915,565	\$20,206	\$618,589	\$20,553	\$1,674,827	\$887,109

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

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	SPECIAL REVENUE FUNDS						
	#143 TRANS IMPR	#144 CEMETERY	#150 EMER SERVICES	#151 PUB SAF COMM	#161 PARKING & BUS IMPR	#162 TROLLEY	#163 FRONT ST BUS IMPR
ASSETS							
Cash & Equity in Pooled Investments	\$30,829	\$72,770	\$246,847	\$359,953	\$60,499	\$0	\$4,205
Deposits w/Fiscal Agent/Trustee	0	0	0	0	0	0	0
Receivables:							
Taxes	0	0	50,100	0	0	0	0
Accounts	0	9,507	0	1,751	0	0	0
Special Assessments	0	0	0	0	915	0	620
Notes/Contracts	0	0	0	0	0	0	0
Interest/Penalties	0	0	0	0	0	0	0
Due from Other Government Units	0	0	0	10,970	0	15,899	0
Investments, at Amortized Cost	0	0	0	0	0	0	0
Total Assets	<u>\$30,829</u>	<u>\$82,277</u>	<u>\$296,947</u>	<u>\$372,674</u>	<u>\$61,414</u>	<u>\$15,899</u>	<u>\$4,825</u>
LIABILITIES							
Warrants/Accounts Payable	\$0	\$674	\$123	\$3,445	\$0	\$10,654	\$0
Wages/Benefits Payable	0	12,530	69,667	177,302	0	0	0
Contracts Payable	0	0	0	0	0	0	0
Due to Other Funds	0	0	0	0	0	1,913	0
Due to Other Government Units	0	0	0	0	0	0	0
Deposits Payable	0	0	0	0	0	0	0
Deferred Revenue	0	39,566	0	13,851	915	0	620
Custodial Accounts	0	0	0	0	0	0	0
Total Liabilities	<u>0</u>	<u>52,770</u>	<u>69,790</u>	<u>194,598</u>	<u>915</u>	<u>12,567</u>	<u>620</u>
FUND BALANCES							
Reserved:							
Encumbrances	30,829	0	0	1,027	0	257,479	0
Parking & Business Improvement	0	0	0	0	60,499	0	4,205
Unreserved Designated - Repl	0	0	0	0	0	0	0
Unreserved	0	29,507	227,157	177,049	0	(254,147)	0
Total Fund Balances	<u>30,829</u>	<u>29,507</u>	<u>227,157</u>	<u>178,076</u>	<u>60,499</u>	<u>3,332</u>	<u>4,205</u>
Total Liabilities and Fund Balances	<u>\$30,829</u>	<u>\$82,277</u>	<u>\$296,947</u>	<u>\$372,674</u>	<u>\$61,414</u>	<u>\$15,899</u>	<u>\$4,825</u>

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

**COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

SPECIAL REVENUE FUNDS

						----- TOTAL -----	
#170	#171	#172	#173	#195	#198	NONMAJOR SPECIAL REVENUE FUNDS	
TOURIST PROMO	CAPITOL THEATRE	PUB FAC DIST REV	TOURISM PROMO AREA	CONTINGENCY	CAP THEATRE RESERVE	2006	2005
\$21,881	\$166,833	\$94,744	\$34,719	\$350,950	\$117,184	\$5,219,836	\$2,684,736
0	0	0	0	0	0	100	0
114,224	0	0	40,731	0	0	205,055	232,976
170,797	0	0	0	0	0	192,782	141,478
0	0	0	0	0	0	1,535	2,697
0	0	0	0	0	0	24,244	32,629
0	0	0	0	0	6,611	6,611	15,420
0	0	0	0	0	0	818,073	1,140,921
0	0	0	0	0	502,407	502,407	1,003,234
\$306,902	\$166,833	\$94,744	\$75,450	\$350,950	\$626,202	\$6,970,643	\$5,254,091
\$21,263	\$26,628	\$0	\$34,305	\$1,543	\$0	496,715	148,382
0	0	0	0	0	0	672,098	297,122
0	0	0	0	0	0	7,432	24,629
0	0	0	0	0	0	1,913	445,097
0	0	0	0	0	0	8,114	9,695
87,471	0	0	0	0	0	88,346	54,575
0	0	0	0	0	0	90,349	90,998
0	0	0	0	0	0	0	0
108,734	26,628	0	34,305	1,543	0	1,364,967	1,070,498
0	0	0	0	0	0	604,104	206,502
0	0	0	0	0	0	64,704	103,057
0	0	0	0	0	626,202	626,202	925,208
198,168	140,205	94,744	41,145	349,407	0	4,310,666	2,948,826
198,168	140,205	94,744	41,145	349,407	626,202	5,605,676	4,183,593
\$306,902	\$166,833	\$94,744	\$75,450	\$350,950	\$626,202	\$6,970,643	\$5,254,091

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	SPECIAL REVENUE FUNDS						
	#123	#125	#127	#131	#140	#141	#142
	DEV	CABLE TV	COMM SERVICES	PARKS & REC	GROWTH MGMT	STREETS	ARTERIAL STREETS
REVENUES							
Taxes	\$0	\$432,153	\$0	\$1,901,985	\$0	\$3,822,760	\$0
Intergovernmental Revenues	217,493	0	32,220	97,308	27,117	1,313,247	3,341,207
Charges for Services	0	0	0	686,391	0	34,449	0
Interest	0	0	0	25,000	13	21,435	7,156
Other Revenues	0	135,740	300	168,535	0	863	168,679
Total Revenues	217,493	567,893	32,520	2,879,219	27,130	5,192,754	3,517,042
EXPENDITURES							
Current							
General Government	0	0	0	0	0	89,935	0
Security of Persons and Property	0	0	0	0	0	0	0
Physical Environment	0	0	0	0	0	69,860	0
Transportation	0	0	0	0	0	4,727,801	(27)
Economic Environment	270,675	0	48,818	467,143	10,721	0	0
Cultural & Rec Environment	0	426,496	0	3,241,174	0	3,387	0
Capital Outlay							
Security of Persons and Property	0	0	0	0	0	0	0
Transportation	0	0	0	0	0	0	3,385,683
Cultural & Rec Environment	0	0	0	0	0	0	30,604
Debt Service							
Principal Retirement	0	0	0	0	0	0	283,515
Interest	0	0	0	0	0	0	23,552
Total Expenditures	270,675	426,496	48,818	3,708,317	10,721	4,890,983	3,723,327
Excess of Rev Over (Under) Expenditures	(\$53,182)	\$141,397	(\$16,298)	(\$829,098)	\$16,409	\$301,771	(\$206,285)
OTHER FINANCING SOURCES (USES)							
Proceeds f/Intergovernmental Loans	\$0	\$0	\$0	\$0	\$0	\$0	\$50,000
Transfers In	0	0	30,000	1,015,105	0	0	93,436
Transfers (Out)	0	(53,877)	0	(293,962)	0	(384,129)	(65,333)
Sale of Capital Assets	0	0	0	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	59,501	0	26,854	0
Total other Financing Sources (Uses)	0	(53,877)	30,000	780,644	0	(357,275)	78,103
Net Change in Fund Balances	(\$53,182)	\$87,520	\$13,702	(\$48,454)	\$16,409	(\$55,504)	(\$128,182)
Fund Balances, January 1	388,605	795,857	0	479,486	3,369	1,341,041	781,533
Fund Balances, December 31	\$335,423	\$883,377	\$13,702	\$431,032	\$19,778	\$1,285,537	\$653,351

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

SPECIAL REVENUE FUNDS

#143 TRANS IMPR	#144 CEMETERY	#150 EMER SERVICES	#151 PUB SAF COMM	#161 PARKING & BUS IMPR	#162 TROLLEY	#163 FRONT ST BUS IMPR	#170 TOURIST PROMO	#171 CAPITOL THEATRE	#172 PUB FAC DIST REV
\$0	\$0	\$0	\$81,183	\$0	\$0	\$0	\$488,499	\$206,065	\$635,776
0	0	949,351	1,428,656	0	15,899	0	0	0	0
0	135,556	0	42,020	0	0	0	0	0	0
0	0	607	1,153	600	7,000	35	112	1,710	5,842
0	0	0	22,738	32,458	1,275	2,700	634,138	0	0
0	135,556	949,958	1,575,750	33,058	24,174	2,735	1,122,749	207,775	641,618
0	0	0	0	0	0	0	0	0	0
0	0	856,744	2,480,580	0	0	0	0	0	0
0	291,996	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	55,543	0	0	0	0	0
0	0	0	0	9,476	7,278	1,627	1,160,048	262,399	26,794
0	0	0	45,951	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	18,102	0	0	0	0
0	0	0	0	0	0	0	10,714	0	0
0	0	0	0	0	0	0	591	0	0
0	291,996	856,744	2,526,531	65,019	25,380	1,627	1,171,353	262,399	26,794
\$0	(\$156,440)	\$93,214	(\$950,781)	(\$31,961)	(\$1,206)	\$1,108	(\$48,604)	(\$54,624)	\$614,824
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	144,353	0	960,000	0	0	0	150,000	83,927	0
0	0	(130,000)	0	(7,500)	0	0	0	0	(630,000)
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	144,353	(130,000)	960,000	(7,500)	0	0	150,000	83,927	(630,000)
\$0	(\$12,087)	(\$36,786)	\$9,219	(\$39,461)	(\$1,206)	\$1,108	\$101,396	\$29,303	(\$15,176)
30,829	41,594	263,943	168,857	99,960	4,538	3,097	96,772	110,902	109,920
\$30,829	\$29,507	\$227,157	\$178,076	\$60,499	\$3,332	\$4,205	\$198,168	\$140,205	\$94,744

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	SPECIAL REVENUE FUNDS			----- TOTAL -----	
	#173 TOURISM PROMO AREA	#195 CONTINGENCY	#198 CAP THEATRE RESERVE	NONMAJOR SPECIAL REVENUE FUNDS 2006	2005
REVENUES					
Taxes	\$353,088	\$0	\$0	\$7,921,509	\$2,055,262
Intergovernmental Revenues	0	0	0	7,422,498	5,850,646
Charges for Services	0	0	0	898,416	191,564
Interest	0	0	34,921	105,584	29,728
Other Revenues	0	32,813	0	1,200,239	683,919
Total Revenues	353,088	32,813	34,921	17,548,246	8,811,119
EXPENDITURES					
Current					
General Government	0	0	0	89,935	4,292
Security of Persons and Property	0	0	0	3,337,324	3,205,766
Physical Environment	0	0	0	361,856	333,727
Transportation	0	750	0	4,728,524	6,663
Economic Environment	0	60,054	0	912,954	193,703
Cultural & Rec Environment	353,917	17,745	0	5,510,341	2,250,763
Capital Outlay					
Security of Persons and Property	0	21,492	0	67,443	39,961
Transportation	0	0	0	3,385,683	2,843,867
Cultural & Rec Environment	0	0	0	48,706	6,193
Debt Service					
Principal Retirement	0	0	0	294,229	275,846
Interest	0	0	0	24,143	23,057
Total Expenditures	353,917	100,041	0	18,761,138	9,183,838
Excess of Revenues Over (Under) Expenditures	(\$829)	(\$67,228)	\$34,921	(\$1,212,892)	(\$372,719)
OTHER FINANCING SOURCES (USES)					
Proceeds f/Intergovernmental Loans	\$0	\$0	\$0	\$50,000	\$100,000
Transfers In	0	100,000	0	2,576,821	1,583,553
Transfers (Out)	0	0	(333,927)	(1,898,728)	(1,069,760)
Sale of Capital Assets	0	0	0	0	265,000
Comp. For Loss of Gen. Capital Assets	0	0	0	86,355	0
Total other Financing Sources (Uses)	0	100,000	(333,927)	814,448	878,793
Net Change in Fund Balances	(\$829)	\$32,772	(\$299,006)	(\$398,444)	\$506,074
Fund Balances, January 1	41,974	316,635	925,208	6,004,120	3,677,519
Fund Balances, December 31	\$41,145	\$349,407	\$626,202	\$5,605,676	\$4,183,593

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

123 -- ECONOMIC DEVELOPMENT

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	91,000	91,000	217,493	126,493
Charges for Services	0	0	0	0
Interest	0	0	0	0
Other Revenues	0	0	0	0
Total Revenues	91,000	91,000	217,493	126,493
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	207,158	293,658	270,675	22,983
Cultural & Recreational Environment	0	0	0	0
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	207,158	293,658	270,675	22,983
Excess of Revenues Over (Under) Expenditures	(\$116,158)	(\$202,658)	(\$53,182)	\$149,476
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	\$0	\$0	\$0	\$0
Net Change in Fund Balances	(\$116,158)	(\$202,658)	(\$53,182)	\$149,476
Fund Balances, January 1	350,805	350,805	388,605	37,800
Fund Balances, December 31	\$234,647	\$148,147	\$335,423	\$187,276

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

	--- BUDGETED AMOUNTS ---			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
I25 -- CABLE TV				
REVENUES				
Taxes	\$420,000	\$420,000	\$432,153	\$12,153
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Interest	0	0	0	0
Other Revenues	134,170	134,170	135,740	1,570
Total Revenues	554,170	554,170	567,893	13,723
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	499,959	499,959	426,496	73,463
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	126,000	146,000	0	146,000
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	625,959	645,959	426,496	219,463
Excess of Revenues Over (Under) Expenditures	(\$71,789)	(\$91,789)	\$141,397	\$233,186
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	(15,000)	(55,000)	(53,877)	1,123
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	(15,000)	(55,000)	(53,877)	1,123
Net Change in Fund Balances	(\$86,789)	(\$146,789)	\$87,520	\$234,309
Fund Balances, January 1	686,597	686,597	795,857	109,260
Fund Balances, December 31	\$599,808	\$539,808	\$883,377	\$343,569

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

127 -- COMMUNITY SERVICES FUND

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	83,336	32,220	(51,116)
Charges for Services	0	0	0	0
Interest	0	0	0	0
Other Revenues	0	37,831	300	(37,531)
Total Revenues	0	121,167	32,520	(88,647)
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	126,267	48,818	77,449
Cultural & Recreational Environment	0	0	0	0
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	0	126,267	48,818	77,449
Excess of Revenues Over (Under) Expenditures	\$0	(\$5,100)	(\$16,298)	(\$11,198)
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	30,000	30,000	0
Transfers (Out)	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	0	30,000	30,000	0
Net Change in Fund Balances	\$0	\$24,900	\$13,702	(\$11,198)
Fund Balances, January 1	0	0	0	0
Fund Balances, December 31	\$0	\$24,900	\$13,702	(\$11,198)

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

131 -- PARKS & RECREATION FUND

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES				
Taxes	\$1,841,985	\$1,841,985	\$1,901,985	\$60,000
Intergovernmental Revenues	85,100	85,100	97,308	12,208
Charges for Services	797,625	797,625	686,391	(111,234)
Interest	1,000	1,000	25,000	24,000
Other Revenues	162,670	162,670	168,535	5,865
Total Revenues	2,888,380	2,888,380	2,879,219	(9,161)
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	524,174	524,174	467,143	57,031
Cultural & Recreational Environment	3,230,918	3,239,418	3,241,174	(1,756)
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	5,000	5,000	0	5,000
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	3,760,092	3,768,592	3,708,317	60,275
Excess of Revenues Over (Under) Expenditures	(\$871,712)	(\$880,212)	(\$829,098)	\$51,114
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	958,500	958,500	1,015,105	56,605
Transfers (Out)	(306,000)	(306,000)	(293,962)	12,038
Comp. For Loss of Gen. Capital Assets	40,000	40,000	59,501	19,501
Total other Financing Sources (Uses)	692,500	692,500	780,644	88,144
Net Change in Fund Balances	(\$179,212)	(\$187,712)	(\$48,454)	\$139,258
Fund Balances, January 1	454,008	454,008	479,486	25,478
Fund Balances, December 31	\$274,796	\$266,296	\$431,032	\$164,736

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

140 -- GROWTH MANAGEMENT FUND

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	25,000	56,927	27,117	(29,810)
Charges for Services	0	0	0	0
Interest	0	0	13	13
Other Revenues	0	0	0	0
Total Revenues	25,000	56,927	27,130	(29,797)
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	29,271	0	29,271
Economic Environment	25,000	45,000	10,721	34,279
Cultural & Recreational Environment	0	0	0	0
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	25,000	74,271	10,721	63,550
Excess of Revenues Over (Under) Expenditures	\$0	(\$17,344)	\$16,409	\$33,753
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	\$0	(\$17,344)	\$16,409	\$33,753
Fund Balances, January 1	0	0	3,369	3,369
Fund Balances, December 31	\$0	(\$17,344)	\$19,778	\$37,122

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

141 -- STREETS FUND

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$3,832,344	\$3,832,344	\$3,822,760	(\$9,584)
Intergovernmental Revenues	1,238,858	1,238,858	1,313,247	74,389
Charges for Services	17,000	17,000	34,449	17,449
Interest	10,000	10,000	21,435	11,435
Other Revenues	50	50	863	813
Total Revenues	5,098,252	5,098,252	5,192,754	94,502
EXPENDITURES				
Current				
General Government	108,754	108,754	89,935	18,819
Security of Persons and Property	0	0	0	0
Physical Environment	55,252	55,252	69,860	(14,608)
Transportation	4,963,100	5,101,108	4,727,801	373,307
Economic Environment	0	0	0	0
Cultural & Recreational Environment	4,497	4,497	3,387	1,110
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	22,500	22,500	0	22,500
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	5,154,103	5,292,111	4,890,983	401,128
Excess of Revenues Over (Under) Expenditures	(\$55,851)	(\$193,859)	\$301,771	\$495,630
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	(230,542)	(230,542)	(384,129)	(153,587)
Comp. For Loss of Gen. Capital Assets	0	0	26,854	26,854
Total other Financing Sources (Uses)	(230,542)	(230,542)	(357,275)	(126,733)
Net Change in Fund Balances	(\$286,393)	(\$424,401)	(\$55,504)	\$368,897
Fund Balances, January 1	1,053,428	1,053,428	1,341,041	287,613
Fund Balances, December 31	\$767,035	\$629,027	\$1,285,537	\$656,510

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

142 -- ARTERIAL STREETS

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	5,935,200	7,502,498	3,341,207	(4,161,291)
Charges for Services	3,000	3,000	0	(3,000)
Interest	2,035	2,035	7,156	5,121
Other Revenues	808,941	169,236	168,679	(557)
Total Revenues	6,749,176	7,676,769	3,517,042	(4,159,727)
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	10,000	10,000	(27)	10,027
Economic Environment	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	6,524,415	6,884,710	3,385,683	3,499,027
Cultural & Recreational Environment	0	927,298	30,604	896,694
Debt Service				
Principal Retirement	265,132	265,132	283,515	(18,383)
Interest	22,744	22,744	23,552	(808)
Total Expenditures	6,822,291	8,109,884	3,723,327	4,386,557
Excess of Revenues Over (Under) Expenditures	(\$73,115)	(\$433,115)	(\$206,285)	\$226,830
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$50,000	\$50,000
Transfers In	92,095	352,095	93,436	(258,659)
Transfers (Out)	(65,333)	(65,333)	(65,333)	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	26,762	286,762	78,103	(208,659)
Net Change in Fund Balances	(\$46,353)	(\$146,353)	(\$128,182)	\$18,171
Fund Balances, January 1	218,778	218,778	781,533	562,755
Fund Balances, December 31	\$172,425	\$72,425	\$653,351	\$580,926

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

143 -- TRANSPORTATION IMPROVEMENT

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Interest	0	0	0	0
Other Revenues	0	0	0	0
Total Revenues	0	0	0	0
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	30,828	30,828	0	30,828
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	30,828	30,828	0	30,828
Excess of Revenues Over (Under) Expenditures	(\$30,828)	(\$30,828)	\$0	\$30,828
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(\$30,828)	(\$30,828)	\$0	\$30,828
Fund Balances, January 1	30,828	30,828	30,829	1
Fund Balances, December 31	\$0	\$0	\$30,829	\$30,829

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

144 -- CEMETERY

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	0	0	0
Charges for Services	149,800	149,800	135,556	(14,244)
Interest	0	0	0	0
Other Revenues	0	0	0	0
Total Revenues	149,800	149,800	135,556	(14,244)
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	296,038	296,038	291,996	4,042
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	296,038	296,038	291,996	4,042
Excess of Revenues Over (Under) Expenditures	(\$146,238)	(\$146,238)	(\$156,440)	(\$10,202)
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	145,000	145,000	144,353	(647)
Transfers (Out)	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	145,000	145,000	144,353	(647)
Net Change in Fund Balances	(\$1,238)	(\$1,238)	(\$12,087)	(\$10,849)
Fund Balances, January 1	45,602	45,602	41,594	(4,008)
Fund Balances, December 31	\$44,364	\$44,364	\$29,507	(\$14,857)

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

150 -- EMERGENCY SERVICES

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	936,000	936,000	949,351	13,351
Charges for Services	0	0	0	0
Interest	1,500	1,500	607	(893)
Other Revenues	500	500	0	(500)
Total Revenues	938,000	938,000	949,958	11,958
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	784,906	784,906	856,744	(71,838)
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Capital Outlay				
Security of Persons and Property	15,000	15,000	0	15,000
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	799,906	799,906	856,744	(56,838)
Excess of Revenues Over (Under) Expenditures	\$138,094	\$138,094	\$93,214	(\$44,880)
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	(200,000)	(200,000)	(130,000)	70,000
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	(200,000)	(200,000)	(130,000)	70,000
Net Change in Fund Balances	(\$61,906)	(\$61,906)	(\$36,786)	\$25,120
Fund Balances, January 1	216,510	216,510	263,943	47,433
Fund Balances, December 31	\$154,604	\$154,604	\$227,157	\$72,553

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

151 -- PUBLIC SAFETY COMMUNICATIONS

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$75,000	\$75,000	\$81,183	\$6,183
Intergovernmental Revenues	1,410,559	1,410,559	1,428,656	18,097
Charges for Services	43,982	43,982	42,020	(1,962)
Interest	0	0	1,153	1,153
Other Revenues	7,365	7,365	22,738	15,373
Total Revenues	1,536,906	1,536,906	1,575,750	38,844
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	2,490,908	2,520,508	2,480,580	39,928
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Capital Outlay				
Security of Persons and Property	40,000	84,037	45,951	38,086
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	2,530,908	2,604,545	2,526,531	78,014
Excess of Revenues Over (Under) Expenditures	(\$994,002)	(\$1,067,639)	(\$950,781)	\$116,858
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	960,000	960,000	960,000	0
Transfers (Out)	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	960,000	960,000	960,000	0
Net Change in Fund Balances	(\$34,002)	(\$107,639)	\$9,219	\$116,858
Fund Balances, January 1	87,560	87,560	168,857	81,297
Fund Balances, December 31	\$53,558	(\$20,079)	\$178,076	\$198,155

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

161 -- PARKING & BUSINESS IMPROVEMENT

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Interest	600	600	600	0
Other Revenues	27,000	27,000	32,458	5,458
Total Revenues	27,600	27,600	33,058	5,458
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	35,000	70,000	55,543	14,457
Cultural & Recreational Environment	19,575	19,575	9,476	10,099
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	54,575	89,575	65,019	24,556
Excess of Revenues Over (Under) Expenditures	(\$26,975)	(\$61,975)	(\$31,961)	\$30,014
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	(7,500)	(7,500)	(7,500)	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	(7,500)	(7,500)	(7,500)	0
Net Change in Fund Balances	(\$34,475)	(\$69,475)	(\$39,461)	\$30,014
Fund Balances, January 1	100,932	100,932	99,960	(972)
Fund Balances, December 31	\$66,457	\$31,457	\$60,499	\$29,042

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

162 -- TROLLEY

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	495,000	495,000	15,899	(479,101)
Charges for Services	0	0	0	0
Interest	2,500	2,500	7,000	4,500
Other Revenues	1,275	1,275	1,275	0
Total Revenues	498,775	498,775	24,174	(474,601)
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	3,707	3,707	7,278	(3,571)
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	495,000	495,000	18,102	476,898
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	498,707	498,707	25,380	473,327
Excess of Revenues Over (Under) Expenditures	\$68	\$68	(\$1,206)	(\$1,274)
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	\$68	\$68	(\$1,206)	(\$1,274)
Fund Balances, January 1	4,024	4,024	4,538	514
Fund Balances, December 31	\$4,092	\$4,092	\$3,332	(\$760)

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

163 -- FRONT STREET BUSINESS IMPROVEMENT

	--- BUDGETED AMOUNTS ---		VARIANCE WITH FINAL BUDGET -	
	ORIGINAL	FINAL	ACTUAL AMOUNTS	POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Interest	35	35	35	0
Other Revenues	2,340	2,340	2,700	360
Total Revenues	2,375	2,375	2,735	360
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	3,000	3,000	1,627	1,373
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	3,000	3,000	1,627	1,373
Excess of Revenues Over (Under) Expenditures	(\$625)	(\$625)	\$1,108	\$1,733
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(\$625)	(\$625)	\$1,108	\$1,733
Fund Balances, January 1	3,042	3,042	3,097	55
Fund Balances, December 31	\$2,417	\$2,417	\$4,205	\$1,788

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

	170 -- TOURIST PROMOTION			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$427,500	\$427,500	\$488,499	\$60,999
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Interest	100	100	112	12
Other Revenues	644,200	644,200	634,138	(10,062)
Total Revenues	1,071,800	1,071,800	1,122,749	50,949
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	1,164,725	1,164,725	1,160,048	4,677
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	10,714	10,714	10,714	0
Interest	710	710	591	119
Total Expenditures	1,176,149	1,176,149	1,171,353	4,796
Excess of Revenues Over (Under) Expenditures	(\$104,349)	(\$104,349)	(\$48,604)	\$55,745
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	150,000	150,000	150,000	0
Transfers (Out)	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	150,000	150,000	150,000	0
Net Change in Fund Balances	\$45,651	\$45,651	\$101,396	\$55,745
Fund Balances, January 1	18,506	18,506	96,772	78,266
Fund Balances, December 31	\$64,157	\$64,157	\$198,168	\$134,011

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

171 -- CAPITOL THEATRE

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$193,620	\$193,620	\$206,065	\$12,445
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Interest	0	0	1,710	1,710
Other Revenues	0	0	0	0
Total Revenues	193,620	193,620	207,775	14,155
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	247,878	247,878	262,399	(14,521)
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	17,000	17,000	0	17,000
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	264,878	264,878	262,399	2,479
Excess of Revenues Over (Under) Expenditures	(\$71,258)	(\$71,258)	(\$54,624)	\$16,634
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	83,927	83,927	83,927	0
Transfers (Out)	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	83,927	83,927	83,927	0
Net Change in Fund Balances	\$12,669	\$12,669	\$29,303	\$16,634
Fund Balances, January 1	120,167	120,167	110,902	(9,265)
Fund Balances, December 31	\$132,836	\$132,836	\$140,205	\$7,369

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

172 -- PUBLIC FACILITIES DISTRICT REVENUE

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$630,000	\$630,000	\$635,776	\$5,776
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Interest	0	0	5,842	5,842
Other Revenues	0	0	0	0
Total Revenues	630,000	630,000	641,618	11,618
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	34,000	34,000	26,794	7,206
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	34,000	34,000	26,794	7,206
Excess of Revenues Over (Under) Expenditures	\$596,000	\$596,000	\$614,824	\$18,824
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	(630,000)	(630,000)	(630,000)	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	(630,000)	(630,000)	(630,000)	0
Net Change in Fund Balances	(\$34,000)	(\$34,000)	(\$15,176)	\$18,824
Fund Balances, January 1	112,308	112,308	109,920	(2,388)
Fund Balances, December 31	\$78,308	\$78,308	\$94,744	\$16,436

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

173 -- TOURISM PROMOTION AREA

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES				
Taxes	\$338,000	\$390,000	\$353,088	(\$36,912)
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Interest	0	0	0	0
Other Revenues	0	0	0	0
Total Revenues	338,000	390,000	353,088	(36,912)
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	338,000	390,000	353,917	36,083
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	338,000	390,000	353,917	36,083
Excess of Revenues Over (Under) Expenditures	\$0	\$0	(\$829)	(\$829)
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	\$0	\$0	(\$829)	(\$829)
Fund Balances, January 1	2,440	2,440	41,974	39,534
Fund Balances, December 31	\$2,440	\$2,440	\$41,145	\$38,705

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

195 -- CONTINGENCY

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Interest	0	0	0	0
Other Revenues	0	0	32,813	32,813
Total Revenues	0	0	32,813	32,813
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	750	(750)
Economic Environment	0	0	60,054	(60,054)
Cultural & Recreational Environment	0	0	17,745	(17,745)
Capital Outlay				
Security of Persons and Property	0	21,694	21,492	202
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	0	21,694	100,041	(78,347)
Excess of Revenues Over (Under) Expenditures	\$0	(\$21,694)	(\$67,228)	(\$45,534)
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	100,000	100,000	100,000	0
Transfers (Out)	(300,000)	(300,000)	0	300,000
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	(200,000)	(200,000)	100,000	300,000
Net Change in Fund Balances	(\$200,000)	(\$221,694)	\$32,772	\$254,466
Fund Balances, January 1	333,775	333,775	316,635	(17,140)
Fund Balances, December 31	\$133,775	\$112,081	\$349,407	\$237,326

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

198 -- CAPITOL THEATRE RESERVE

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Interest	30,000	30,000	34,921	4,921
Other Revenues	0	0	0	0
Total Revenues	30,000	30,000	34,921	4,921
EXPENDITURES				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Capital Outlay				
Security of Persons and Property	0	0	0	0
Transportation	0	0	0	0
Cultural & Recreational Environment	0	0	0	0
Debt Service				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Total Expenditures	0	0	0	0
Excess of Revenues Over (Under) Expenditures	\$30,000	\$30,000	\$34,921	\$4,921
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$0	\$0
Transfers In	0	0	0	0
Transfers (Out)	(83,927)	(333,927)	(333,927)	0
Comp. For Loss of Gen. Capital Assets	0	0	0	0
Total other Financing Sources (Uses)	(83,927)	(333,927)	(333,927)	0
Net Change in Fund Balances	(\$53,927)	(\$303,927)	(\$299,006)	\$4,921
Fund Balances, January 1	926,326	926,326	925,208	(1,118)
Fund Balances, December 31	\$872,399	\$622,399	\$626,202	\$3,803

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2006

	--- BUDGETED AMOUNTS ---		ACTUAL AMOUNTS	TOTAL
	ORIGINAL	FINAL		VARIANCE WITH FINAL BUDGET -
				POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$7,758,449	\$7,810,449	\$7,921,509	\$111,060
Intergovernmental Revenues	10,216,717	11,899,278	7,422,498	(4,476,780)
Charges for Services	1,011,407	1,011,407	898,416	(112,991)
Interest	47,770	47,770	105,584	57,814
Other Revenues	1,788,511	1,186,637	1,200,239	13,602
Total Revenues	20,822,854	21,955,541	17,548,246	(4,407,295)
EXPENDITURES				
Current				
General Government	108,754	108,754	89,935	18,819
Security of Persons and Property	3,275,814	3,305,414	3,337,324	(31,910)
Physical Environment	351,290	351,290	361,856	(10,566)
Transportation	4,973,100	5,140,379	4,728,524	411,855
Economic Environment	791,332	1,059,099	912,954	146,145
Cultural & Recreational Environment	5,546,259	5,606,759	5,510,341	96,418
Capital Outlay				
Security of Persons and Property	55,000	120,731	67,443	53,288
Transportation	6,577,743	6,938,038	3,385,683	3,552,355
Cultural & Recreational Environment	643,000	1,590,298	48,706	1,541,592
Debt Service				
Principal Retirement	275,846	275,846	294,229	(18,383)
Interest	23,454	23,454	24,143	(689)
Total Expenditures	22,621,592	24,520,062	18,761,138	5,758,924
Excess of Revenues Over (Under) Expenditures	(\$1,798,738)	(\$2,564,521)	(\$1,212,892)	\$1,351,629
OTHER FINANCING SOURCES (USES)				
Proceeds from Intergovernmental Loans	\$0	\$0	\$50,000	\$50,000
Transfers In	2,489,522	2,779,522	2,576,821	(202,701)
Transfers (Out)	(1,838,302)	(2,128,302)	(1,898,728)	229,574
Comp. For Loss of Gen. Capital Assets	40,000	40,000	86,355	46,355
Total other Financing Sources (Uses)	691,220	691,220	814,448	123,228
Net Change in Fund Balances	(\$1,107,518)	(\$1,873,301)	(\$398,444)	\$1,474,857
Fund Balances, January 1	4,765,636	4,765,636	6,004,120	1,238,484
Fund Balances, December 31	\$3,658,118	\$2,892,335	\$5,605,676	\$2,713,341

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

NONMAJOR DEBT SERVICE FUNDS

THE LOCAL IMPROVEMENT GUARANTY FUND is for the purpose of guaranteeing, to the extent of the fund, the payment of its local improvement bonds and warrants issued to pay for the local improvement ordered, subsequent to April 7, 1926.

THE PFD / CONVENTION CENTER 2002 G.O. BONDS proceeds were used for the expansion of the Yakima Convention Center.

THE 1998 LIMITED TAX GENERAL OBLIGATION STREET BOND proceeds were used for the 1998 Street Overlay Program.

THE 1994 VARIOUS PURPOSE BOND FUND proceeds are for the purpose of providing for part of the funds to pay the cost of acquiring, constructing, and equipping a new Law and Justice Facility (\$5,600,000); and improvements to the Yakima Avenue/I-82 Interchange (\$1,200,000).

THE 1995 FIRE IMPROVEMENT/REFUNDING G.O. BOND ISSUES proceeds are for the purpose of providing funds to acquire, construct and equip fire fighting facilities. This issue also refunded the 1988 Parks and 1986 Street Improvement Bond Issue and Recreation Bond Issue (the Parks and Streets portion was paid in full prior to 2003).

THE 1997 LIMITED TAX GENERAL OBLIGATION line of credit proceeds are used for capital/infrastructure needs too big for normal reserves, and too small for a ten- or twenty-year bond issue.

THE 1996 LIMITED TAX GENERAL OBLIGATION BOND proceeds were used to expand the Convention Center.

THE LOCAL IMPROVEMENT DISTRICT DEBT CONTROL proceeds are for the purpose of providing funds to pay the bonds or notes issued for local improvement districts' construction from the collection of assessments levied on the property owner.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	DEBT SERVICE FUNDS					
	#221 LID. GUARANTY	#271 HOUSING G.O. NOTE/BONDS	#272 2002 G.O. PFD	#281 2005 G.O. PARKS & REC	#282 98 G.O. ST OVERLAY	#283 94 G.O. LTD LEVY BD
ASSETS						
Cash & Equity in Pooled Investments	\$55,433	\$0	\$130,211	\$350	\$85,565	\$265,024
Receivables:						
Taxes	0	0	0	0	0	0
LID Assessments - Delinquent	0	0	0	0	0	0
LID Assessments - Deferred	0	0	0	0	0	0
Investments, at Amortized Cost	22,359	0	0	0	0	0
Total Assets	<u>77,792</u>	<u>0</u>	<u>130,211</u>	<u>350</u>	<u>85,565</u>	<u>265,024</u>
LIABILITIES						
Deposits Payable	0	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES						
Reserved:						
Debt Service	77,792	0	130,211	350	85,565	265,024
Total Liabilities and Fund Balances	<u>\$77,792</u>	<u>\$0</u>	<u>\$130,211</u>	<u>\$350</u>	<u>\$85,565</u>	<u>\$265,024</u>

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

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	DEBT SERVICE FUNDS				----- TOTAL -----	
	#284 95 G.O. PARKS & FIRE	#285 97 G.O. LINE/CREDIT	#287 96 G.O. PAVILION	#289 LOCAL IMPR DISTRICTS	NONMAJOR DEBT SERVICE FUNDS	
					2006	2005
ASSETS						
Cash & Equity in Pooled Investments	\$195,656	\$918	\$58,664	\$36,384	\$828,205	\$675,230
Receivables:						
Taxes	14,930	0	0	0	14,930	53,433
LID Assessments - Delinquent	0	0	0	11,855	11,855	1,732
LID Assessments - Deferred	0	0	0	607,954	607,954	365,622
Investments, at Amortized Cost	0	0	0	0	22,359	23,160
Total Assets	210,586	918	58,664	656,193	1,485,303	1,119,177
LIABILITIES						
Deposits Payable	0	0	0	0	0	289
Deferred Revenue	0	0	0	607,954	607,954	365,622
Total Liabilities	0	0	0	607,954	607,954	365,911
FUND BALANCES						
Reserved:						
Debt Service	210,586	918	58,664	48,239	877,349	753,266
Total Liabilities and Fund Balances	\$210,586	\$918	\$58,664	\$656,193	\$1,485,303	\$1,119,177

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	DEBT SERVICE FUNDS					
	#221	#271	#272	#281	#282	#283
	LID	HOUSING G.O.	2002 G.O.	2005 G.O.	98 G.O.	94 G.O.
	GUARANTY	NOTE/BONDS	PFD	PARKS & REC	ST OVERLAY	LTD LVY BD
REVENUES						
Taxes	\$0	\$0	\$0	\$0	\$0	\$412,599
Interest	49,713	0	0	0	0	0
Other Revenues	0	0	0	0	0	0
Total Revenues	49,713	0	0	0	0	412,599
EXPENDITURES						
Debt Service						
Principal Retirement	0	0	185,000	60,000	160,000	420,000
Interest	0	0	287,400	31,500	18,820	94,838
Total Expenditures	0	0	472,400	91,500	178,820	514,838
Excess of Revenues Over (Under) Expenditures	\$49,713	\$0	(\$472,400)	(\$91,500)	(\$178,820)	(\$102,239)
OTHER FINANCING SOURCES (USES)						
Transfers In	\$0	\$0	\$480,000	\$91,500	\$182,000	\$112,000
Transfers (Out)	0	0	0	0	0	0
Total other Financing Sources (Uses)	0	0	480,000	91,500	182,000	112,000
Net Change in Fund Balances	\$49,713	\$0	\$7,600	\$0	\$3,180	\$9,761
Fund Balances, January 1	28,079	0	122,611	350	82,385	255,263
Fund Balances, December 31	\$77,792	\$0	\$130,211	\$350	\$85,565	\$265,024

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	DEBT SERVICE FUNDS				----- TOTAL -----	
	#284	#285	#287	#289	NONMAJOR DEBT	
	95 G.O.	97 G.O.	96 G.O.	LOCAL IMPR	SERVICE FUNDS	
	FIRE	LINE OF CR	PAVILION	DISTRICTS	2006	2005
REVENUES						
Taxes	\$296,629	\$0	\$426,397	\$0	\$1,135,625	\$1,098,031
Interest	0	0	7,760	49,485	106,958	3,454
Other Revenues	0	0	0	300,292	300,292	181,382
Total Revenues	296,629	0	434,157	349,777	1,542,875	1,282,867
EXPENDITURES						
Debt Service						
Principal Retirement	225,000	20,000	255,000	243,452	1,568,452	1,382,375
Interest	68,463	2,461	175,158	43,426	722,066	694,917
Total Expenditures	293,463	22,461	430,158	286,878	2,290,518	2,077,292
Excess of Revenues Over (Under) Expenditures	\$3,166	(\$22,461)	\$3,999	\$62,899	(\$747,643)	(\$794,425)
OTHER FINANCING SOURCES (USES)						
Transfers In	\$0	\$22,462	\$0	\$0	\$887,962	\$795,000
Transfers (Out)	0	0	0	(16,236)	(16,236)	(16,385)
Total other Financing Sources (Uses)	0	22,462	0	(16,236)	871,726	778,615
Net Change in Fund Balances	\$3,166	\$1	\$3,999	\$46,663	\$124,083	(\$15,810)
Fund Balances, January 1	207,420	917	54,665	1,576	753,266	769,076
Fund Balances, December 31	\$210,586	\$918	\$58,664	\$48,239	\$877,349	\$753,266

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

NONMAJOR CAPITAL PROJECT FUNDS

THE CENTRAL BUSINESS DISTRICT IMPROVEMENT FUND was created by Ordinance No. 1599. The Central Business District Improvement Program is developing a long range guide for evaluating proposals for physical changes and the scheduling of improvements to the Central Business District. Resources are derived from private contributions and transfers from other funds.

THE CAPITOL THEATRE CONSTRUCTION FUND was created by Ordinance 1654 on April 15, 1974. The purpose of this fund was for the acquisition of the Capitol Theatre and capital repairs to that building. The Theatre was destroyed by fire in 1975. After the Theatre was rebuilt in 1978, the fund was deactivated. The fund was then reactivated in 2005 when additional funding for renovation became available.

THE PARKS AND RECREATION CAPITAL FUND was created to receive the proceeds from bond issues approved by the voters for improvements to City parks. This fund continues to accumulate resources for Park capital improvement projects. Revenues consist of grants, interest earnings, contributions and transfers from the Parks and Recreation operating fund.

THE FIRE CAPITAL FUND was created for the accumulation of moneys to be used to acquire fire fighting and fire training equipment and facilities, including real property, for the City of Yakima Fire Department. Funding sources include Bond Issues, contributions from other funds for equipment replacement, investment income, and proceeds from sale of fire equipment and retired stations.

THE LAW AND JUSTICE CAPITAL FUND was created in 1990 for the purpose of constructing capital facilities for the City's Law and Justice Programs. Funds are provided by an allocation of local Criminal Justice Sales Tax, grants, and interest earnings.

THE PUBLIC WORKS TRUST CONSTRUCTION FUND is to account for the moneys received from the Washington State Department of Community Development. The City has received Public Works Trust Fund loans for approved public works projects. A Real Estate Tax of ¼% will be utilized to repay the loans.

THE REET 2 CAPITAL FUND was created in 2005 to track Capital improvement projects funded with the second ¼% of Real Estate Excise Tax.

THE LOCAL IMPROVEMENT DISTRICT CONTROL FUND was established to account for each Local Improvement District which has a separate fund to be accounted for. Assessments are made to the property owners after all costs have been computed and paid. Interest-bearing warrants are issued to pay progress estimates for contractors and all other costs. Bonds or notes are issued for the amount of unpaid assessments as of thirty days after the assessments are levied.

THE CONVENTION CENTER CAPITAL IMPROVEMENT FUND for Convention Center and Performing Arts Center Facilities was established for paying all or any part of the cost of acquiring, constructing or operating convention center facilities. The fund was originally created by Ordinance 1624, February 19, 1974. In 2002, proceeds from a \$6.6 million bond issue were used to expand the Convention Center. An allocation of local option Hotel/Motel Tax and interest earnings are this fund's primary revenue sources.

THE CUMULATIVE RESERVE FUND for Capital Improvements was originally created by Ordinance 1265 in 1970 which placed one-half of all the revenue derived from sales tax into this fund. In 1973, Ordinance 1477 amended the funding source to be only transfers from other funds and investment earnings. Any expenditures from the fund must be authorized by the City Council and must be for capital purposes generally in excess of \$10,000 per capital project, excluding utility improvements.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	CAPITAL PROJECT FUNDS				
	#321 CENTRAL BUS DISTRICT IMPR	#322 CAPITOL THEATRE CONST	#331 PARKS AND RECREATION	#332 FIRE	#333 LAW AND JUSTICE
ASSETS					
Cash & Equity in Pooled Investments	\$0	\$90,609	\$941,329	\$121,415	\$53,862
Receivables:					
Taxes	0	0	0	0	0
Accounts	368	0	0	2,627	0
Interest/Penalties	0	0	0	0	5,467
Other Receivables	3,156	0	0	2,000	0
Due from Other Government Units	823,000	122,260	0	0	0
Investments, at Amortized Cost	0	0	0	0	500,000
Total Assets	826,524	212,869	941,329	126,042	559,329
LIABILITIES					
Warrants/Accounts Payable	212,998	20,017	3,842	144,114	0
Contracts Payable	51,827	5,937	35,723	9,255	0
Due to Other Funds	144,468	0	0	0	0
Due to Other Government Units	0	0	0	0	0
Deferred Revenue	3,524	0	6,871	2,000	0
Total Liabilities	412,817	25,954	46,436	155,369	0
FUND BALANCES					
Reserved:					
Encumbrances	0	0	0	41,874	0
Continuing Appropriations	0	325,085	314,423	0	0
Unreserved Designated - Replacement	0	(138,170)	580,470	(71,201)	559,329
Unreserved	413,707	0	0	0	0
Total Fund Balances	413,707	186,915	894,893	(29,327)	559,329
Total Liabilities and Fund Balances	\$826,524	\$212,869	\$941,329	\$126,042	\$559,329

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

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

CAPITAL PROJECT FUNDS					----- TOTAL -----	
#342	#343	#345	#370	#392	NONMAJOR CAPITAL	
PUBLIC WORKS	REET 2 CAPITAL	LID	CONVENTION	CUMULATIVE	PROJECT FUNDS	
CONSTRUCTION	CONSTRUCTION	CONSTRUCTION	CENTER	RESERVE	2006	2005
\$1,596,066	\$975,661	\$0	\$145,631	\$0	\$3,924,573	\$4,955,949
0	0	0	0	0	0	10,598
0	0	0	0	0	2,995	973
0	0	0	0	0	5,467	5,467
0	0	0	0	0	5,156	75,302
0	0	0	0	67,590	1,012,850	437,332
0	0	0	0	0	500,000	500,000
<u>1,596,066</u>	<u>975,661</u>	<u>0</u>	<u>145,631</u>	<u>67,590</u>	<u>5,451,041</u>	<u>5,985,621</u>
8,113	650	5,778	3,674	38,235	437,421	772,262
0	13,395	0	0	0	116,137	53,703
0	0	0	0	27,780	172,248	66,509
5,521	0	0	0	0	5,521	7,357
0	0	0	0	0	12,395	6,914
<u>13,634</u>	<u>14,045</u>	<u>5,778</u>	<u>3,674</u>	<u>66,015</u>	<u>743,722</u>	<u>906,745</u>
0	0	0	0	0	41,874	862,015
0	0	0	0	44,474	683,982	929,202
0	0	0	0	0	930,428	1,210,468
1,582,432	961,616	(5,778)	141,957	(42,899)	3,051,035	2,077,191
<u>1,582,432</u>	<u>961,616</u>	<u>(5,778)</u>	<u>141,957</u>	<u>1,575</u>	<u>4,707,319</u>	<u>5,078,876</u>
<u>\$1,596,066</u>	<u>\$975,661</u>	<u>\$0</u>	<u>\$145,631</u>	<u>\$67,590</u>	<u>\$5,451,041</u>	<u>\$5,985,621</u>

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	CAPITAL PROJECT FUNDS				
	#321 CENTRAL BUS DISTRICT IMPR	#322 CAPITOL THEATRE CONST	#331 PARKS AND RECREATION	#332 FIRE	#333 LAW AND JUSTICE
REVENUES					
Taxes	\$0	\$0	\$0	\$0	\$376,999
Intergovernmental Revenues	4,983,259	129,224	100,000	166,106	124,237
Interest	0	0	35,755	0	22,414
Other Revenues	33,264	0	10,500	168,244	0
Total Revenues	5,016,523	129,224	146,255	334,350	523,650
EXPENDITURES					
Current					
General Government	0	0	0	0	15,987
Security of Persons and Property	0	0	0	33,736	806,042
Physical Environment	0	0	0	0	0
Transportation	0	0	0	0	0
Economic Environment	4,337	0	0	0	0
Mental & Physical Health	0	0	0	0	0
Cultural & Recreational Environment	0	0	23,295	0	0
Capital Outlay					
General Government	0	0	0	0	0
Security of Persons and Property	0	0	0	679,850	117,109
Physical Environment	0	0	0	0	0
Transportation	0	0	0	0	0
Economic Environment	5,258,495	0	0	0	0
Cultural & Recreational Environment	0	286,444	1,008,700	0	0
Debt Service					
Principal Retirement	0	0	0	0	0
Interest	0	0	0	0	0
Total Expenditures	5,262,832	286,444	1,031,995	713,586	939,138
Excess of Revenues Over (Under) Expenditures	(\$246,309)	(\$157,220)	(\$885,740)	(\$379,236)	(\$415,488)
OTHER FINANCING SOURCES (USES)					
Proceeds from L.T. Debt - G.O. Debt	\$0	\$0	\$0	\$0	\$0
Proceeds from Intergovernmental Loans	0	0	0	0	0
Other Note Proceeds	0	0	0	0	0
Transfers In	315,000	250,000	760,000	0	143,944
Transfers (Out)	0	0	0	0	0
Sale of Capital Assets	0	0	0	3,460	5,627
Comp. For Loss of Gen. Capital Assets	0	0	0	2,930	0
Total other Financing Sources (Uses)	315,000	250,000	760,000	6,390	149,571
Net Change in Fund Balances	\$68,691	\$92,780	(\$125,740)	(\$372,846)	(\$265,917)
Fund Balances, January 1	345,016	94,135	1,020,633	343,519	825,246
Fund Balances, December 31	\$413,707	\$186,915	\$894,893	(\$29,327)	\$559,329

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

CAPITAL PROJECT FUNDS					----- TOTAL -----	
#342 PUBLIC WORKS CONSTRUCTION	#343 REET 2 CAPITAL CONSTRUCTION	#345 LID CONSTRUCTION	#370 CONVENTION CENTER	#392 CUMULATIVE RESERVE	NONMAJOR CAPITAL PROJECT FUNDS	
					2006	2005
\$894,037	\$894,037	\$0	\$27,500	\$0	\$2,192,573	\$2,168,205
0	0	0	18,000	470,594	5,991,420	805,635
78,136	54,443	0	4,612	5,100	200,460	26,671
0	0	0	0	0	212,008	135,967
972,173	948,480	0	50,112	475,694	8,596,461	3,136,478
0	0	0	0	0	15,987	135,004
0	0	0	0	0	839,778	379,752
0	0	0	0	0	0	3,584
0	400,000	0	0	81	400,081	238,801
0	0	0	0	0	4,337	4,252
0	0	0	0	0	0	25,023
(28)	0	0	97,133	0	120,400	98,381
149,126	0	0	0	0	149,126	18,577
0	0	0	0	0	796,959	538,667
0	0	23,784	0	0	23,784	873,666
0	424,819	0	0	581,025	1,005,844	478,573
0	0	0	0	0	5,258,495	359,386
0	0	0	0	0	1,295,144	103,550
157,418	0	0	0	0	157,418	157,418
12,878	0	0	0	0	12,878	16,551
319,394	824,819	23,784	97,133	581,106	10,080,231	3,431,185
\$652,779	\$123,661	(\$23,784)	(\$47,021)	(\$105,412)	(\$1,483,770)	(\$294,707)
\$0	\$0	\$0	\$0	\$0	\$0	\$759,597
0	0	0	0	0	0	48,286
0	0	546,252	0	0	546,252	371,075
75,000	0	0	0	0	1,543,944	446,030
(810,000)	(180,000)	0	0	0	(990,000)	(247,164)
0	0	0	0	0	9,087	44,572
0	0	0	0	0	2,930	0
(735,000)	(180,000)	546,252	0	0	1,112,213	1,422,396
(\$82,221)	(\$56,339)	\$522,468	(\$47,021)	(\$105,412)	(\$371,557)	\$1,127,689
1,664,653	1,017,955	(528,246)	188,978	106,987	5,078,876	3,951,187
\$1,582,432	\$961,616	(\$5,778)	\$141,957	\$1,575	\$4,707,319	\$5,078,876

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

PERMANENT FUNDS

THE CEMETERY TRUST FUND (Non-expendable Trust) is credited for all money received from owners for endowment care. The corpus shall be held forever in trust by the City of Yakima, while interest earnings are transferred to the Cemetery Fund.

**BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2006

With comparative totals for December 31, 2005

	PERMANENT FUND		----- TOTAL -----	
	CEMETERY TRUST		NONMAJOR GOVERNMENTAL FUNDS	
	2006	2005	2006	2005
ASSETS				
Cash & Equity in Pooled Investments	\$34,216	\$256,307	\$10,006,830	\$8,572,222
Deposits w/Fiscal Agent/Trustee	0	0	100	0
Receivables:				
Taxes	0	0	219,985	297,007
Accounts	0	0	195,777	142,451
Special Assessments	0	0	1,535	2,697
LID Assessments - Current	0	0	0	0
LID Assessments - Delinquent	0	0	11,855	1,732
LID Assessments - Deferred	0	0	607,954	365,622
Notes/Contracts	0	0	24,244	32,629
Interest/Penalties	7,950	618	20,028	21,505
Other Receivables	0	0	5,156	75,302
Due from Other Government Units	0	0	1,830,923	1,578,253
Investments, at Amortized Cost	502,360	278,155	1,527,126	1,804,549
Total Assets	544,526	535,080	14,451,513	12,893,969
LIABILITIES				
Warrants/Accounts Payable	0	0	934,136	920,644
Wages/Benefits Payable	0	0	672,098	297,122
Contracts Payable	0	0	123,569	78,332
Due to Other Funds	0	0	174,161	511,606
Due to Other Government Units	0	0	13,635	17,052
Deposits Payable	0	0	88,346	54,864
Deferred Revenue	0	0	710,698	463,534
Custodial Accounts	0	0	0	0
Total Liabilities	0	0	2,716,643	2,343,154
FUND BALANCES				
Reserved:				
Encumbrances	0	0	645,978	1,068,517
Continuing Appropriations	0	0	683,982	929,202
Debt Service	0	0	877,349	753,266
Endowment	544,526	535,080	544,526	535,080
Parking and Business Improvement			64,704	103,057
Unreserved Designated - Replacement	0	0	1,556,630	2,135,676
Unreserved	0	0	7,361,701	5,026,017
Total Fund Balances	544,526	535,080	11,734,870	10,550,815
Total Liabilities and Fund Balances	\$544,526	\$535,080	\$14,451,513	\$12,893,969

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

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

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	PERMANENT FUND		----- TOTAL -----	
	CEMETERY TRUST		NONMAJOR	
	2006	2005	2006	2005
REVENUES				
Taxes	\$0	\$0	\$11,249,707	\$4,434,197
Intergovernmental Revenues	0	0	13,413,918	8,510,618
Charges for Services	9,446	11,870	907,862	199,325
Fines and Forfeits	0	0	0	0
Interest	14,352	14,402	427,354	68,554
Other Revenues	0	0	1,712,539	1,022,277
Total Revenues	23,798	26,272	27,711,380	14,234,971
EXPENDITURES				
Current				
General Government	0	0	105,922	18,237
Security of Persons and Property	0	0	4,177,102	3,660,740
Physical Environment	0	0	361,856	346,473
Transportation	0	0	5,128,605	230,607
Economic Environment	0	0	917,291	209,410
Cultural & Recreational Environment	0	0	5,630,741	1,957,861
Capital Outlay				
General Government	0	0	149,126	177,419
Security of Persons and Property	0	0	864,402	1,503,516
Physical Environment	0	0	23,784	29,658
Transportation	0	0	4,391,527	5,536,621
Economic Environment	0	0	5,258,495	65,959
Cultural & Recreational Environment	0	0	1,343,850	1,786,663
Debt Service				
Principal Retirement	0	0	2,020,099	1,658,050
Interest	0	0	759,087	766,195
Total Expenditures	0	0	31,131,887	17,947,409
Excess of Revenues Over (Under) Expenditures	\$23,798	\$26,272	(\$3,420,507)	(\$3,712,438)
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease Financing	\$0	\$0	\$0	\$325,000
Proceeds from L.T. Debt - G.O. Debt	0	0	0	7,262
Proceeds from Intergovernmental Loans	0	0	50,000	0
Other Note Proceeds	0	0	546,252	0
Transfers In	0	0	5,008,727	2,767,508
Transfers (Out)	(14,352)	(14,402)	(2,919,316)	(1,375,661)
Sale of Capital Assets	0	0	9,087	130,716
Comp. For Loss of Gen. Capital Assets	0	0	89,285	0
Total other Financing Sources (Uses)	(14,352)	(14,402)	2,784,035	1,854,825
Net Change in Fund Balances	\$9,446	\$11,870	(\$636,472)	(\$1,857,613)
Fund Balances, January 1	535,080	523,210	12,371,342	10,778,606
Fund Balances, December 31	\$544,526	\$535,080	\$11,734,870	\$8,920,993

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

INTERNAL SERVICE FUNDS

THE UNEMPLOYMENT COMPENSATION RESERVE FUND was established in 1978 to provide unemployment compensation coverage for City employees as required by state law.

THE EMPLOYEES' HEALTH BENEFIT RESERVE FUND was established for the transfer of premiums from the operating funds in order to pay medical and dental costs incurred by persons covered by the Employees' Health Benefit Plan of the City, and to pay expenses incurred in connection with administering that plan.

THE WORKERS' COMPENSATION RESERVE FUND was created when City Council adopted Ordinance No. 2783 effective July 1, 1984 to self-insure a Workers' Compensation Program for the City employees pursuant to RCW Chapter 51.14.

THE RISK MANAGEMENT RESERVE FUND was created by Ordinance No. 2941, on February 11, 1986 to account for general liability and purchased insurance coverage. Funding revenues are contributions from other fund groups and are planned to match expenses of insurance premiums for coverage in excess of self-insured amounts, claims resulting from the self-insured program, and operating expenses.

THE WELLNESS AND EMPLOYEE ASSISTANCE FUND was established in 1998 to provide the opportunity to all City employees to improve their physical, mental and emotional well being.

THE ENVIRONMENTAL FUND was established in 1991 to accumulate a reserve for environmental contingencies, funded by a surcharge on fuel purchased by the operating funds.

THE EQUIPMENT RENTAL FUND is self supporting, and derives its revenues from charges to departments for services rendered to their motor vehicles. Vehicles that are owned by this fund are rented to other departments at a rate sufficient to cover the maintenance and operation cost of each vehicle plus a charge for depreciation at a rate sufficient to provide for the eventual replacement of each vehicle.

THE PUBLIC WORKS ADMINISTRATION FUND was established in 1983. The fund centralizes both the accountability for and costs for supervision of funds which are housed at the Public Works facility.

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS**

December 31, 2006

With comparative totals for December 31, 2005

	UNEMPLOYMENT COMPENSATION RESERVE	EMPLOYEES' HEALTH BENEFIT RESERVE	WORKERS' COMPENSATION RESERVE	RISK MANAGEMENT RESERVE
ASSETS				
Current Assets:				
Cash & Equity in Pooled Investments	\$400,297	\$798,932	\$364,077	\$0
Deposits w/ Fiscal Agent/Trustee	0	10,620	0	0
Receivables:				
Accounts	14,962	540,766	76,519	0
Interest/Penalties	0	26,348	0	16,066
Inventories	0	0	0	0
Investments, at Amortized Cost	0	2,508,767	1,000,000	1,145,094
Total Current Assets	415,259	3,885,433	1,440,596	1,161,160
Noncurrent Assets:				
Buildings	\$0	\$0	\$0	\$0
Other Improvements	0	0	0	0
Machinery & Equipment	0	0	0	0
Accumulated Depreciation	0	0	0	0
Total Noncurrent Assets	0	0	0	0
Total Assets	\$415,259	\$3,885,433	\$1,440,596	\$1,161,160
LIABILITIES				
Current Liabilities:				
Warrants/Accounts Payable	\$1,260	\$364,569	\$102,814	\$143,381
Wages/Benefits Payable	2,837	4,140	9,465	20,728
Compensated Absences Payable	5,106	5,732	7,666	30,570
Claims and Judgments Payable	19,222	984,044	636,219	1,100,000
Due to Other Funds	0	0	0	170,644
Total Current Liabilities	28,425	1,358,485	756,164	1,465,323
Total Liabilities	\$28,425	\$1,358,485	\$756,164	\$1,465,323
NET ASSETS				
Invested in Capital Assets, net of related debt	0	0	0	0
Unrestricted	386,834	2,526,948	684,432	(304,163)
Total Assets	\$386,834	\$2,526,948	\$684,432	(\$304,163)

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

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS**

December 31, 2006

With comparative totals for December 31, 2005

WELLNESS/ EAP	ENVIRONMENTAL	EQUIPMENT RENTAL	PUBLIC WORKS ADMINISTRATION	----- TOTAL -----	
				2006	2005
\$142,958	\$471,030	\$621,868	\$212,173	\$3,011,335	\$4,107,792
0	0	0	0	10,620	10,620
0	0	0	0	632,247	640,300
0	0	18,786	0	61,200	32,719
0	0	447,510	0	447,510	366,413
0	0	2,575,001	0	7,228,862	4,947,432
142,958	471,030	3,663,165	212,173	11,391,774	10,105,276
0	0	0	37,397	37,397	37,397
0	0	0	7,251	7,251	7,251
0	7,572	17,898,145	97,930	18,003,647	16,427,324
0	(2,272)	(9,909,573)	(96,478)	(10,008,323)	(9,207,772)
0	5,300	7,988,572	46,100	8,039,972	7,264,200
\$142,958	\$476,330	\$11,651,737	\$258,273	\$19,431,746	\$17,369,476
\$3,252	\$0	\$131,005	\$39,237	\$785,518	\$384,445
0	0	62,252	57,046	156,468	159,491
0	0	76,753	70,141	195,968	191,545
0	0	0	0	2,739,485	2,849,328
0	0	0	0	170,644	0
3,252	0	270,010	166,424	4,048,083	3,584,809
\$3,252	\$0	\$270,010	\$166,424	\$4,048,083	\$3,584,809
0	5,300	7,988,572	46,100	8,039,972	7,264,200
139,706	471,030	3,393,155	45,749	7,343,691	6,520,467
\$139,706	\$476,330	\$11,381,727	\$91,849	\$15,383,663	\$13,784,667

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

INTERNAL SERVICE FUNDS**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	UNEMPLOYMENT COMPENSATION RESERVE	EMPLOYEES' HEALTH BENEFIT RESERVE	WORKERS' COMPENSATION RESERVE	RISK MANAGEMENT RESERVE
OPERATING REVENUES				
Charges for Insurance	\$0	\$0	\$0	\$2,027,904
Charges for Services	0	0	0	0
Employer Contributions	153,976	6,703,255	981,803	0
Employee Contributions	0	1,650,303	41,810	0
Other Operating Revenue	0	20,058	50	490
Total Operating Revenues	<u>153,976</u>	<u>8,373,616</u>	<u>1,023,663</u>	<u>2,028,394</u>
OPERATING EXPENSES				
Operations and Maintenance	6,140	733,632	185,062	1,075,886
Administration/Overhead	22,991	153,764	108,822	1,106,896
Depreciation/Amortization	0	0	0	0
Other Benefits	103,104	6,495,385	849,062	326,371
Total Operating Expenses	<u>132,235</u>	<u>7,382,781</u>	<u>1,142,946</u>	<u>2,509,153</u>
Operating Income (Loss)	<u>\$21,741</u>	<u>\$990,835</u>	<u>(\$119,283)</u>	<u>(\$480,759)</u>
NON-OPERATING REVENUES (EXPENSES)				
Other Non-Operating	\$0	\$0	\$0	\$0
Interest Revenue	0	47,298	0	528,084
Gain (Loss) on Sale of Investments	0	0	0	0
Gain (Loss) on Capital Assets Disposition	0	0	0	0
Non-Operating Revenue Net of Expenses	<u>0</u>	<u>47,298</u>	<u>0</u>	<u>528,084</u>
CHANGE IN NET ASSETS				
Income (Loss) Before Contributions and Transfers	21,741	1,038,133	(119,283)	47,325
Capital Contributions	0	0	0	0
Total Change in Net Assets	<u>21,741</u>	<u>1,038,133</u>	<u>(119,283)</u>	<u>47,325</u>
Total Net Assets - January 1	365,093	1,488,815	803,715	(351,488)
Total Net Assets - December 31	<u>\$386,834</u>	<u>\$2,526,948</u>	<u>\$684,432</u>	<u>(\$304,163)</u>

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

INTERNAL SERVICE FUNDS**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

WELLNESS/ EAP	ENVIRONMENTAL	EQUIPMENT RENTAL	PUBLIC WORKS ADMINISTRATION	----- TOTAL -----	
				2006	2005
\$0	\$142,398	\$0	\$0	\$2,170,302	\$1,965,264
0	0	4,036,022	1,084,303	5,120,325	4,799,704
100,831	0	0	0	7,939,865	7,713,632
0	0	0	0	1,692,113	1,671,203
0	0	130,557	0	151,155	208,392
100,831	142,398	4,166,579	1,084,303	17,073,760	16,358,195
88,892	1,824	2,657,884	624,190	5,373,510	4,506,346
0	0	280,845	489,557	2,162,875	2,067,253
0	1,514	1,081,404	8,379	1,091,297	1,037,656
0	0	0	0	7,773,922	8,286,750
88,892	3,338	4,020,133	1,122,126	16,401,604	15,898,005
\$11,939	\$139,060	\$146,446	(\$37,823)	\$672,156	\$460,190
\$0	\$0	\$15,914	\$0	\$15,914	\$26,089
0	0	157,477	0	732,859	244,577
0	0	0	0	0	0
0	0	(53,353)	0	(53,353)	(17,613)
0	0	120,038	0	695,420	253,053
11,939	139,060	266,484	(37,823)	1,367,576	713,243
0	0	231,420	0	231,420	221,281
11,939	139,060	497,904	(37,823)	1,598,996	934,524
127,767	337,270	10,883,823	129,672	13,784,667	12,850,143
\$139,706	\$476,330	\$11,381,727	\$91,849	\$15,383,663	\$13,784,667

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

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

	UNEMPLOYMENT COMPENSATION RESERVE	EMPLOYEES' HEALTH BENEFIT RESERVE	WORKERS' COMP RESERVE	RISK MANAGEMENT RESERVE
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$0	\$0	\$0	\$0
Contributions Received - Employer and Employee	155,816	8,344,378	1,039,006	2,027,904
Cash Paid to Suppliers for Goods and Services	(7,070)	(828,064)	(185,537)	(1,793,047)
Cash Paid for Salaries and Benefits	(19,186)	(75,593)	(80,963)	(237,161)
Other Operating Revenues Collected	0	20,058	50	490
Cash Paid to Claimants and Beneficiaries	(115,024)	(6,282,362)	(720,486)	(347,422)
Net Cash Provided by Operating Activities	14,536	1,178,417	52,070	(349,236)
Cash Flows from Capital Financing Activities:				
Cash Received from Disposal of Capital Assets	0	0	0	0
Capital Expenditures Paid	0	0	0	0
Other Non-Operating Capital Revenue	0	0	0	0
Net Cash Used for Capital Financing Activities	0	0	0	0
Cash Flows from Investing Activities:				
Proceeds from Sale & Maturity of Investment Securities	0	0	0	0
Interest Received on Investments	0	26,767	0	520,134
Purchase of Investment Securities	0	(1,003,861)	(1,000,000)	(498,829)
Net Cash Provided by Investing Activities	0	(977,094)	(1,000,000)	21,305
Net Increase (Decrease) in Cash and Cash Equivalents	\$14,536	\$201,323	(\$947,930)	(\$327,931)
Cash and Cash Equivalents at Beginning of Year	385,761	597,609	1,312,007	327,931
Cash and Cash Equivalents at End of Year	\$400,297	\$798,932	\$364,077	\$0
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Net Operating Income (Loss)	\$21,741	\$990,835	(\$119,283)	(\$480,759)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	0	0	0	0
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	1,840	(9,180)	15,393	0
(Increase) Decrease in Inventory	0	0	0	0
Increase (Decrease) in Warrants/Accounts Payable	1,260	270,938	94,944	59,804
Increase (Decrease) in Wages/Benefits Payable	396	(2,744)	537	382
Increase (Decrease) in Compensated Absences Payable	1,219	(13,497)	467	693
Increase (Decrease) in Claims and Judgments Payable	(11,920)	(57,935)	60,012	(100,000)
Increase (Decrease) in Due to Other Funds	0	0	0	170,644
Total Adjustments	(7,205)	187,582	171,353	131,523
Net Cash Provided by Operating Activities	\$14,536	\$1,178,417	\$52,070	(\$349,236)

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

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2006

With comparative totals for December 31, 2005

WELLNESS/ EAP	ENVIRONMENTAL	EQUIPMENT RENTAL	PUBLIC WORKS ADMINISTRATION	----- TOTAL -----	
				2006	2005
\$0	\$142,398	\$4,166,579	\$1,084,303	\$5,393,280	\$4,941,181
100,831	0	0	0	11,667,935	11,176,660
(86,889)	(4,233)	(2,330,252)	(575,145)	(5,810,237)	(5,072,983)
0	0	(697,533)	(542,162)	(1,652,598)	(1,588,458)
0	0	0	0	20,598	205,167
0	0	0	0	(7,465,294)	(8,254,166)
13,942	138,165	1,138,794	(33,004)	2,153,684	1,407,401
\$	0	23,922	0	23,922	26,089
0	0	(1,928,431)	0	(1,928,431)	(1,537,265)
0	0	231,420	0	231,420	221,281
0	0	(1,673,089)	0	(1,673,089)	(1,289,895)
0	0	221,260	0	221,260	288,316
0	0	157,477	0	704,378	236,408
0	0	0	0	(2,502,690)	(589)
0	0	378,737	0	(1,577,052)	524,135
\$13,942	\$138,165	(\$155,558)	(\$33,004)	(\$1,096,457)	\$641,641
129,016	332,865	777,426	245,177	4,107,792	3,466,151
\$142,958	\$471,030	\$621,868	\$212,173	\$3,011,335	\$4,107,792
\$11,939	\$139,060	\$146,446	(\$37,823)	\$672,156	\$460,190
0	1,514	1,081,404	8,379	1,091,297	1,037,656
0	0	0	0	8,053	(35,187)
0	0	(81,097)	0	(81,097)	(142,154)
2,003	(2,409)	(13,337)	(12,129)	401,074	(62,750)
0	0	(3,768)	2,174	(3,023)	17,936
0	0	9,146	6,395	4,423	17,751
0	0	0	0	(109,843)	113,959
0	0	0	0	170,644	0
2,003	(895)	992,348	4,819	1,481,528	947,211
\$13,942	\$138,165	\$1,138,794	(\$33,004)	\$2,153,684	\$1,407,401

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

(This page intentionally contains no information.)

CAPITAL ASSET SCHEDULES

These are assets used in operations funded by governmental funds. This includes all capital assets of the City except for those used in Enterprise or Internal Service Funds.

SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY – A report allocating components of capital assets (land, building, construction in progress, improvements, and machinery and equipment) to various City functions and programs.

SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTIONS AND ACTIVITY – A report that shows additions and deletions of total capital assets within separate City functions and programs.

SCHEDULE OF CAPITAL ASSETS BY SOURCE – A report that summarizes major funding sources for City capital assets.

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS - BY FUNCTION AND ACTIVITY ⁽¹⁾**

December 31, 2006

	BALANCE AS OF 12/31/2006	LAND	BUILDINGS	IMPROVE- MENTS	INFRA- STRUCTURE	EQUIP- MENT	CONST IN PROGRESS
GENERAL GOVERNMENT							
City Council / Manager / Clerks	\$1,158,900	\$0	\$1,132,456	\$13,094	\$0	\$13,350	\$0
Finance (Finance, Info Sys, Utility Serv)	1,122,363	0	51,280	0	0	1,071,083	0
Human Resources	4,369	0	0	0	0	4,369	0
Legal	8,695	0	8,695	0	0	0	0
Municipal Court	102,615	0	9,092	4,507	0	89,016	0
Codes/Planning/City Hall	529,644	0	402,087	103,552	0	24,005	0
Engineering	40,526	0	0	0	0	40,526	0
Miscellaneous General Government	2,646,654	1,256,764	1,513,714	78,262	0	(202,086)	0
Total General Government	5,613,766	1,256,764	3,117,324	199,415	0	1,040,263	0
PUBLIC SAFETY							
Fire	11,349,196	321,436	5,829,045	58,969	0	4,623,152	516,594
Police	15,089,084	2,246,988	10,760,639	14,952	0	2,066,505	0
Total Public Safety	26,438,280	2,568,424	16,589,684	73,921	0	6,689,657	516,594
PHYSICAL ENVIRONMENT							
LID Construction	5,778	0	0	0	0	0	5,778
Cemetery	725,610	477,661	135,841	112,108	0	0	0
Total Physical Environment	731,388	477,661	135,841	112,108	0	0	5,778
TRANSPORTATION							
Streets	239,019	96,783	0	0	0	114,354	27,882
Arterial Street	53,919,264	0	2,186,157	64,757	45,634,095	0	6,034,255
Transportation (Trolley)	1,140,128	527,500	0	117,551	0	175,000	320,077
Total Transportation	55,298,411	624,283	2,186,157	182,308	45,634,095	289,354	6,382,214
ECONOMIC ENVIRONMENT							
Senior Citizen Center	3,839,162	271,973	3,528,580	0	0	38,609	0
Community Development	880,975	588,343	52,161	178,166	0	62,305	0
Central Business District	5,685,177	0	0	54,222	0	0	5,630,955
Total Economic Environment	10,405,314	860,316	3,580,741	232,388	0	100,914	5,630,955
CULTURE AND RECREATION							
Bicentennial Pavilion	9,506,707	1,152,519	7,882,788	334,337	0	137,063	0
Public Works Administration	7,505	5,900	0	0	0	1,605	0
Parks and Recreation	14,074,245	1,621,499	3,286,258	8,258,077	0	35,691	872,720
Southeast Community Center	126,520	34,588	38,615	53,317	0	0	0
Capitol Theatre	5,627,153	0	5,056,123	0	0	448,770	122,260
Cable TV	180,783	0	40,712	0	0	140,071	0
Convention Center	6,440,637	162,608	6,145,685	(5,987)	0	118,268	20,063
Gateway - Visitor Center	148,011	0	0	0	0	0	148,011
Total Culture and Recreation	36,111,561	2,977,114	22,450,181	8,639,744	0	881,468	1,163,054
Total	\$134,598,720	\$8,764,562	\$48,059,928	\$9,439,884	\$45,634,095	\$9,001,656	\$13,698,595

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

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY ⁽¹⁾**

December 31, 2006

	BALANCE AS OF 1/1/2006	ADDITIONS	DELETIONS	BALANCE AS OF 12/31/2006
GENERAL GOVERNMENT				
City Council / Manager / Clerks	\$1,158,900	\$0	\$0	\$1,158,900
Finance (Finance, Info Sys, Utility Serv)	1,011,736	110,627	0	1,122,363
Human Resources	4,369	0	0	4,369
Legal	14,710	0	(6,015)	8,695
Municipal Court	102,615	0	0	102,615
Codes/Planning/City Hall	380,518	149,126	0	529,644
Engineering	40,526	0	0	40,526
Miscellaneous General Government	2,646,654	0	0	2,646,654
Total General Government	<u>5,360,028</u>	<u>259,753</u>	<u>(6,015)</u>	<u>5,613,766</u>
PUBLIC SAFETY				
Fire	10,725,393	747,293	(123,490)	11,349,196
Police	14,971,975	117,109	0	15,089,084
Total Public Safety	<u>25,697,368</u>	<u>864,402</u>	<u>(123,490)</u>	<u>26,438,280</u>
PHYSICAL ENVIRONMENT				
LID Construction	899,321	23,784	(917,327)	5,778
Cemetery	725,610	0	0	725,610
Total Physical Environment	<u>1,624,931</u>	<u>23,784</u>	<u>(917,327)</u>	<u>731,388</u>
TRANSPORTATION				
Streets	239,019	0	0	239,019
Arterial Street	49,497,133	4,422,131	0	53,919,264
Transportation (Trolley)	1,122,026	18,102	0	1,140,128
Total Transportation	<u>50,858,178</u>	<u>4,440,233</u>	<u>0</u>	<u>55,298,411</u>
ECONOMIC ENVIRONMENT				
Senior Citizen Center	3,839,162	0	0	3,839,162
Community Development	869,109	11,866	0	880,975
Central Business District	426,682	5,258,495	0	5,685,177
Total Economic Environment	<u>5,134,953</u>	<u>5,270,361</u>	<u>0</u>	<u>10,405,314</u>
CULTURE AND RECREATION				
Bicentennial Pavilion	9,506,707	0	0	9,506,707
Public Works Administration	7,505	0	0	7,505
Parks and Recreation	13,118,864	955,382	0	14,074,246
Southeast Community Center	73,203	53,317	0	126,520
Capitol Theatre	5,340,709	286,444	0	5,627,153
Cable TV	180,783	0	0	180,783
Convention Center	6,301,395	151,365	(12,124)	6,440,636
Gateway - Visitor Center	148,011	0	0	148,011
Total Culture and Recreation	<u>34,677,177</u>	<u>1,446,508</u>	<u>(12,124)</u>	<u>36,111,561</u>
Total Governmental Fund Assets	<u>\$123,352,635</u>	<u>\$12,305,041</u>	<u>(\$1,058,956)</u>	<u>\$134,598,720</u>

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental/enterprise activities in the statement of net assets.

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

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE ⁽¹⁾****GOVERNMENT FUND CAPITAL ASSETS**

For the Year Ended December 31, 2006

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ADJUSTMENTS	ENDING BALANCE
GENERAL CAPITAL ASSETS					
Land	\$8,764,562	\$0	\$0	\$0	\$8,764,562
Buildings	47,707,731	352,197	0	0	48,059,928
Improvements other than Buildings	9,131,899	86,338	0	221,647	9,439,884
Equipment	7,214,744	607,673	(141,629)	0	7,680,788
Infrastructure	40,164,535	0	0	5,469,560	45,634,095
Construction in Progress	9,048,295	11,258,834	(917,327)	(5,691,207)	13,698,595
Capitalized Leases	1,320,869	0	0	0	1,320,869
Total General Capital Assets	\$123,352,635	\$12,305,042	(\$1,058,956)	\$0	\$134,598,721
INVESTMENT IN GENERAL CAPITAL ASSETS FROM:					
1984 Physical Inventory	\$15,815,751	\$0	\$0	\$0	\$15,815,751
Federal Grants	943,764	11,866	0	0	955,630
State Grants	551,428	0	0	0	551,428
Interlocal Grants	142,290	0	0	0	142,290
General Fund	2,300,738	110,627	(117,235)	0	2,294,130
Special Revenue Funds	1,591,279	85,545	(24,394)	0	1,652,430
Federal Revenue Sharing	394,765	0	0	0	394,765
General Obligation Bond	21,437,165	216,912	0	0	21,654,077
Capital Projects	29,942,115	7,731,414	(917,327)	(3,500,000)	33,256,202
Grants/GOB/Local Match	49,491,073	3,997,313	0	0	53,488,386
Private Contributions	742,267	151,365	0	3,500,000	4,393,632
Total Investment in General Capital Assets	\$123,352,635	\$12,305,042	(\$1,058,956)	\$0	\$134,598,721

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental/enterprise activities in the statement of net assets.

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

SUPPLEMENTARY FINANCIAL INFORMATION

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SCHEDULE #9 - LONG TERM DEBT

For the Year Ended December 31, 2006

	<u>ID NO.</u>	<u>PURPOSE</u>	<u>AMOUNT OF ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF FINAL MATURITY</u>	<u>BEGINNING OUTSTANDING BALANCE</u>
GENERAL OBLIGATION DEBT						
Crim Justice / I-82	251.11	594.21,595.11	\$0	02/01/1994	12/01/2013	\$0
Crim Justice / I-82 (Refunded)	251.15	594.21,595.11	4,155,000	06/17/2003	12/01/2013	3,645,000
Fire	251.12	594.22	0	10/24/1995	12/01/2014	0
Fire (Refunded)	251.15		2,300,000	09/07/2004	12/01/2014	2,235,000
Conv Center Expansion	251.11	594.75.65	6,000,000	01/01/1996	11/01/2019	455,000
Conv Center Expansion (Refunded)	251.15		4,175,000	09/07/2004	11/01/2019	4,070,000
G.O. Line of Credit-Parks Cap	251.11	594.76	104,569	12/19/2003	12/19/2008	64,569
Street Bond	251.11	595.30	1,430,000	04/01/1998	06/01/2008	500,000
Conv Center Addition	251.11	594.75.65	6,735,000	06/10/2002	06/01/2026	6,210,000
Sundome Expansion	251.11	559.20.77	1,430,528	06/17/2003	12/01/2023	1,430,528
Parks Capital Projects	251.11	594.76.65	755,000	12/05/2005	12/01/2015	755,000
Total			<u>\$27,085,097</u>			<u>\$19,365,097</u>
REVENUE BONDS						
Wastewater (Current Refunding)	252.15	535.10.65	\$3,320,000	10/01/1996	12/01/2008	\$1,000,000
Wastewater/Water (Refunding)	252.15	535.10.65	388,988	10/01/1998	09/01/2011	234,300
Wastewater/Water (Refunding)	252.15	535.10.65	4,326,012	10/01/1998	09/01/2011	2,605,700
Water	252.11	594.34	3,195,000	10/01/1998	09/01/2018	2,355,000
Wastewater	252.11	594.35	600,000	02/27/2001	06/01/2041	600,000
Wastewater	252.11	594.35	17,545,000	12/22/2003	11/01/2023	16,180,000
Irrigation	252.11	594.38	5,215,000	09/14/2004	09/01/2034	5,120,000
Total			<u>\$34,590,000</u>			<u>\$28,095,000</u>
SPECIAL ASSESSMENT NOTES						
#1053	263.63	535.10.65	\$65,409	02/10/1997	02/10/2007	\$6,000
#1054	263.63	535.10.65	52,097	10/01/1997	10/01/2007	11,000
#1055	263.63	535.10.65	101,830	06/05/2000	06/05/2010	26,500
#1056	263.63	535.10.65	218,481	12/17/2005	12/17/2015	218,200
#1057	253.11	535.10.65	346,238	05/01/2006	05/01/2016	0
#1058	253.11	535.10.65	200,014	05/01/2006	05/01/2016	0
#1059	253.11	535.10.65	0			0
Total			<u>\$984,069</u>			<u>\$261,700</u>

SCHEDULE #9 - LONG TERM DEBT

For the Year Ended December 31, 2006

AMOUNT ISSUED	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	AMOUNT REDEEMED	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	ENDING OUTSTANDING BALANCE	NOMINAL INTEREST RATE
\$0	391.10-BND	143/333	\$0	591.21-710	283	\$0	4.35-5.25%
0	391.10-BND	143/333	420,000	591.21-710	283	3,225,000	4.35-5.25%
0	391.10-BND	332	0	591.22-710	284	0	3.7-5.625%
0	391.10-BND	332	225,000	591.22-710	284	2,010,000	2.0 -3.5%
0	391.10-BND	370	220,000	591.75-710	287	235,000	4.85-5.75%
0	391.10-BND	370	35,000	591.75-710	287	4,035,000	2.0 -4.2%
0	391.10-BND	331	20,000	591.76-710	285	44,569	Variable
0	391.10-BND	142	160,000	591.42-710	282	340,000	4.0-4.5%
0	391.10-BND	370	185,000	591.75-710	272	6,025,000	3.0-5.0%
0	391.10-BND	392	0	59175-710	000	1,430,528	2.34-4.72%
0	391.10-BND	331	60,000	59176-710	281	695,000	4.0-4.5%
\$0			\$1,325,000			\$18,040,097	
\$0	391.10-BND	476/478	\$315,000	582.35-720	488	\$685,000	4.00-5.2%
0	391.10-BND	478	35,475	582.34-720	484	198,825	4.00-4.3%
0	391.10-BND	477/478	394,525	582.35-720	484	2,211,175	4.00-4.3%
0	391.10-BND	477	140,000	582.34-720	486	2,215,000	4.00-5.0%
0	391.10-BND	476	0	582.35-720	485	600,000	6.00%
0	391.10-BND	478	655,000	582.35-720	493	15,525,000	2.0-5.0%
0	391.10-BND	479	105,000	582.38-720	491	5,015,000	2.0-4.8%
\$0			\$1,645,000			\$26,450,000	
\$0	391.70-770	345	\$6,000	591.35-770	289	\$0	8.5%
0	391.70-770	345	11,000	591.35-770	289	0	8.5%
0	391.70-770	345	1,000	591.35-770	289	25,500	9.75%
0	391.70-770	345	9,200	591.35-770	289	209,000	8.75%
346,238	391.70-770	345	176,238	591.35-770	289	170,000	9.25%
200,014	391.70-770	345	40,014	591.35-770	289	160,000	9.25%
0	391.70-770	345	0	591.35-770	289	0	10.75%
\$546,252			\$243,452			\$564,500	

SCHEDULE #9 - LONG TERM DEBT

For the Year Ended December 31, 2006

	ID NO.	PURPOSE	AMOUNT OF ISSUE	DATE OF ISSUE	DATE OF FINAL MATURITY	BEGINNING OUTSTANDING BALANCE	
INTERGOVERNMENT LOANS							
(PUBLIC WORKS TRUST AND STATE REVOLVING FUND)							
	PW-86-040	263.81	541.30.65	\$720,000	06/12/1986	07/01/2006	\$37,895
	PW-87-0002	263.81	541.30.65	196,209	05/01/1987	07/01/2007	20,653
	PW-88-962-54	263.81	594.35.64	945,000	06/19/1988	07/01/2008	166,737
	PW-5-89-962-0056	263.81	595.50.65	765,000	08/01/1989	07/01/2009	168,602
	PW-5-89-962-0057	263.81	595.40.65	121,162	08/01/1989	07/01/2009	25,508
	PW-5-89-962-0058	263.81	594.34.65	495,000	06/12/1989	07/01/2009	109,095
	PW-5-90-280-050	263.81	595.30.65	603,313	05/07/1990	07/01/2010	158,780
	PW-5-91-280-070	263.81	595.30.65	1,039,500	09/29/1991	07/01/2011	299,826
	PW-5-91-280-071	263.81	595.40.65	1,143,716	09/29/1991	07/01/2011	364,013
	PW-5-92-280-046	263.81	594.35.64	1,120,000	09/03/1992	07/01/2012	432,117
	PW-5-93-280-054	263.81	594.35.65	3,221,708	06/01/1993	07/01/2013	1,364,045
	PW-5-94-784-049	263.81	594.35.64	1,220,900	05/16/1994	07/01/2014	368,091
	PW-5-95-791-052	263.81	595.30.65	1,000,000	06/14/1995	07/01/2015	532,508
	PW-5-95-791-053	263.81	594.35.64	3,030,558	08/07/1995	07/01/2015	1,633,744
	PW-5-95-791-054	263.81	594.35.64	188,430	06/14/1995	07/01/2015	116,851
	PW-00-691-062	263.81	595.30.65	1,180,000	06/14/2000	06/10/2010	630,238
	PW-01-691-071	263.81	594.35.65	1,466,250	06/01/2001	07/01/2021	1,242,000
	PW-03-027	263.81	594.34.65	2,694,000	09/01/2003	07/01/2023	2,425,050
	PW-05-691-064	263.81	594.35.65	2,307,000	12/30/2005	07/01/2025	461,400
	SRF-04-65104-037	263.81	594.34.65	966,772	06/27/2005	10/01/2025	710,170
	CERB Loan #C95-107	263.81	594.50.65	425,448	08/21/1995	07/01/2016	288,104
Total				24,849,966			11,555,427
DUE TO OTHER GOVERNMENTAL UNITS							
	Yakima County	263.81		780,000	11/01/1987	11/01/2006	134,062
	Yakima County	263.81		781,518	11/01/1989	11/01/2008	252,010
	Yakima County	263.81		44,000	06/01/2002	06/01/2011	28,523
	Yakima County	263.81		75,000	06/01/2004	06/01/2010	53,571
	Yakima County	263.81		25,000	06/01/2006	06/01/2010	25,000
	Yakima County	263.81		100,000	06/01/2006	06/01/2010	100,000
	Yakima County	263.81		64,500	06/01/2006	06/01/2012	
	Yakima County	263.81		50,000	06/01/2007	06/01/2011	0
Total				1,920,018			593,166
LEASE PURCHASE AGREEMENTS							
	#35416 - Police Video	263.53	594.21.66	491,838	11/03/2003	11/03/2008	302,694
	#35943 - Printer/Copier	263.53	594.18.66	93,414	06/01/2004	03/01/2009	62,424
	Mobile Wireless Data Network	263.53	59421.66	325,000	07/09/2004	04/09/2009	232,862
	Printer/Copier	263.53	594.18.66	54,255	10/15/2004	07/15/2009	41,679
Total				964,507			639,659
Grand Total				\$90,393,657			\$60,510,049

SCHEDULE #9 - LONG TERM DEBT

For the Year Ended December 31, 2006

AMOUNT ISSUED	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	AMOUNT REDEEMED	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	ENDING OUTSTANDING BALANCE	NOMINAL INTEREST RATE
\$0	391.80-DCD		\$37,895	591.42-780	342	\$0	3%
0	391.80-DCD		10,327	591.42-780	342	10,326	1%
0	391.80-DCD	478	55,579	582.35-78P	473	111,158	1%
0	391.80-DCD		42,150	591.42-780	342	126,452	1%
0	391.80-DCD		6,377	591.38-780	342	19,131	3%
0	391.80-DCD		27,274	582.34-78P	474	81,821	3%
0	391.80-DCD		31,756	591.42-780	142	127,024	3%
0	391.80-DCD		49,971	591.42-780	142	249,855	1%
0	391.80-DCD		60,669	591.38-780	342	303,344	3%
0	391.80-DCD	476	61,731	582.35-78P	473	370,386	1%
0	391.80-DCD	478	170,506	582.35-78P	473	1,193,539	1%
0	391.80-DCD	476	40,899	582.35-78P	473	327,192	1%
0	391.80-DCD		53,251	591.42-780	142	479,257	1%
0	391.80-DCD	478	163,374	582.35-78P	473	1,470,370	1%
0	391.80-DCD	476	11,685	582.35-78P	473	105,166	1%
0	391.80-DCD	142	126,048	591.42-780	142	504,190	1%
0	391.80-DCD	476/477	77,625	582.35-78P	473	1,164,375	0.5%
0	391.80-DCD	477	134,725	582.34-78P	474	2,290,325	0.5%
0	391.80-DCD	476	0	582.35-78P	473	461,400	0.5%
174,638	391.80-DCD	477	0	582.34-78P	474	884,808	0.5%
0	391.80-DCD		19,755	591.19-780	000	268,349	5.5%
174,638			1,181,597			10,548,468	
0			134,062	591.75-771	000	0	
0			126,401	591.75-771	000	125,609	
0	391.80-COU		4,279	591.42-780	142	24,244	4.20%
0	391.80-COU		10,714	591.73-780	170	42,857	1.10%
0	391.80-COU	476	4,456	582.35-78P	473	20,544	1.10%
0	391.80-COU	142	18,211	591.42-780	142	81,789	4.50%
64,500	391.80-COU	474	9,837	582.34-780	474	54,663	5.62%
50,000	391.80-COU	142	0	591.42-780	142	50,000	6.18%
114,500			307,960			399,706	
0	391.50-CLF	333	97,761	591.21-750	000	204,933	3.00%
0	391.50-CLF	000	18,513	591.18-750	000	43,911	3.25%
0	391.50-CLF	333	63,911	591.21-750	000	168,951	3.19%
0	391.50-CLF	000	10,518	591.18-750	000	31,161	3.97%
0			190,703			448,956	
\$835,390			\$4,893,712			\$56,451,727	

For the Year Ended December 31, 2006

NOTE:

The Public Works Trust Loans are from the State of Washington's Department of Community Development.
Terms of the loans authorize maximum sums as follows:

PW-5-89-962-0056	\$765,000
PW-5-89-962-0057	174,879
PW-5-89-962-0058	495,000
PW-5-90-280-050	803,157
PW-5-91-280-070	1,155,000
PW-5-91-280-071	1,188,000
PW-5-92-280-046	1,120,000
PW-5-93-280-054	3,221,708
PW-5-94-784-049	1,481,000
PW-5-95-791-052	1,000,000
PW-5-95-791-054	209,367
PW-5-95-791-053	3,030,558
PW-00-691-062	1,180,000
PW-01-691-071	1,466,250
PW-03-027	2,694,000
	<u>\$19,983,919</u>

SCHEDULE #10 - LIMITATION OF INDEBTEDNESS

As of December 31, 2006

Total Taxable Property Value - \$4,169,739,611

	REMAINING DEBT CAPACITY
2.50% (\$114,673,096) General Purposes limit is allocated between:	
Up to 1.5% debt without a vote (councilmanic)	\$68,803,858
Less : Outstanding Debt	25,621,395
Less: Contracts Payable	448,956
Less: Excess of Debt with a Vote	0
Add: Available Assets	9,436,738
Equals: Remaining Debt Capacity without a vote	\$52,170,245
1% general purposes debt with a vote	\$45,869,239
Less : Outstanding Debt	2,010,000
Less: Contracts Payable	0
Add: Available Assets	210,586
Equals: Remaining Debt Capacity with a vote	\$44,069,825
2.5% Utility purpose limit, voted	\$114,673,096
Less : Outstanding Debt	0
Less: Contracts Payable	0
Add: Available Assets	0
Equals: Remaining Debt Capacity - utility purpose, voted	\$114,673,096
2.5% Open space, park and capital facilities, voted	\$114,673,096
Less : Outstanding Debt	0
Less: Contracts Payable	0
Add: Available Assets	0
Equals: Remaining Debt Capacity - open space, park and capital facilities, voted	\$114,673,096

SCHEDULE #16 - EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2006

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NO.	OTHER IDENTIFICATION NO.	FROM PASS- THROUGH AWARDS	FROM DIRECT AWARDS
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT DIRECT PROGRAMS				
Community Development				
Block Grant	14.218	B 05-MC-53-0008		\$711,184
Block Grant	14.218	B 04-MC-53-0008		401,719
Block Grant	14.218	Block Grant Program Income		230,104
Total CFDA NO. 14.218				<u>1,343,007</u>
Home Investment Partnership Prog	14.239	M05-MC53-0203		234,773
Home Investment Partnership Prog	14.239	M04-MC53-0203		468,329
Home Investment Partnership Prog	14.239	Home Program Income		106,908
Total CFDA NO. 14.239				<u>810,010</u>
EDI Special Projects	14.246	North Front St		198,000
	14.246	Capital Theatre		122,260
Total CFDA NO. 14.246				<u>320,260</u>
Block Grant - Section 108 CFDA NO 14.248	14.248	Loan Guarantee		75,000
Total Department of Housing and Urban Development				<u>2,548,277</u>
U. S. DEPARTMENT OF JUSTICE DIRECT PROGRAMS				
Justice Assistance Grant CFDA NO. 16.592	16.592	2006DJBX0991		20,588
Gang Res Edu & Trng CFDA NO. 16.737	16.737	Great Grant		74,906
Total Department of Justice				<u>95,494</u>
U. S. DEPARTMENT OF TRANSPORTATION DIRECT PROGRAMS				
Fed Transit Formula Grant CFDA NO. 20.507	20.507	WA-90X392		1,601,294
Passed-through Washington State Department of Transportation:				
Highway Planning & Construction:				
CMAQ Grant	20.205	PM-10 Abatement	\$130,557	
CMAQ Grant	20.205	WA-90-X353-00	225,000	
Washington Avenue Expansion	20.205	STPUS-4558(006)	495,675	
16th Ave Corridor Signals	20.205	CM-4555(004)	87	
S. 1st St @ Mead	20.205	CM-4579(010)	19,560	
Washington Ave Median Removal	20.205	STPUS-4558(007)	5,778	
8th/6th Street @B/Lincoln	20.205	STPH-000S(173)	85,220	
E. Nob Hill & Fair Ave	20.205	STPUS-4566(007)	2,070	
Trolley Restoration	20.205	STPE-1485(019)	15,899	
Wm Douglas Trail - 6th Ave	20.205	STPE-1485(020)	10,865	
Wm Douglas Trail-Bridge	20.205	STPE-1485(020)	10,115	

SCHEDULE #16 - EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2006

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NO.	OTHER IDENTIFICATION NO.	FROM PASS- THROUGH AWARDS	FROM DIRECT AWARDS
U. S. DEPARTMENT OF TRANSPORTATION DIRECT PROGRAMS (CONTINUED)				
Railroad Grade Separation	20.205	STPX-000S (062)	266,857	
Nob Hill & 6th St Signal	20.205	STPUS-4566(006)	189,032	
Total CFDA NO. 20.205			<u>1,456,715</u>	
Total Department of Transportation			1,456,715	1,601,294
US DEPARTMENT OF THE INTERIOR				
Passed-through Department of Archaeology & Historic Preservation Downtown/				
Fairgrounds Survey CFDA No 15.904	15.904		13,000	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed-through Yakima County:				
Transportation: Paratransit	93.043		562	
Special Programs for the Aging Titlit III Part D	93.043		30,939	
Adult Day Care	93.044		7,381	
Passed-through DSHS DCS:				
Healthy Marriage & Fatherhood	93.086		32,220	
Total CFDA NO 93.043			<u>71,102</u>	
PASSED-THROUGH WA STATE EMPLOYMENT SECURITY				
AmeriCorp CFDA NO 94.006	94.006		10,931	
HOMELAND SECURITY				
SAFER Grant	97.083			42,814
PASSED-THROUGH YAKIMA VALLEY OFFICE OF EMERGENCY MANAGEMENT				
Homeland Security	97.067		134,136	
Law Enf Terrorism Prevention	97.074		31,347	
St Domestic Preparedness Eq	97.004		92,933	
Total CFDA NO 97.000			<u>258,416</u>	<u>42,814</u>
Total Federal Assistance			<u>\$1,810,164</u>	<u>\$4,287,879</u>
Total Federal Assistance Direct & Pass-Through Awards			<u>\$6,098,043</u>	

SCHEDULE #16 - EXPENDITURES OF STATE AND LOCAL AWARDS

For the Year Ended December 31, 2006

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	OTHER IDENTIFICATION NO.	CURRENT YEAR EXPENDITURES
STATE		
Washington State Department of Transportation		
Washington Ave RR Crossing	2063	\$938
American Disability Transit Grant		23,345
9th Street to Front Street (Yakima Ave)	2116	924,056
Total Washington State Department of Transportation		<u>948,339</u>
Washington State Department of Community, Trade and Economic Development		
Downtown Revitalization	2103/2116	3,861,203
Downtown Revitalization Westside	2165	6,964
Growth Management Grant		25,500
Total Washington State Dept. of Comm, Trade		<u>3,893,667</u>
Washington State Transportation Improvement Board		
S. 6th Street Intersection	1829	14,705
Lincoln Ave (22nd Ave to 29th Ave)	2046	25,707
W Nob Hill (S 72nd to S 80th)	2012	69,407
River Rd North 16th Ave to Fruitvale Blvd	1944	470,094
W. Washington 52nd to 72nd	1957	1,386,285
Total Washington State Transportation Improvement Board		<u>1,966,198</u>
Washington State Department of Social and Health Services		
Adult Day Care-Copes		5,941
State Respite		20,634
Pre-hospital (Emergency Mgmt)		1,463
Total Washington State Dept. Social and Health Services		<u>28,038</u>
Total State Assistance		<u>\$6,836,242</u>
LOCAL		
Yakima County Interlocal Grant		
Airport Water/Sewer (SIED)		64,500
SE Community Center Improvement (SIED)		200,000
Cubcrafters Sewer Main (SIED)		25,000
Convention Center		18,000
Total Yakima County		<u>307,500</u>
Total State and Local Assistance		<u><u>\$7,143,742</u></u>

For the Year Ended December 31, 2006

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - PROGRAM INCOME

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

NOTE 4 - FEDERAL LOANS

In 2003, the City of Yakima was authorized to administer a Section 108 Loan program. The amount listed is the amount loaned in 2006. Since the City is only contingently liable, this amount is not included in the Schedule of Long-Term Debt. See Note 8 - Contingencies in the Basic Financial Statements section for details of the entire program.

NOTE 5 - NONCASH AWARDS

Not Applicable.

NOTE 6 - AMOUNT PAID TO SUBRECIPIENTS

The City of Yakima paid the following amounts to subrecipients:

CDBG-14.218 \$83,138

SCHEDULE #17 - ANNUAL REPORT ON PUBLIC WORKS PROJECTS

For the Year January 1, 2006 through December 31, 2006

PART I

Public Works projects greater than \$5,000 that are not let by contract:

(includes projects performed by a county for a city under RCW 35.77.020)

(A) BARS ACCOUNT	(B) TOTAL PROJECT BUDGET	(C) PRIOR YEARS COMPLETION	(D) CURRENT YEAR BUDGET	(E) CURRENT YEAR ACTUAL	(F) PROJECT LIFE -TO-DATE (C) + (E)	(G) REMAINING BUDGET (B) - (F)
594.34-MISC	\$0	\$0	\$0	\$53,798	\$53,798	\$0

PART II

1. Total current public works construction budget as amended (annual or biennial as applicable)	\$33,416,957
2. Total allowable public works (10% of #1)	3,341,696
3. Less: Amount (if any) in excess of permitted amount from prior year	<u>0</u>
4. Total allowable public works (#2 minus #3)	3,341,696
5. Total public works projects performed by public employees during the current year (including work performed by a county)	53,798
6. If this is the second year of a biennial budget, total public works performed by public employees during the prior year	0
7. Restricted (over) under allowable (#4 minus #5 minus #6)	<u>\$3,287,898</u>

NOTE: If the restricted amount is over allowable, this amount must be carried forward to next year's report.

SCHEDULE #19 - LABOR RELATIONS CONSULTANTS

For the Year Ended December 31, 2006

NAME OF FIRM:

Summit Law Group

NAME OF CONSULTANT:

Bruce Schroeder/Beth Kennar

BUSINESS ADDRESS:

315 Fifth Avenue S Suite 1000
Seattle, Washington 98104

AMOUNT PAID TO CONSULTANT DURING FISCAL YEAR:

\$61,597.19

TERMS AND CONDITIONS, AS APPLICABLE, INCLUDING:

RATES (E.G., HOURLY, ETC.):

\$210 to \$245 an hour plus reimbursable cost (long distance, postage and copy charges)

MAXIMUM COMPENSATION ALLOWED:

None

DURATION OF SERVICES:

On Going

SERVICES PROVIDED:

Labor negotiations and arbitration for Police, Fire and AFSCME.

Certified correct this _____ day of _____, 2006 to the best of my knowledge and belief:

Signature : _____

Name: Cindy J. Epperson

Title: Financial Services Manager

SCHEDULE #19 - LABOR RELATIONS CONSULTANTS

For the Year Ended December 31, 2006

NAME OF FIRM:

Menke Jackson Beyer Elofson Ehlis & Harper, LLP

NAME OF CONSULTANT:

Kirk Ehlis/Ken Harper

BUSINESS ADDRESS:

807 North 39th Avenue
Yakima, Washington 98901

AMOUNT PAID TO CONSULTANT DURING FISCAL YEAR:

\$17,997.97

TERMS AND CONDITIONS, AS APPLICABLE, INCLUDING:

RATES (E.G., HOURLY, ETC.):

\$125 to \$140 an hour plus reimbursable cost (long distance, postage and copy charges)

MAXIMUM COMPENSATION ALLOWED:

None

DURATION OF SERVICES:

On Going

SERVICES PROVIDED:

Labor negotiations and arbitration for Police, Fire and AFSCME.

Certified correct this _____ day of _____, 2006 to the best of my knowledge and belief:

Signature : _____

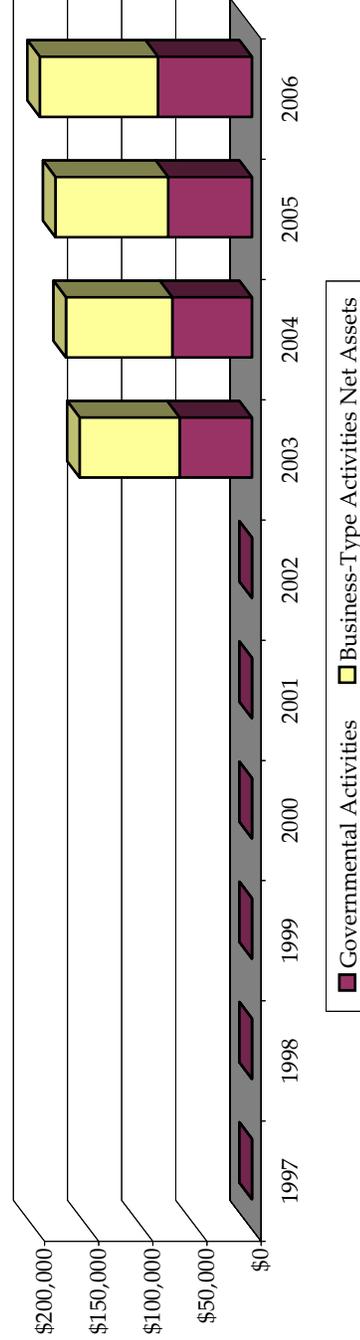
Name: Cindy J. Epperson

Title: Financial Services Manager

CITY OF *Yakima*
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands - Accrual Basis of Accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GOVERNMENT ACTIVITIES										
Invested in Capital Assets, Net of Related Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$50,464	\$60,441	\$63,513	\$72,842
Restricted	0	0	0	0	0	0	4,914	4,831	4,792	4,238
Unrestricted	0	0	0	0	0	0	11,195	8,060	8,951	9,668
Total Governmental Activities Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$66,573	\$73,332	\$77,256	\$86,748
BUSINESS TYPE ACTIVITIES										
Invested in Capital Assets, Net of Related Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$80,072	\$84,227	\$86,609	\$89,124
Restricted	0	0	0	0	0	0	2,610	2,665	2,701	2,705
Unrestricted	0	0	0	0	0	0	9,692	11,250	14,613	17,156
Total Business-type Activities Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$92,374	\$98,142	\$103,923	\$108,985
PRIMARY GOVERNMENT										
Invested in Capital Assets, Net of Related Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$130,536	\$144,668	\$150,122	\$161,966
Restricted	0	0	0	0	0	0	7,524	7,496	7,493	6,943
Unrestricted	0	0	0	0	0	0	20,887	19,310	23,564	26,824
Total Primary Government Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$158,947	\$171,474	\$181,179	\$195,733



NOTE: Less than ten years data is provided because 2003 was the first year for government-wide expenses under GASB #34.

CITY OF Yakima
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands - Accrual Basis of Accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
EXPENSES										
Governmental Activities:										
General Government	\$0	\$0	\$0	\$0	\$0	\$0	\$6,774	\$7,147	\$6,684	\$7,638
Security of Persons and Property	0	0	0	0	0	0	26,468	23,391	29,915	32,318
Physical Environment	0	0	0	0	0	0	1,225	1,176	1,211	1,201
Transportation	0	0	0	0	0	0	5,811	5,584	5,883	6,596
Economic Environment	0	0	0	0	0	0	3,143	3,422	3,738	4,050
Mental and Physical Health	0	0	0	0	0	0	15	17	43	18
Cultural and Recreational Environment	0	0	0	0	0	0	6,891	7,066	7,014	7,469
Interest on Long-Term Debt	0	0	0	0	0	0	1,063	850	809	815
Total Governmental Activities	0	0	0	0	0	0	51,390	48,653	55,297	60,105
Business-Type Activities:										
Transit	0	0	0	0	0	0	5,282	5,526	6,282	6,680
Refuse	0	0	0	0	0	0	2,861	2,751	3,154	3,065
Wastewater	0	0	0	0	0	0	10,172	11,565	11,173	11,768
Water	0	0	0	0	0	0	4,406	4,586	4,921	6,076
Irrigation	0	0	0	0	0	0	1,222	1,220	1,645	1,580
Total Business-Type Activities	0	0	0	0	0	0	23,943	25,648	27,175	29,169
Total Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$75,333	\$79,301	\$82,472	\$89,274
PROGRAM REVENUES										
Governmental Activities										
Charges for Services:										
General Government	\$0	\$0	\$0	\$0	\$0	\$0	\$47	\$196	\$156	\$170
Security of Persons and Property	0	0	0	0	0	0	1,995	1,746	1,561	1,389
Physical Environment	0	0	0	0	0	0	422	605	875	1,101
Transportation	0	0	0	0	0	0	98	130	84	64
Economic Environment	0	0	0	0	0	0	1,141	1,146	1,059	1,259
Cultural and Recreational Environment	0	0	0	0	0	0	1,515	1,565	1,533	1,744
Operating Grants and Contributions	0	0	0	0	0	0	5,051	4,542	5,134	5,235
Capital Grants and Contributions	0	0	0	0	0	0	2,866	9,311	3,921	9,301
Total Governmental Activities	0	0	0	0	0	0	13,135	19,241	14,323	20,263
Business-Type Activities										
Charges for Services										
Transit	0	0	0	0	0	0	427	422	450	484
Refuse	0	0	0	0	0	0	3,080	3,335	3,508	3,861
Wastewater	0	0	0	0	0	0	12,102	14,691	14,125	14,614

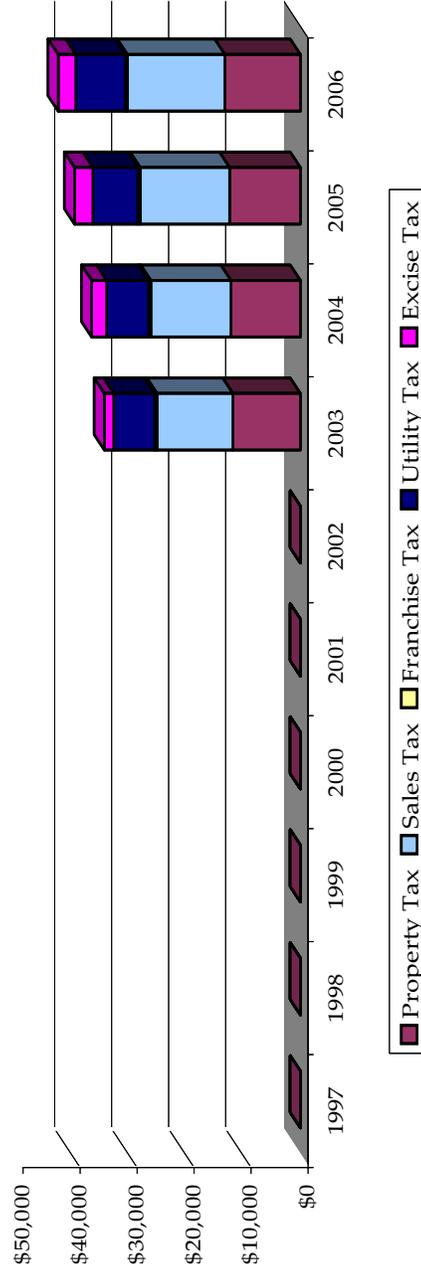
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Water	0	0	0	0	0	0	4,973	5,208	5,381	6,158
Irrigation	0	0	0	0	0	0	1,792	2,479	2,435	2,449
Operating Grants and Contributions	0	0	0	0	0	0	1,552	1,803	3,103	2,801
Capital Grants and Contributions	0	0	0	0	0	0	4,103	2,053	2,387	1,912
Total Business-Type Activities	0	0	0	0	0	0	28,029	29,991	31,389	32,279
Total Program Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$41,164	\$49,232	\$45,712	\$52,542
NET (EXPENSE) / REVENUE										
Governmental Activities	\$0	\$0	\$0	\$0	\$0	\$0	(\$38,255)	(\$34,412)	(\$40,974)	(\$39,842)
Business-Type Activities	0	0	0	0	0	0	4,086	4,343	4,214	3,110
Total Net Expenses	\$0	\$0	\$0	\$0	\$0	\$0	(\$34,169)	(\$30,069)	(\$36,760)	(\$36,732)
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS										
Governmental Activities										
Taxes										
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$11,853	\$12,199	\$12,435	\$13,265
Sales and Use Taxes	0	0	0	0	0	0	13,328	14,055	15,690	17,113
Franchise and Utility Taxes	0	0	0	0	0	0	7,582	7,763	8,302	9,045
Excise Tax	0	0	0	0	0	0	1,646	2,612	3,213	3,081
Penalties and Interest	0	0	0	0	0	0	12	2	1	11
Grants and Contributions not Restricted	0	0	0	0	0	0	175	0	0	0
State Entitlements	0	0	0	0	0	0	2,675	2,774	2,953	3,497
Unrestricted Investment Interest	0	0	0	0	0	0	426	415	735	695
Miscellaneous	0	0	0	0	0	0	(260)	41	57	137
Gain on Sale of Capital Assets	0	0	0	0	0	0	(7)	(1,012)	(1,443)	(695)
Intergovernmental Agreements	0	0	0	0	0	0	(1,406)	0	0	(39)
Transfers	0	0	0	0	0	0	2,637	2,797	2,950	3,084
Debt Issue Cost	0	0	0	0	0	0	0	0	4	0
Acctg Loss on General Obligation of Debt Ref	0	0	0	0	0	0	(295)	(474)	0	140
Total Governmental Activities	0	0	0	0	0	0	38,366	41,172	44,897	49,334
Business-Type Activities										
Sales and Use Taxes	0	0	0	0	0	0	3,895	4,138	4,234	4,511
Unrestricted Investment Interest	0	0	0	0	0	0	124	269	560	656
Gain on Sale of Capital Assets	0	0	0	0	0	0	(139)	8	(56)	100
Transfers	0	0	0	0	0	0	(3,122)	(2,990)	(3,171)	(3,315)
Extraordinary Item	0	0	0	0	0	0	(8,332)	0	0	0
Total Business-Type Activities	0	0	0	0	0	0	(7,574)	1,425	1,567	1,952
Total Primary Government	\$0	\$0	\$0	\$0	\$0	\$0	\$30,792	\$42,597	\$46,464	\$51,286
CHANGE IN NET ASSETS										
Governmental Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$111	\$6,760	\$3,923	\$9,492
Business-Type Activities	0	0	0	0	0	0	(3,488)	5,768	5,781	5,062
Total Primary Government	\$0	\$0	\$0	\$0	\$0	\$0	(\$3,377)	\$12,528	\$9,704	\$14,554

NOTE: Less than ten years data is provided because 2003 was the first year for government-wide expenses under GASB #34.

CITY OF Yakima
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands - Accrual Basis of Accounting)

FISCAL YEAR	PROPERTY TAX	SALES TAX	FRANCHISE TAX	UTILITY TAX	EXCISE TAX	TOTAL
1997	\$0	\$0	\$0	\$0	\$0	\$0
1998	0	0	0	0	0	0
1999	0	0	0	0	0	0
2000	0	0	0	0	0	0
2001	0	0	0	0	0	0
2002	0	0	0	0	0	0
2003	11,853	13,328	417	7,165	1,646	34,409
2004	12,199	14,055	421	7,342	2,612	36,629
2005	12,435	15,690	427	7,875	3,213	39,640
2006	13,265	17,113	343	8,702	3,081	42,504



NOTE: Less than ten years data is provided because 2003 was the first year for government-wide expenses under GASB #34.

CITY OF Yakima
FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands - Modified Accrual Basis of Accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GENERAL FUND										
Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$481	\$384	\$278	\$377
Unreserved	0	0	0	0	0	0	8,476	8,467	8,686	9,145
Total General Fund	0	0	0	0	0	0	8,957	8,851	8,964	9,522
COMMUNITY DEVELOPMENT FUND										
Reserved	0	0	0	0	0	0	631	1,120	1,016	1,045
Unreserved	0	0	0	0	0	0	(157)	(813)	(661)	(779)
Total Community Development Fund	0	0	0	0	0	0	474	307	355	266
PARKS & RECREATION FUND										
Reserved	0	0	0	0	0	0	24	8	1	6
Unreserved	0	0	0	0	0	0	459	464	478	425
Total Parks & Recreation Fund	0	0	0	0	0	0	483	472	479	431
STREETS & TRAFFIC ENGINEERING FUND										
Reserved	0	0	0	0	0	0	340	346	108	111
Unreserved	0	0	0	0	0	0	1,047	989	1,233	1,175
Streets & Traffic Engineering Fund	0	0	0	0	0	0	1,387	1,335	1,341	1,286
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	0	0	0	0	0	0	3,139	2,973	3,389	2,700
Unreserved reported in:										
Special Revenue Funds	0	0	0	0	0	0	4,258	3,470	3,874	\$3,337
Capital Project Funds	0	0	0	0	0	0	3,382	2,478	3,288	3,981
Total All Other Governmental Funds	0	0	0	0	0	0	10,779	8,921	10,551	10,018
GOVERNMENTAL FUNDS										
Reserved	0	0	0	0	0	0	4,615	4,831	4,792	4,239
Unreserved	0	0	0	0	0	0	17,465	15,055	16,898	17,284
Grand Total Governmental Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$22,080	\$19,886	\$21,690	\$21,523

NOTE: Less than ten years data is provided because 2003 was the first year for government-wide expenses under GASB #34.

CITY OF *Yakima*
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands - Modified Accrual Basis of Accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
REVENUES										
Taxes and Special Assessments	\$0	\$0	\$0	\$0	\$0	\$0	\$36,977	\$39,490	\$42,557	\$45,601
Licenses and Permits	0	0	0	0	0	0	470	530	691	741
Intergovernmental Revenues	0	0	0	0	0	0	10,260	12,797	11,839	17,346
Charges for Services	0	0	0	0	0	0	5,291	5,846	5,596	5,543
Fines and Forfeits	0	0	0	0	0	0	1,397	1,364	1,190	1,309
Interest	0	0	0	0	0	0	695	553	870	1,168
Other Revenues	0	0	0	0	0	0	854	1,201	1,240	1,852
Total Revenues	0	0	0	0	0	0	55,944	61,781	63,983	73,560
EXPENDITURES										
General Government	0	0	0	0	0	0	9,054	9,905	10,090	10,452
Security of Persons and Property	0	0	0	0	0	0	25,440	26,959	28,684	30,929
Physical Environment	0	0	0	0	0	0	1,583	1,707	1,699	1,704
Transportation	0	0	0	0	0	0	4,310	4,204	4,601	5,129
Economic Environment	0	0	0	0	0	0	3,117	3,380	3,681	3,976
Mental and Physical Health	0	0	0	0	0	0	15	17	43	18
Cultural and Recreational Environment	0	0	0	0	0	0	6,331	6,452	6,900	6,951
Capital Outlay	0	0	0	0	0	0	10,004	9,488	5,333	12,153
Debt Service	0	0	0	0	0	0				
Principal Retirement	0	0	0	0	0	0	1,906	1,932	2,130	2,351
Interest	0	0	0	0	0	0	1,063	850	813	822
Total Expenditures	0	0	0	0	0	0	62,823	64,894	63,974	74,485
Excess (Deficiencies) Of Revenues Over (Under) Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	(\$6,879)	(\$3,113)	\$9	(\$925)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
OTHER FINANCING SOURCES (USES)										
Proceeds from Capital Lease Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$492	\$473	\$0	\$0
Proceeds from L.T. Debt - G.O. Bonds	0	0	0	0	0	0	1,511	7	760	0
Proceeds from Intergovernmental Loans	0	0	0	0	0	0	75	0	148	50
Other Note Proceeds	0	0	0	0	0	0	0	0	371	546
Transfers In	0	0	0	0	0	0	3,779	3,893	3,878	5,049
Transfers (Out)	0	0	0	0	0	0	(3,697)	(3,954)	(3,845)	(5,050)
Intergovernmental Agreements	0	0	0	0	0	0	(1,406)	0	0	(39)
Sale of Capital Assets	0	0	0	0	0	0	49	131	317	109
Compensation for Loss of General Capital Assets	0	0	0	0	0	0	52	54	162	90
Total Other Financing Sources (Uses)	0	0	0	0	0	0	855	604	1,791	755
Net Changes In Fund Balances	\$0	\$0	\$0	\$0	\$0	\$0	(\$6,024)	(\$2,509)	\$1,800	(\$170)

Debt Service as a Percentage of Noncapital Expenditures 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 5.62% 5.02% 5.02% 5.09%

CITY OF Yakima
GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE
LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands - Modified Accrual Basis of Accounting)

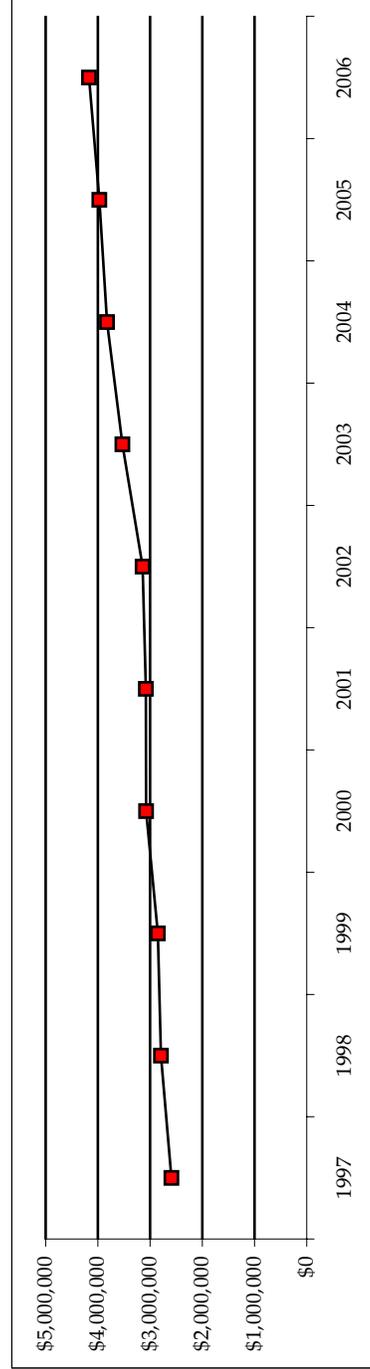
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
SOURCE:										
Property Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$11,853	\$12,199	\$12,435	\$13,265
Sales Tax	0	0	0	0	0	0	13,328	14,055	15,690	17,113
Franchise Tax	0	0	0	0	0	0	417	421	427	343
Utility Tax	0	0	0	0	0	0	9,720	10,200	10,792	11,787
Excise Tax	0	0	0	0	0	0	1,646	2,612	3,213	3,092
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$36,964	\$39,487	\$42,557	\$45,600

NOTE: Less than ten years data is provided because 2003 was the first year for government-wide expenses under GASB #34.

CITY OF Yakima
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

FISCAL YEAR	COUNT	REAL PROPERTY ASSESSED VALUE (1)	PERSONAL PROPERTY ASSESSED VALUE (1)	TOTAL TAXABLE ASSESSED VALUE (1)	TOTAL DIRECT TAX RATE (2)
1997	27,373	2,380,500	210,998	2,591,498	3.2266
1998	27,761	2,553,323	238,678	2,792,001	3.2869
1999	28,041	2,613,750	237,389	2,851,139	3.4490
2000	28,485	2,832,242	244,291	3,076,533	3.4906
2001	28,687	2,880,160	200,845	3,081,005	3.5145
2002	28,919	2,934,639	207,991	3,142,630	3.5264
2003	29,138	3,322,171	208,221	3,530,392	3.5214
2004	29,522	3,417,860	406,237	3,824,097	3.4718
2005	29,851	3,550,847	420,821	3,971,668	3.4395
2006	30,170	3,748,045	421,694	4,169,739	3.3812

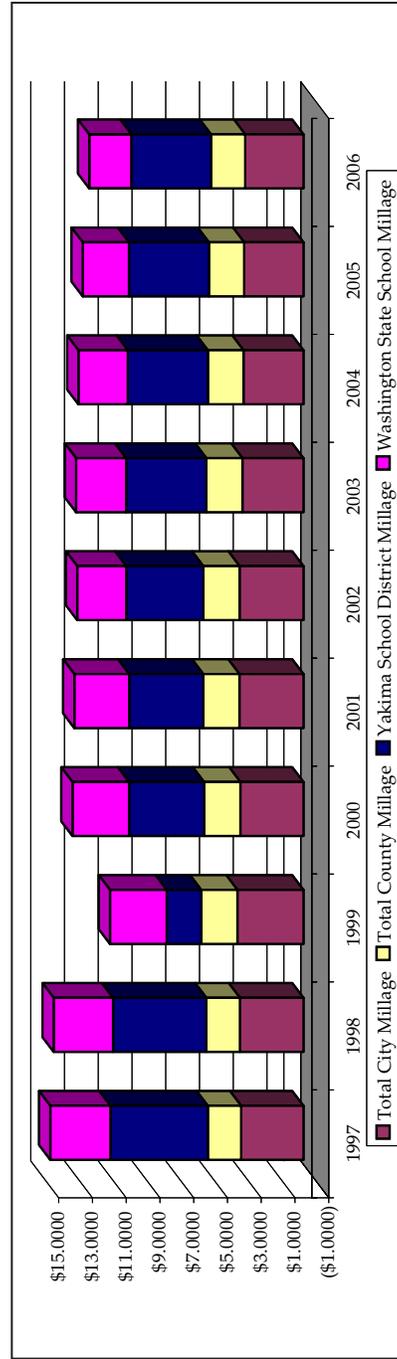
TOTAL TAXABLE ASSESSED VALUE



Source: Yakima County.
 (1) Amounts expressed in thousands.
 (2) Tax rates are per \$1,000 of assessed value.

CITY OF Yakima
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS (1)
 LAST TEN FISCAL YEARS

FISCAL YEAR	CITY OF YAKIMA			YAKIMA COUNTY			YAKIMA SCHOOL DISTRICT			TOTAL DIRECT & OVERLAPPING RATES	
	OPERATING RATE/1,000	DEBT SERVICE RATE/1,000	TOTAL CITY RATE/1,000	OPERATING RATE/1,000	DEBT SERVICE RATE/1,000	TOTAL COUNTY RATE/1,000	OPERATING RATE/1,000	DEBT SERVICE RATE/1,000	TOTAL SCHOOL RATE/1,000		
1997	3.2477	0.4471	3.6948	1.8628	0.1123	1.9751	3.6140	2.1558	5.7698	3.6740	15.1137
1998	3.2868	0.4814	3.7682	1.8897	0.0976	1.9873	3.4917	2.0390	5.5307	3.5140	14.8002
1999	3.4490	0.4653	3.9143	2.0475	0.0961	2.1436	0.0000	2.0462	2.0462	3.3575	11.4616
2000	3.4906	0.2484	3.7390	2.0622	0.0930	2.1552	2.5345	1.9091	4.4436	3.3480	13.6858
2001	3.5145	0.2809	3.7954	2.0534	0.0891	2.1425	2.5328	1.8599	4.3927	3.2469	13.5775
2002	3.5264	0.2610	3.7874	2.0606	0.0875	2.1481	2.7336	1.8338	4.5674	2.9020	13.4049
2003	3.5213	0.0957	3.6170	2.0537	0.0849	2.1386	2.7785	1.9776	4.7561	2.9595	13.4712
2004	3.4718	0.0841	3.5559	2.0305	0.0817	2.1122	2.8150	1.9270	4.7420	2.9261	13.3362
2005	3.4395	0.0763	3.5158	2.0131	0.0772	2.0903	2.9402	1.7966	4.7368	2.7364	13.0793
2006	3.3813	0.0728	3.4541	1.9536	0.0724	2.0260	1.7781	2.9338	4.7119	2.5026	12.6946



Source: Yakima County Department of Assessments.
 (1) Overlapping rates are those of local and county governments that apply to property owners within the City of Yakima. Not all overlapping rates apply to all City of Yakima property owners (e.g. the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the district.)

CITY OF *Yakima*
PRINCIPAL PROPERTY TAX PAYERS
 DECEMBER 31, 2006

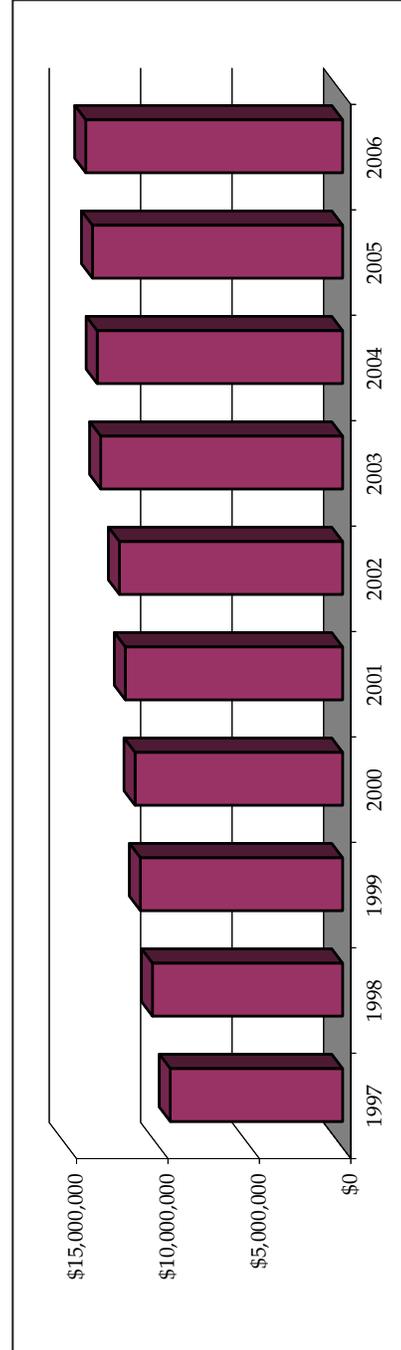
(Amounts Expressed in Thousands)

TAXPAYER	----- 2006 ⁽¹⁾ -----			----- 1997 -----		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Yakima HMA Inc.	\$52,852	1	1.27%			
Shields Bag & Printing	37,217	2	0.89%			
Longview Fibre Co.	21,735	3	0.52%			
Qwest Corporation	20,503	4	0.49%			
Leelynn Inc. & Wiley Mountain Inc.	19,311	5	0.46%			
Hansen Fruit Company LP	17,234	6	0.41%			
Washington Fruit & Produce Co.	17,226	7	0.41%			
Yakima Valley Memorial Hospital	16,912	8	0.41%	\$16,613	10	0.29%
Yakima Mall Shopping Center, Inc	15,822	9	0.38%			
Cascade Natural Gas Corporation	<u>14,577</u>	10	<u>0.35%</u>	18,969	9	0.33%
Pacific Power & Light				121,308	1	2.09%
US West Communications				42,582	2	0.73%
Boise Cascade Corporation				34,233	3	0.59%
Tree Top Incorporated				24,209	4	0.42%
United Telephone				23,889	5	0.41%
John I. Haas Incorporated				22,167	6	0.38%
Snokist Growers, Inc				21,295	7	0.37%
Del Monte Corporation				<u>19,575</u>	8	<u>0.34%</u>
Totals	<u>\$233,389</u>		<u>5.59%</u>	<u>\$344,840</u>		<u>5.95%</u>

(1) Yakima County Assessor's Office

CITY OF Yakima
PROPERTY TAX LEVIES AND COLLECTIONS (1)
 LAST TEN FISCAL YEARS

FISCAL YEAR ENDED	TOTAL TAX LEVY FOR THE YEAR	COLLECTED WITHIN THE YEAR OF THE LEVY -----			COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTION ----- TO DATE -----	
		AMOUNT	PERCENTAGE OF LEVY	YEARS		AMOUNT	PERCENTAGE OF THE LEVY
1997	\$9,486,220	\$9,115,321	96.1%	\$311,450	\$9,426,771	99.4%	
1998	10,476,934	10,030,613	95.7%	370,711	10,401,324	99.3%	
1999	11,133,718	10,632,941	95.5%	425,668	11,058,609	99.3%	
2000	11,488,967	10,864,769	94.6%	491,701	11,356,470	98.8%	
2001	11,968,211	11,474,128	95.9%	409,126	11,883,254	99.3%	
2002	12,390,073	11,802,380	95.3%	404,591	12,206,971	98.5%	
2003	13,280,578	12,848,761	96.7%	384,037	13,232,798	99.6%	
2004	13,592,285	13,167,897	96.9%	258,389	13,426,286	98.8%	
2005	13,960,632	13,412,195	96.1%	268,765	13,680,960	98.0%	
2006	14,399,087	14,047,918	97.6%	N/A	14,047,918	97.6%	

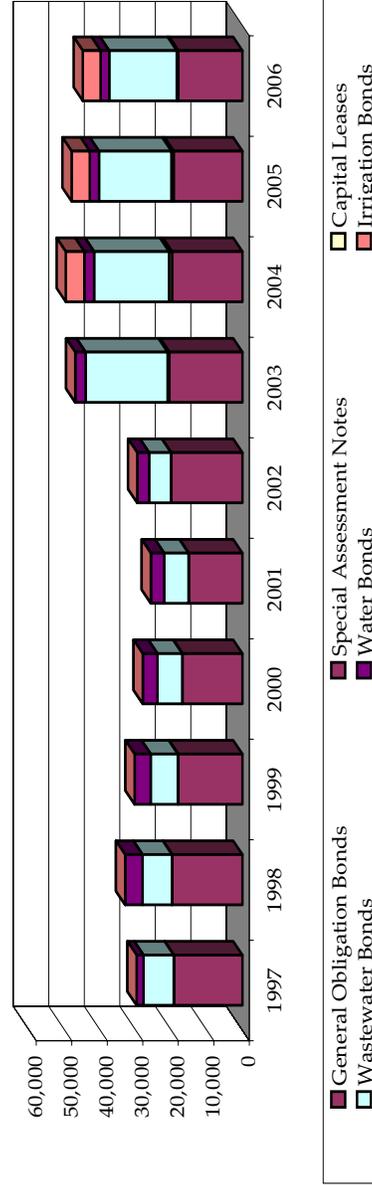


(1) Includes both ad valorem (general) and voted property tax levies.

CITY OF Yakima
RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands Except Per Capita Amounts)

YEAR	---- GOVERNMENTAL ACTIVITIES ----			----- BUSINESS-TYPE ACTIVITIES -----				TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME ⁽¹⁾	PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES	WASTEWATER BONDS	WATER BONDS	IRRIGATION BONDS	TOTAL				
1997	\$19,333	\$21	\$8,504	\$1,936	\$0	\$29,794	N/A	N/A	N/A	
1998	19,770	75	8,275	4,915	0	33,035	N/A	N/A	N/A	
1999	18,083	109	7,628	4,537	0	30,357	3.01%	\$465		
2000	16,876	86	6,958	4,152	0	28,072	2.84%	391		
2001	15,124	63	6,853	3,752	0	25,792	2.62%	353		
2002	20,081	39	6,158	3,337	0	29,615	2.83%	374		
2003	20,580	492	23,084	2,911	0	47,067	3.63%	594		
2004	19,830	822	21,106	2,754	5,215	49,727	3.84%	626		
2005	19,365	640	20,386	2,589	5,120	48,100	N/A	590		
2006										

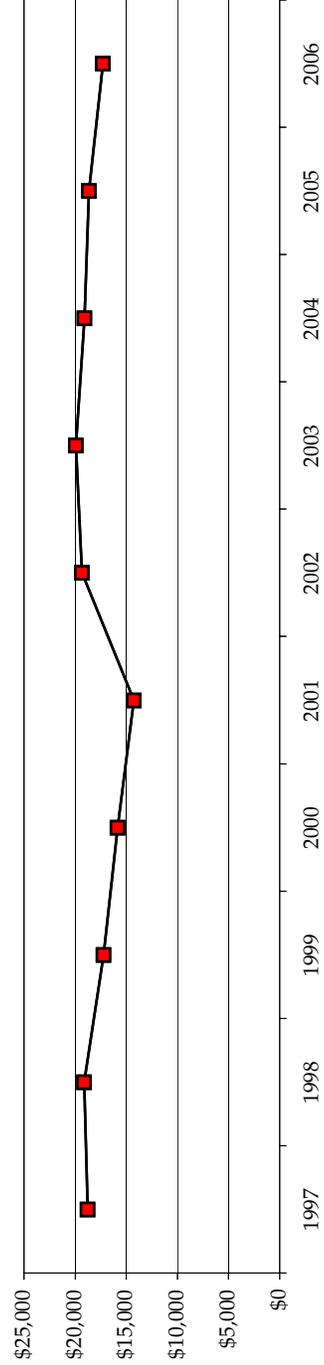


(1) See the Schedule of Demographic and Economic Statistics on page 172 for personal income and population data. .
 NOTE: Details regarding the city's outstanding debt can be found in the notes of the financial statements.

CITY OF Yakima
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands Except Per Capita Amounts)

YEAR	GENERAL OBLIGATION BONDS (1)	LESS: AMOUNTS AVAILABLE IN DEBT SERVICE FUND (1)	TOTAL	PERCENTAGE OF ESTIMATED ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
1997	\$19,333	\$563	\$18,770	.67%	\$295
1998	19,770	664	19,106	.67%	297
1999	18,083	858	17,225	.56%	264
2000	16,876	1,044	15,832	.50%	220
2001	15,124	852	14,272	4.4%	195
2002	20,080	756	19,324	.53%	244
2003	20,580	648	19,932	.52%	252
2004	19,830	739	19,091	.48%	240
2005	19,365	724	18,641	.45%	229
2006	18,040	751	17,289	.38%	209

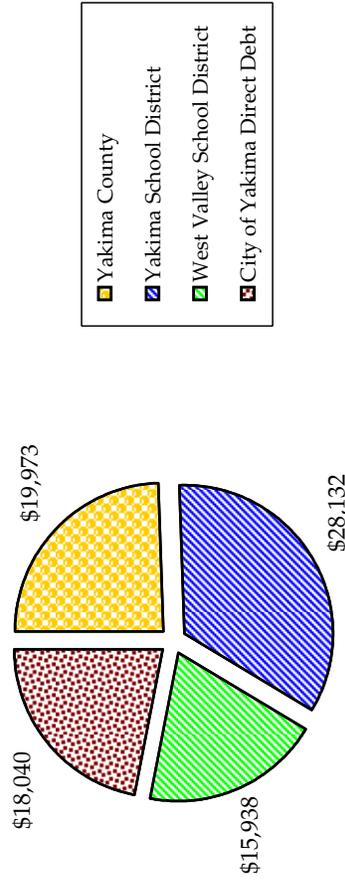


(1) Excludes Local Improvement Districts' bonded debt and their respective funds in the Debt Service Funds.

CITY OF *Yakima*
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2006

(Amounts Expressed in Thousands)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE (1)	ESTIMATED SHARE OF OVERLAPPING DEBT
Debt Repaid with Property Taxes:			
Yakima County	\$55,063	36.27%	\$19,973
Yakima School District	29,675	94.80%	28,132
West Valley School District	30,810	51.73%	15,938
Subtotal, Overlapping Debt	\$115,548		64,043
City of Yakima Direct Debt			18,040
Total Direct and Overlapping Debt			\$82,083



Source: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the county.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Yakima. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government. Naches School Districts are excluded in the overlapping debt chart due to estimate debt overlap less than 1% (.31%).

CITY OF *Yakima*
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands)

FISCAL YEAR	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$209,400	\$213,834	\$230,739	\$236,703	\$245,145	\$275,508	\$286,806	\$297,876	\$312,729	\$344,019
Total Net Debt Applicable to Limit	19,179	20,112	17,895	15,867	14,462	19,268	19,869	20,111	20,493	18,433
Legal Debt Margin	\$190,221	\$193,722	\$212,844	\$220,836	\$230,683	\$256,240	\$266,937	\$277,765	\$292,236	\$325,586
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	9.16%	9.41%	7.76%	6.70%	5.90%	6.99%	6.93%	6.75%	6.55%	5.36%

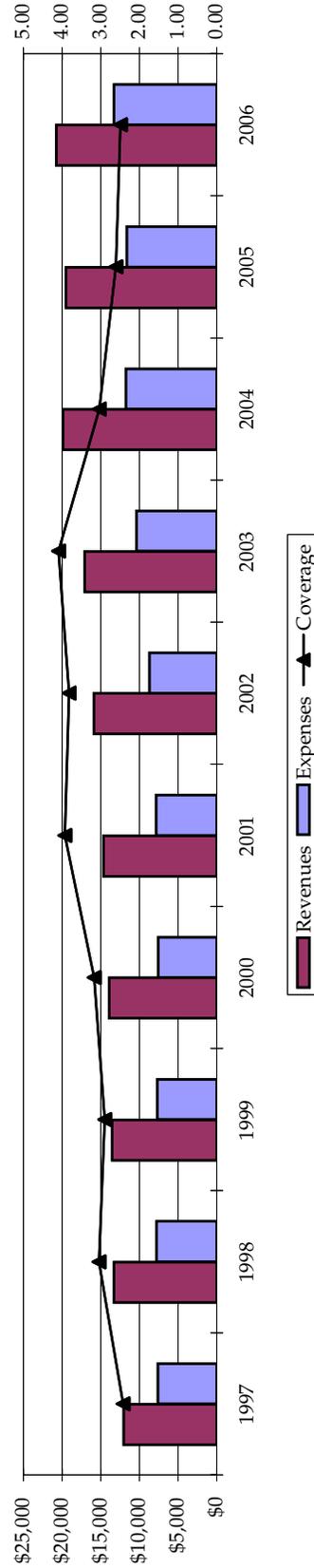
LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2006

Taxable Property Value	\$4,586,923
Debt Limit (7.5% of Total Assessed Value)	344,019
Debt Applicable to Limit:	
General Obligation Bonds and Other Debt	28,080
Less: Amount Set Aside for Repayment of General Obligation Debt & Other Debt	(9,647)
Total Net Debt Applicable to Limit	<u>18,433</u>
Legal Debt Margin	<u>\$325,586</u>

NOTE: The State law provides debt cannot be incurred in excess of the following percentages of the value of the taxable property of the City. The total indebtedness for general purpose with or without a vote cannot exceed 2.5% for utility or open space, park, and capital facilities with a vote not to exceed 5%.

CITY OF Yakima
PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (Amounts Expressed in Thousands)

YEAR	WATER & WASTEWATER REVENUE BONDS		DEBT SERVICE		COVERAGE
	WATER & WASTEWATER OPERATING REVENUES	LESS OPERATING EXPENSES	NET AVAILABLE REVENUE	PRINCIPAL INTEREST	
1997	\$12,027	\$7,598	\$4,429	\$1,034	2.42
1998	13,264	7,763	5,501	1,106	3.05
1999	13,510	7,712	5,798	1,327	2.90
2000	13,888	7,586	6,302	1,368	3.17
2001	14,647	7,838	6,809	1,191	3.93
2002	15,914	8,717	7,197	1,402	3.82
2003	17,072	10,387	6,685	1,167	4.09
2004	19,881	11,751	8,130	1,530	3.04
2005	19,501	11,644	7,857	1,497	2.61
2006	20,756	13,271	7,485	1,459	2.49

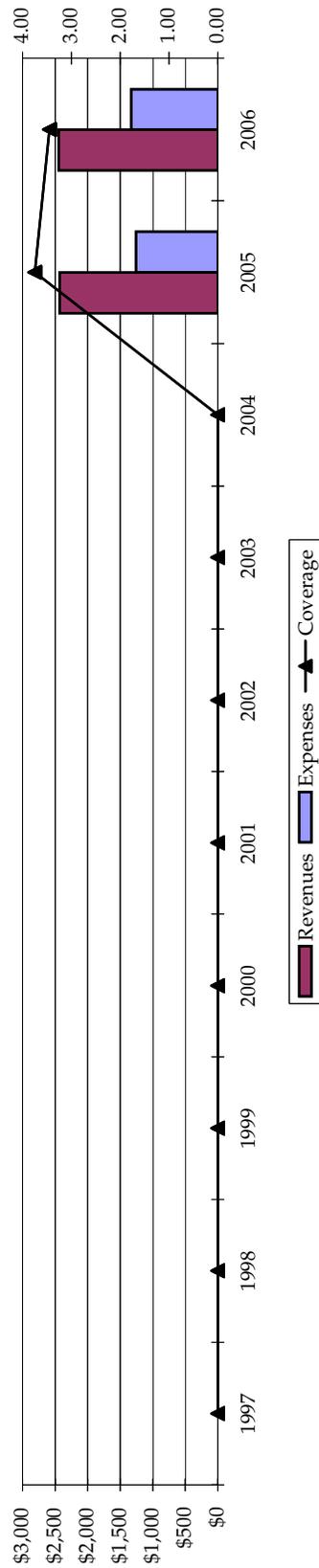


NOTE: Operating expenses exclude depreciation, amortization and City taxes.

CITY OF Yakima
PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands)

YEAR	----- IRRIGATION REVENUE BONDS -----				COVERAGE
	IRRIGATION OPERATING REVENUES	LESS OPERATING EXPENSES	NET AVAILABLE REVENUE	----- DEBT SERVICE -----	
	\$0	\$0	\$0	PRINCIPAL INTEREST	
1997				\$0	N/A
1998	0	0	0	0	N/A
1999	0	0	0	0	N/A
2000	0	0	0	0	N/A
2001	0	0	0	0	N/A
2002	0	0	0	0	N/A
2003	0	0	0	0	N/A
2004	0	0	0	0	N/A
2005	2,433	1,256	1,177	98 219	3.70
2006	2,447	1,333	1,114	105 218	3.45



NOTE: Debt Service began in 2006. Operating expenses exclude depreciation, amortization and City taxes.

CITY OF *Yakima*
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

FISCAL YEAR	POPULATION ⁽¹⁾	PERSONAL INCOME ⁽²⁾ (AMOUNT EXPRESSED IN THOUSANDS)	PER CAPITA PERSONAL INCOME ⁽²⁾	MEDIAN AGE ⁽²⁾	EDUCATION LEVEL IN YEARS OF FORMAL SCHOOLING ⁽²⁾	SCHOOL ENROLLMENT ⁽³⁾	UNEMPLOYMENT RATE ⁽⁴⁾
1997	63,632	N/A	N/A	N/A	N/A	13,827	9.2%
1998	64,290	N/A	N/A	N/A	N/A	13,928	9.1%
1999	65,262	\$1,009,596	\$14,416	32.0	12.3	13,922	9.4%
2000	71,845	988,251	14,688	30.1	12.3	13,903	7.7%
2001	73,040	986,132	14,611	30.6	12.4	13,565	9.4%
2002	79,120	1,046,511	14,975	33.1	12.1	14,396	9.7%
2003	79,220	1,297,305	17,245	33.5	12.4	14,662	9.7%
2004	79,480	1,294,066	16,716	32.0	12.5	14,463	8.6%
2005	81,470	1,225,715	16,568	31.8	12.4	14,564	7.6%
2006	82,867	Not Yet Available	Not Yet Available	Not Yet Available	Not Yet Available	14,436	8.6%

(1) 1996 - 2005: Office of Financial Management web site. 2006 information adjusted for annexations.

(2) American Community Survey/U.S. Census Bureau web site

(3) Yakima Public Schools District No. 7 web site

(4) US Department of Labor web site.

CITY OF Yakima
PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

EMPLOYER	----- 2006 -----			----- 1997 -----		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
MANUFACTURERS:						
Walmart	1,050	1	1.3%			
Washington Beef	620	2	0.7%	635	3	1.0%
Tree Top	503	3	0.6%	800	2	1.3%
Shields Bag & Printing	470	4	0.6%	478	4	0.8%
Western Recreation Vehicles	300	5	0.4%			
Snokist				1,735	1	2.7%
Del Monte				438	5	0.7%
NON MANUFACTURERS:						
Memorial Hospital	1,500	1	1.8%	900	4	1.4%
Yakima School District	1,001	2	1.2%	1,500	1	2.4%
Yakima County	1,000	3	1.2%	947	2	1.5%
Yakima Regional (Providence)	941	4	1.1%	913	3	1.4%
City of Yakima	623	5	0.8%	687	5	1.1%
Total	<u>8,008</u>		<u>9.7%</u>	<u>9,033</u>		<u>14.2%</u>

Source: Yakima Chamber of Commerce.

CITY OF Yakima
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

FUNCTION	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government ⁽¹⁾	219.95	228.32	225.80	210.76	208.76	214.24	213.24	217.17	221.68	217.43
Public Safety										
Police										
Officers	109.00	116.00	116.00	111.00	111.00	118.00	118.00	119.00	125.00	126.00
Civilians	53.00	50.00	50.00	49.00	51.00	52.00	51.75	52.75	51.00	50.00
Fire										
Firefighters and Officers	66.00	66.00	66.00	68.00	68.00	69.00	70.00	79.00	79.00	84.00
Civilians	9.00	9.00	9.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Highways and Streets										
Engineering	14.00	14.00	14.50	13.50	13.50	14.50	14.50	14.50	13.50	15.00
Maintenance	20.50	20.50	20.50	19.50	19.50	23.50	23.50	22.50	24.50	26.50
Parks and Recreation	32.80	32.80	32.63	28.63	28.63	26.88	26.38	27.47	25.47	26.47
Transit	44.75	44.25	44.50	42.00	42.00	44.00	44.25	44.25	48.25	49.75
Refuse	17.50	18.00	19.50	19.90	19.90	19.90	18.90	19.25	19.50	19.50
Water	28.04	28.89	28.33	28.00	28.00	28.00	29.00	29.00	29.00	30.00
Sewer	63.25	63.65	63.51	63.26	63.26	66.51	66.76	64.76	65.45	66.45
Irrigation	8.26	8.01	8.21	8.72	8.72	8.72	8.72	8.72	8.92	8.92
Total	686.05	699.42	698.48	665.27	665.27	688.25	688.00	701.37	714.27	723.02

(1) Municipal Court established in 1997.

CITY OF Yakima
OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
POLICE										
Physical arrests	4,967	4,869	5,596	5,675	5,312	5,638	5,858	5,767	6,121	5,579
Parking violations	N/A	10,286	10,333	10,924	9,813	8,403	6,752	6,555	3,326	2,018
Traffic violations	13,814	13,898	18,341	20,420	18,256	18,397	17,102	16,040	16,754	16,929
FIRE										
Number of calls answered	5,593	5,842	6,518	6,654	6,737	7,119	8,018	8,052	8,912	8,954
Inspections	3,392	2,888	4,001	1,844	1,772	3,761	3,947	2,876	2,631	2,302
HIGHWAYS AND STREETS										
Street resurfacing (miles)	0.0	8.0	15.8	11.4	7.5	20.1	2.8	0.0	15.8	24.7
REFUSE COLLECTED (TONS/DAY)										
Yard Waste collected (tons/day)	66.2	65.5	63.2	65.3	66.7	69.0	71.5	76.6	80.7	86.9
	15.3	14.1	12.7	13.1	13.2	14.1	14.6	15.5	14.4	15.7
CULTURE AND RECREATION										
Community center admissions	67,227	64,579	70,068	61,315	57,936	49,826	54,446	72,395	99,421	107,478
WATER										
New connections	181	278	180	150	99	91	140	132	134	148
Water main breaks	6	9	5	8	10	3	11	3	8	12
Average daily consumption (thousands of gallons)	13,840	13,270	12,370	13,060	13,088	12,084	12,347	12,463	11,900	12,980
WASTEWATER										
Average daily sewage treatment (thousands of gallons)	11,460	10,734	10,024	11,793	11,425	10,690	10,883	11,033	10,219	10,778

Source: Various government departments.

CITY OF Yakima
CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
PUBLIC SAFETY										
Police										
Stations	1	1	1	1	1	1	1	2	2	2
Patrol Units	N/A	N/A	60	60	61	61	62	62	61	61
Fire Stations	5	5	5	5	4	4	4	5	5	5
SANITATION										
Collection trucks	10	12	14	14	13	13	13	13	13	13
HIGHWAYS AND STREETS ⁽¹⁾										
Streets (miles)	351	358	360	365	370	399	399	401	414	419
Streetlights	3,564	3,587	3,589	3,611	3,623	3,862	3,862	3,863	3,872	3,872
Traffic Signals	108	109	110	111	117	117	117	117	117	122
CULTURE AND RECREATION										
Parks Acreage	375	375	375	375	316	325	344	331	265	265 ⁽²⁾
Parks	31	31	31	31	34	29	33	33	33	33
Swimming Pools	5	5	5	5	5	5	5	5	2	2 ⁽²⁾
Tennis Courts	37	37	37	37	33	32	32	32	26	26
Community Centers	1	1	1	1	2	2	2	2	3	3
WATER										
Water Mains (miles)	300	261	262	276	290	290	290	297	297	300
Fire Hydrants (City owned)	2,252	2,320	2,340	2,093	2,107	2,107	2,137	2,151	2,164	2,174
Maximum Daily Capacity (thousands of gallons)	36,520	36,520	36,520	36,520	36,520	36,520	36,520	36,520	36,520	36,520
WASTEWATER										
Sanitary Sewers (miles)	280	280	286	293	293	293	293	310	315	322
Storm Sewers (miles)	N/A	N/A	N/A	N/A	104	104	104	104	104	104
Plant Permitted Capacity (millions of gallons per day)	N/A	22.3	22.3	22.3	22.3	22.3	21.5	21.5	21.5	21.5

(1) As a result of a GASB inventory the total numbers for Streets were recalculated in 2007..

(2) As a result of a physical inventory the total acreage of Parks was recalculated..

(3) Six tennis courts were transferred to the Yakima School District.

CITY OF *Yakima*

2006 GENERAL INFORMATION*

STATISTICS:

Date of Incorporation	1886
Form of Government.....	Council-Manager
Type of Government.....	Charter City
Location.....	Central Washington
Land Area	25.92 sq. miles
Rank in Size – State	10
Rank in Size – County	1
Population	82,867
Assessed Valuation	\$4,169,739,611
City Employees (Full-time Equivalents)	723
Election and Voter Registration:	
Number of Precincts.....	32
Number of Registered Voters.....	33,529

FIRE PROTECTION:

Commissioned Fire Fighting Personnel	84
Number of Non-Commissioned Personnel	3
Total Number of Fire Personnel	87

POLICE PROTECTION:

Commissioned Police Personnel	126
Non-Commissioned Police Personnel	50
Total Number of Police Personnel.....	176
Number of Calls for Service.....	165/day

PARKS AND RECREATION:

Total Acreage	265
Number of Parks	31
Number of Playgrounds	18
Major Facilities: Fisher Golf Course, two swimming pools, (one indoor, one outdoor), two water playground areas, 14 ball fields (five lighted), 26 tennis courts, Senior Citizen Center, Southeast Center, Tahoma Cemetery.	

LICENSES AND PERMITS ISSUED:

Business Licenses - sliding scale starts at \$42.90 for 1 - 2 employees, maximum of \$1,285.20 for over eighty employees.....	4,506
Regulatory Licenses - Varies from \$11.00 to \$1,000.....	453

UTILITY AND FRANCHISE TAX RATES:

Electricity, Gas, Telephone (4% Capped @ \$4,000 per customer per month)	6%
City Utilities – Water, Sewer.....	14%
Refuse	9%
TV Cable	6%

PROPERTY TAX LEVY:

Regular Levy	\$14,099,087
Special Levy	\$300,000
Total 2007 Property Tax Levy	\$14,399,087

SALES TAX RATES:

State 6.50%	
Transit 0.30%	
City of Yakima	0.85%
Yakima County.....	0.15%
Criminal Justice (County).....	0.40%
Total Sales Tax Rate	8.20%

PROPERTY TAX RATES:

(Per \$1,000 of Assessed Value):

City of Yakima – General Levy	\$3.3813
City of Yakima – Special Levy0729
Total City of Yakima Property Tax Rate	\$3.4542
Yakima County.....	1.6946
Yakima School District #7.....	4.7119
State of Washington Schools	2.5026
Emergency Medical Services2368
Total 2006 Property Tax Rates.....	\$12.6001

BUS PASSES (1 MONTH):

Adult	\$17.00
Student.....	\$12.00
Senior Citizen/Disabled	\$5.00

ANIMAL LICENSE FEES:

(Rabies Vaccination Required):

1 Year License – Altered (Renewal - \$12.00).....	\$15.00
3 Year License - Altered	\$33.00
Senior Citizens Lifetime - Altered.....	\$25.00
1 Year License – Not Altered (Ren. - \$25.00)	\$30.00
3 Year License - Not Altered.....	\$70.00

UTILITY RATES (2 MONTHS):

Water – Base Charge.....	\$15.45
Each Unit	\$1.20
Wastewater - Base Charge	\$26.68
Each Unit	\$2.34
Refuse (Carry-out Available for Add'l Charge):	
Automated Collection:	
35 Gallon Cart	\$17.22
96 Gallon Cart	\$14.63
Manual Collection:	
1 Can	\$20.76
2 Can	\$31.66
Yard Waste:	
96 Gallon Cart	\$11.03
Irrigation (per square foot)	\$0.0277

* For information purposes only - not intended for official or legal purposes.

(This page intentionally contains no information.)