

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

City of Vancouver
Clark County

Audit Period
January 1, 2010 through December 31, 2010

Report No. 1006111

Issue Date
August 15, 2011



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

August 15, 2011

Mayor and City Council
City of Vancouver
Vancouver, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Clark County
January 1, 2010 through December 31, 2010**

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Federal Summary

City of Vancouver Clark County January 1, 2010 through December 31, 2010

The results of our audit of the City of Vancouver are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.248	Community Development Block Grants - Section 108 Loan Guarantees
14.246	Community Development Block Grants/Brownfields Economic Development Initiative
16.808	ARRA - Edward Byrne Memorial Competitive Grant Program (Recovery Act)
20.205	ARRA - Highway Planning and Construction (Recovery Act)
20.205	Highway Planning and Construction
14.228	Community Development Block Grants - State's Program
14.239	HOME Investment Partnerships Program
14.253	ARRA - Community Development Block Grant Cluster - Entitlement Grants (Recovery Act)
14.218	Community Development Block Grant Cluster – Entitlement Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$458,357.

The City qualified as a low-risk auditee under OMB Circular A-133.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

City of Vancouver
Clark County
January 1, 2010 through December 31, 2010

Mayor and City Council
City of Vancouver
Vancouver, Washington

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Vancouver, Clark County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 15, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended for the information and use of the audit committee, management, the Mayor and City Council, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, flowing script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 15, 2011

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

City of Vancouver
Clark County
January 1, 2010 through December 31, 2010

Mayor and City Council
City of Vancouver
Vancouver, Washington

COMPLIANCE

We have audited the compliance of the City of Vancouver, Clark County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management, the Mayor and City Council, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", is positioned above the printed name.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 15, 2011

Independent Auditor's Report on Financial Statements

**City of Vancouver
Clark County
January 1, 2010 through December 31, 2010**

Mayor and City Council
City of Vancouver
Vancouver, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Vancouver, Clark County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed on page 9. 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. We did not audit the financial statements of the Vancouver Hotel and Convention Center Project, which is included in the City's financial information as part of the Downtown Redevelopment Authority component unit and which represents 1.36 percent, 1.01 percent, 71.6 percent and 50.4 percent, respectively, of the assets, net assets, operating revenue and operating expenses of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Vancouver Hotel and Convention Center Project, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Vancouver, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Consolidated Fire funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the City's internal control over financial reporting and on our tests of its

compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 10 through 17, police and fire pension funds on page 67 and information on police and fire other postemployment benefits pension funds on pages 68 through 69 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information has been subjected to the 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.

A handwritten signature in black ink, appearing to read 'Brian Sonntag', with a stylized, flowing script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 15, 2011

Financial Section

City of Vancouver Clark County January 1, 2010 through December 31, 2010

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis

BASIC FINANCIAL STATEMENTS

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Statement of Activities – 2010
Balance Sheet – Governmental Funds – 2010
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2010
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2010
Statement of Revenues, Expenditures, and Changes in Fund Balances Compared to Budget (GAAP Basis) and Actual – General Fund – 2010
Statement of Revenues, Expenditures, and Changes in Fund Balances Compared to Budget (GAAP Basis) and Actual – Consolidated Fire Fund – 2010
Statement of Net Assets – Proprietary Funds – 2010
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds – 2010
Statement of Cash Flows – Proprietary Funds – 2010
Statement of Net Assets – Fiduciary Funds – 2010
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2010
Notes to Financial Statements – 2010

REQUIRED SUPPLEMENTAL INFORMATION

Police and Fire Pension Funds – 2010
Police and Fire OPEB Pension Funds – 2010
Notes to Required Supplementary Information – Police and Fire Pension Funds – 2010

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards – 2010
Notes to the Schedule of Expenditures of Federal Awards – 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is a narrative overview of the City of Vancouver's (the City's) financial activities for the fiscal year ended December 31, 2010. The information presented here should be read in conjunction with the letter of transmittal, the financial statements, and the related notes to the financial statements.

FINANCIAL HIGHLIGHTS

- City of Vancouver assets exceeded its liabilities at December 31, 2010 by \$952.8 million.
- Net assets invested in capital assets (net of related debt) accounts for over 80% of this amount, with a value of \$765.2 million.
- Of the remaining net assets, \$146.9 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- The City's total net assets showed an increase of \$3.8 million from current operations in 2010. 2009 net assets were restated with prior period adjustments of \$4 million. This is explained in detail in Note V.I. The government's net capital assets increased by \$9.4 million during 2010.
- Total program revenues were \$138.1 million in 2010, down \$10.8 million from 2009, due to reductions in grant revenues and contributions. Program expenses were \$246.5 million, down \$2.4 million from 2009. General revenues and transfers were \$112.2 million, up \$441 thousand from last year.
- As of December 31, 2010, the City of Vancouver's governmental funds reported combined ending fund balances of \$111.8 million, which was \$4 million less than last year. About 66.0% of this total amount, or \$73.7 million, is available for spending at the government's discretion. The unreserved fund balance for the General Fund was \$23.4 million at December 31, 2010.
- The City of Vancouver's total bonded debt at December 31, 2010 was \$202.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and overview to the City's basic financial statements. This information will assist users in interpreting the basic statements. We will also provide other financial discussion and analysis of certain plans, projects and trends necessary for understanding the full context of the financial condition of the City.

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. The financial section of this report also contains required supplementary information, in addition to the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements provide readers with a broad overview of the City of Vancouver's finances in a manner similar to a private-sector business. Functions of the City of Vancouver that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") are distinguished from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities").

The governmental activities of the City of Vancouver provide a full range of local government services to the public. Programs include law enforcement and public safety; fire protection; road construction and maintenance; community planning and development; parks and recreation; and the issuance of permits and licenses. In addition, other general government activities include neighborhood support, a senior newsletter, and the revitalization of the downtown core area to name a few. The business-type activities of the City of Vancouver include water, sewer, drainage management and control, downtown parking, an airport, solid waste, building inspection, fire shop services and a tennis center.

The Statement of Net Assets presents information on all City of Vancouver'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 one indicator of whether the financial position of the City is improving or deteriorating. Some other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

The Statement of Activities presents information showing how the government's revenues and expenditures impacted net assets during 2010. This statement 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). This shows the extent to which each program relies on general revenue for funding. All changes in net assets are reported using the accrual basis of accounting which requires that revenues are reported when they are earned and expenses are reported as soon as liabilities are incurred.

The City has identified certain entities as component units in the government-wide financial statements. These entities are the Vancouver Downtown Redevelopment Authority (DRA) and the Vancouver Public Facilities District (PFD). These two entities are shown in the government-wide financial statements as discretely presented component unit funds. For additional information, see note V.A. The City has also reported its investment in one governmental joint venture: Clark Regional Emergency Services Agency (CRESA); see note V.C.

Fund Financial Statements

A fund is a self-balancing grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The City of Vancouver, like other state and local governments, uses fund accounting for compliance

with finance-related legal requirements. All of the funds of the City of Vancouver fall into one of three categories: governmental funds, proprietary funds, or fiduciary funds. Governmental funds account for most, if not all, of a government's tax-supported activities. Proprietary funds account for a government's business-type activities where all or part of the costs of activities are supported by fees and charges paid directly by those who benefit from the activities. Fiduciary funds 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 Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, the Consolidated Fire Fund, and Capital Improvements Fund. These are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds 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.

To get a longer term perspective of financial balances and results of operations, we present full accrual information in the government wide financial statements. This gives readers a better understanding of the long-term impact of the government's near-term financing decisions. Reconciliations are provided for the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to illustrate comparisons to the governmental activities column in the government-wide statements.

The City maintains budgetary controls over all city funds. Budgetary controls ensure compliance with legal provisions embodied in the biennial appropriated budget. Governmental fund budgets are established in accordance with state law, and most are adopted on a fund level. The General Fund budget is adopted on a fund level. Personnel services are budgeted by full-time positions. Budgetary variances are discussed later in this section.

Proprietary Funds

The City has two types of proprietary funds: enterprise funds and internal service funds. 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 water/sewer/drainage utility, solid waste, airport, building inspection, parking, tennis center, and fire shop operations. Internal service funds accumulate and allocate costs among the City's various functions. The City uses internal service funds to account for its computer repair and replacement, rolling stock repair and replacement, self-insurance, print shop and mailroom services, and insurance benefits.

Those revenues and expenses of internal service funds that are duplicated in other funds are eliminated in the government-wide statements. The remaining balances are allocated and included in the governmental type activities columns. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting.

In comparing the Proprietary Fund Statement of Net Assets to the business-type column on the government-wide Statement of Net Assets, the total net asset amounts agree, needing no reconciliation. In comparing the total assets and total liabilities between the same two statements, you will notice slightly different amounts. This is because the "Advances to other funds" line on the government-wide statement combines the "Advances from other funds" (assets) and the "Advances to other funds" (liabilities) from the proprietary fund statement in a single line in the asset section of the government-wide statement.

The proprietary fund financial statements provide separate information for the Water/Sewer Fund and Parking Services as these are considered major funds. All other enterprise funds are aggregated into a single presentation. Internal Service Funds are also aggregated into a single presentation, but are not included in the totals.

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 Vancouver's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning the City of Vancouver's funding of its Fire and Police employee pension obligation.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, changes in net assets may serve as a useful indicator of a government's financial position. The City of Vancouver's net assets total \$952,764,603 at December 31, 2010. The following is a condensed and comparative version of the Government-Wide Statement of Net Assets.

City of Vancouver's Net Assets

	Governmental Activities		Business-type Activities		Total Activities	
	2009 Restated	2010	2009 Restated	2010	2009 Restated	2010
Current and other assets	\$ 161,772,506	\$ 161,254,233	\$ 91,807,176	\$ 88,624,318	\$ 253,579,682	\$ 249,878,551
Capital assets (net of accumulated depreciation)	568,268,958	581,372,194	381,113,394	377,388,741	949,382,352	958,760,935
TOTAL ASSETS	730,041,464	742,626,427	472,920,570	466,013,059	1,202,962,034	1,208,639,486
Long-term liabilities	124,998,306	133,952,552	109,709,766	99,877,592	234,708,072	233,830,144
Other liabilities	15,092,703	17,898,470	4,163,918	4,146,269	19,256,621	22,044,739
TOTAL LIABILITIES	140,091,009	151,851,022	113,873,684	104,023,861	253,964,693	255,874,883
NET ASSETS						
Invested in capital assets, net of related debt	480,001,477	485,600,338	273,075,931	279,589,711	753,077,408	765,190,049
Restricted	56,751,451	35,421,622	653,071	5,258,905	57,404,522	40,680,527
Unrestricted	53,197,527	69,753,445	85,317,884	77,140,582	138,515,411	146,894,027
TOTAL NET ASSETS	\$ 589,950,455	\$ 590,775,405	\$ 359,046,886	\$ 361,989,198	\$ 948,997,341	\$ 952,764,603

The 2009 values were restated for prior period adjustments to capital assets and debt. Please see Note V.I. The largest portion of the City's net assets, 80.3%, reflects its investment in capital, less any related debt still outstanding that was used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending.

Total assets increased in 2010 by \$5.7 million and total liabilities increased by \$1.9 million resulting in an increase in total net assets of \$3.8 million, or 0.4%.

Net assets representing resources that are subject to external restrictions on how they may be used are 4.3% of total net assets. The remainder of the net assets balance of \$146.9 million (unrestricted net assets), represents the amount that may be used to meet the City's ongoing obligations.

At December 31, 2010, the City of Vancouver reports positive balances in all three categories of net assets, for the government as a whole.

Analysis of Changes in Net Assets

The change in net assets increase in 2010 of \$3.8 million is split between governmental increase of \$740 thousand and business-type activities increase of \$3 million. A condensed version of the Statement of Activities for the past two years is shown in the following table. The full statement is a tabular depiction of the relationship of revenues and expenses for the City's governmental activities and proprietary funds. The graphs that follow illustrate the sources of revenue and the balance of governmental vs. business type expenses for 2010.

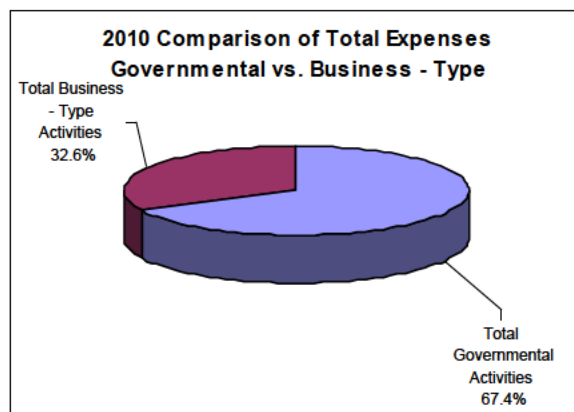
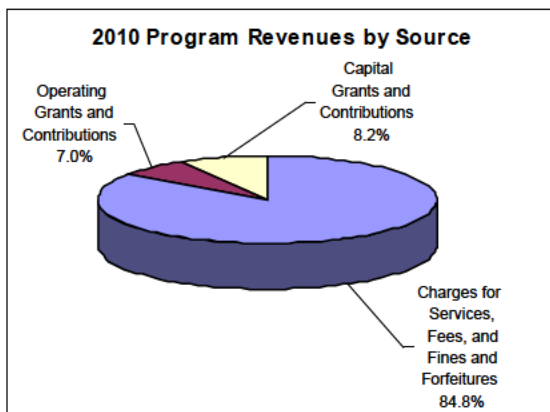
The increase in net assets is primarily due to increased capital asset additions, some of which were donated to the City. The largest addition was related to the new City Hall. Capital asset growth net of related debt totaled \$12.1 million, restricted net assets decrease of \$16.7 million; unrestricted net assets increase of \$8.4 million to equal \$3.8 million total increase in government's net assets.

Governmental activities revenue increased by 0.5% while governmental expenses increased by 5.6%. The major increase in governmental activities revenue was from Charges for Services, Fees, and Fines and Forfeitures and Sales and Use Taxes that offset decrease in revenue from Capital and Operating Grants and Contributions. In 2010, governmental program revenue from Charges for Services, Fees, and Fines and Forfeitures and Sales and Use Taxes increased by \$8.5 million and governmental program revenue from Capital and Operating Grants and Contribution decreased by \$7.9 million from 2009.

The Business-Type Activity revenue decreased by 4.3% while expenses decreased by 4.8%. The major decrease in Business-Type Activity revenue was from Capital Grants and Contributions and Unrestricted Investment Earnings. In 2010, Business-Type Activity revenue from Capital Grants and Contributions decreased by 37.9%, while Unrestricted Investment Earnings decreased by 47.9% due to economic downturn in construction market and low interest rates earned on the state pool investment.

City of Vancouver
Summary of Changes in Net Assets
Comparative 2009-2010

Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Program revenues:						
Charges for Services, Fees, and Fines and Forfeitures	\$ 36,985,834	\$ 44,077,066	\$ 79,017,189	\$ 79,334,062	\$ 116,003,023	\$ 123,411,128
Operating Grants and Contributions	11,425,657	9,915,386	18,500	241,703	11,444,157	10,157,089
Capital Grants and Contributions	13,057,201	6,646,343	8,429,528	5,231,414	21,486,729	11,877,757
General Revenues						-
Taxes:						-
Property Taxes Levied for General Purposes	38,986,431	39,204,693	-	-	38,986,431	39,204,693
Sales and Use Taxes	23,755,221	25,176,886	-	-	23,755,221	25,176,886
Utility and Other Taxes	44,655,503	43,610,579	-	-	44,655,503	43,610,579
Intergovernmental Revenues not Restricted to Specific Programs	-	-	-	-	-	-
Unrestricted Investment Earnings	2,271,238	1,312,182	1,613,481	840,272	3,884,719	2,152,454
Miscellaneous	-	1,979,972	454,351	52,727	454,351	2,032,699
Total Revenues	171,137,085	171,923,107	89,533,049	85,700,178	260,670,134	257,623,285
Program Expenses						
Governmental Activities:						
General Government	26,611,105	36,530,227	-	-	26,611,105	36,530,227
Judicial	1,829,377	1,868,290	-	-	1,829,377	1,868,290
Security/Persons & Property	68,436,344	67,126,452	-	-	68,436,344	67,126,452
Physical Environment	529,543	521,385	-	-	529,543	521,385
Transportation	30,587,676	30,894,623	-	-	30,587,676	30,894,623
Health and Human Services	355,002	383,666	-	-	355,002	383,666
Economic Environment	10,013,075	11,096,094	-	-	10,013,075	11,096,094
Culture and Recreation	18,924,403	18,032,550	-	-	18,924,403	18,032,550
Interest on Long-Term Debt	4,590,415	4,566,405	-	-	4,590,415	4,566,405
Business-Type Activities:						
Water Sewer	-	-	71,886,344	70,560,835	71,886,344	70,560,835
Parking	-	-	3,772,058	3,571,793	3,772,058	3,571,793
Airpark	-	-	574,648	580,737	574,648	580,737
Building Inspection	-	-	4,754,562	4,297,747	4,754,562	4,297,747
Sanitation	-	-	3,899,276	1,825,018	3,899,276	1,825,018
Tennis Center	-	-	1,142,533	1,072,297	1,142,533	1,072,297
Fire Shop	-	-	980,097	921,387	980,097	921,387
Total Expenses	161,876,939	171,019,692	87,009,518	82,829,814	248,886,457	253,849,506
Excess (deficiency) of revenues over expenses	9,260,146	903,415	2,523,531	2,870,364	11,783,677	3,773,779
Transfers - Governmental	(1,362,211)	(163,339)	-	-	(1,362,211)	(163,339)
Transfers - Business-Type	-	-	1,362,211	163,339	1,362,211	163,339
Change in Net Assets	7,897,935	740,076	3,885,742	3,033,703	11,783,677	3,773,779
Net Assets - Beginning	580,827,247	589,768,843	351,938,155	355,161,104	932,765,402	944,929,947
Prior year adjustments	1,043,661	266,486	(662,793)	3,794,391	380,868	4,060,877
Net Assets - Ending	\$ 589,768,843	\$ 590,775,405	\$ 355,161,104	\$ 361,989,198	\$ 944,929,948	\$ 952,764,603

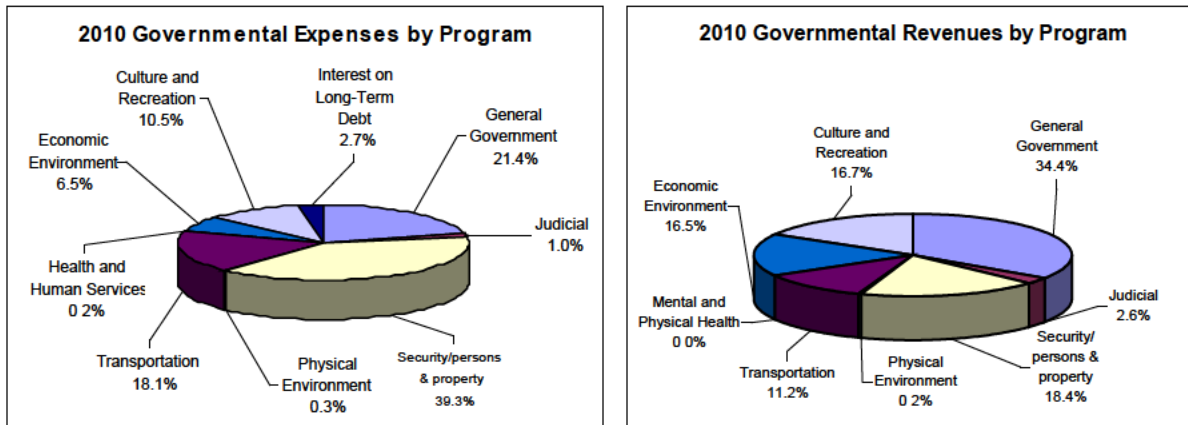


Governmental Activity Analysis

Governmental net assets increased by \$740.1 thousand in 2010 from operations and by \$266.5 thousand from prior year adjustments. This 0.2% increase corresponds to a \$12.6 million increase in total assets with only an \$11.6 million increase in total liabilities. During 2010, the City's cash balances decreased by \$1.3 million, capital assets increased by \$13.2 million, and receivables and other assets increased by \$750.3 thousand.

Governmental revenues increased from 2009 by \$786.0 thousand or 0.5%. Program revenues declined \$829.9 thousand and general revenues increased by \$1.6 million. The largest decline in program revenues came from capital grants and contributions, which was a direct result of limited available funding in this area.

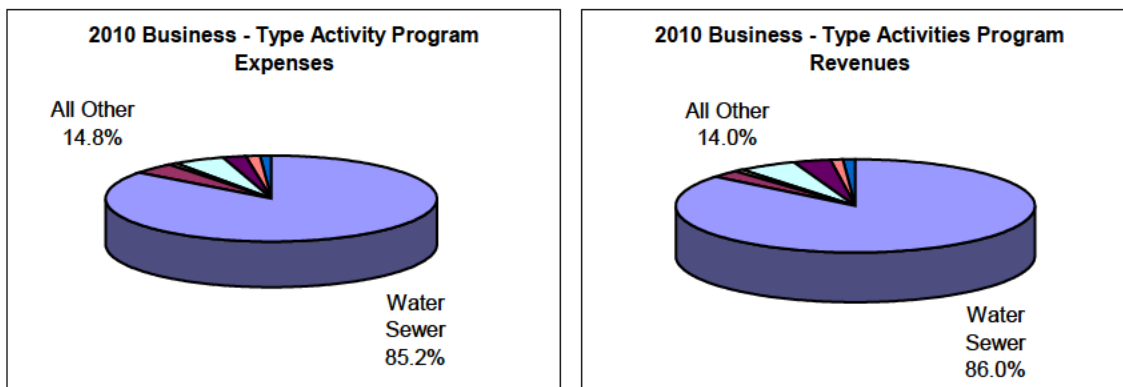
General Government expenses were up by \$9.1 million resulting from increase capital outlays in 2010. Economic Environment expenses increased by \$1.1 million from 2009 to 2010, primarily due to grant spending for Community Development Block Grants (CDBG) and Shoreline Protection. Security/Persons & Property expenses decreased by \$1.3 million in several areas, the largest included the Chief's Office, Patrols, and County Corrections. In total, expenditures for Governmental activities increased by \$9.1million.

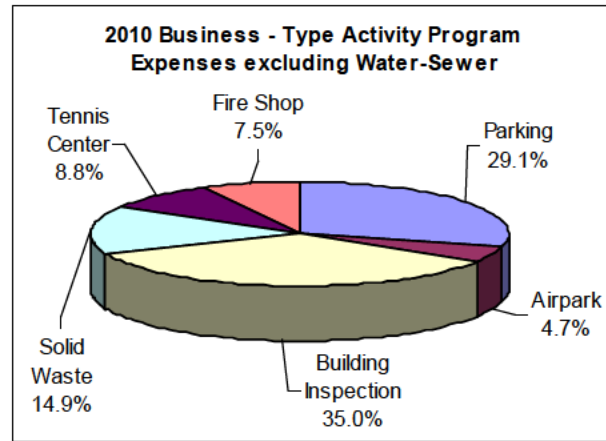
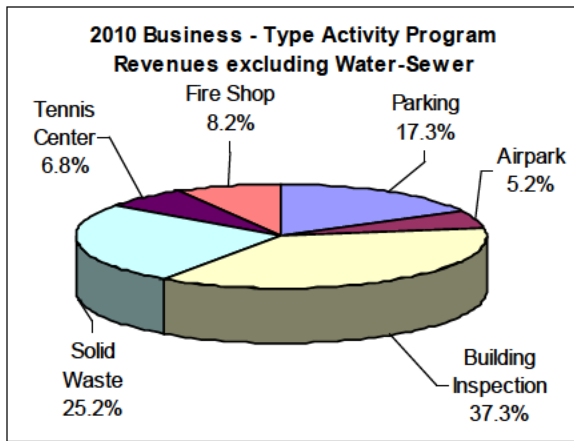


Business-Type Activities Analysis

As depicted in the graphs below, the Water/Sewer activity is the largest business-type activity in the City. As a result, the financial position of the City's business-type activities is strongly influenced by the Water/Sewer activity. This year, Water/Sewer had a \$569.6 thousand decrease in charges for services, a \$3.2 million decrease in Capital Grants and Contributions and a \$820 thousand decrease in operating expenses.

The other business-type activities had moderate gains and losses. Solid Waste had \$1.2 million net decrease in revenues and expenses. Parking Activity had \$1.5 million net decrease. Building Inspection Activity had \$140 thousand net increase; valuation of permits in 2010 was almost 25% higher than in 2009, but remains very low by historical standards. With economic instability in the financial markets and tightening of both commercial and residential credit, the number of land use applications that are viewed as a precursor of building activities has been very low.





FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds Analysis

The City's governmental funds are categorized into four types consisting of General, Special Revenue, Debt Service, and Capital Project Funds. Each fund type has a unique purpose. General Fund, Consolidated Fire Fund, and Capital Improvements Fund are classified as major funds for the purposes of this report, based on criteria set forth by the Government Accounting Standards Board (GASB).

The General Fund is the primary governmental fund. General Fund revenues were up 1.3% over 2009 due primarily to increases in property tax, sales and use taxes, and rents and royalties revenues of \$597.2 thousand, \$1.3 million, and \$351.1 thousand respectively. Compared to property tax collections in 2009, 2010 saw an increase of approximately 1.5% in this revenue source due to collections of delinquent taxes and new construction added to the base. By Council action, there was no 1% property tax levy increase for 2010 taxes. The increase in sales and use taxes is due primarily to a large one-time county-wide adjustment for back-payment of sales tax. Rent and royalties revenues increase due to the collection from tenants of the newly purchased building that began on 7/1/10. General Fund expenditures accounted for 44.0% of total governmental fund expenditures for 2010. General Fund expenditures decreased by approximately 4.3%, primarily due to hiring freeze and significant limitation on supply purchasing, travel and training.

The Consolidated Fire Fund is a special revenue fund that encompasses both the operations and the equipment for the City's and Fire District 5's fire department. Services provided by this fund include not only firefighting, but emergency medical services, rescue, and public safety education. As reported in the Fund Financial Statement of Revenues, Expenditures and Statement of Changes in Fund Balances, major funding for the Consolidated Fire fund is intergovernmental revenues and a transfer from the City's General fund. The Consolidated Fire fund in 2010 accounted for 15.8% of the governmental funds' expenditures, a decrease of \$1.2 million from 2009. In 2010, the Consolidated Fire Fund Balance increased by \$2.2 million.

The Capital Improvements Fund is a capital improvement projects fund. It was created in 1977 to fund major capital improvement projects. Revenues come from interest earnings, grants, and contributions from the general fund. The Capital Improvements Fund in 2010 accounted for 12.4% of the governmental funds' expenditures, an increase of \$15.8 million from 2009 due to increased capital outlay expenditures. In 2010, the Capital Improvements fund balance decreased by \$10.1 million, due to a large capital outlay for the new City Hall, which will save over \$1 million in City office rental expenses per year.

All other non-major governmental operating, debt service and capital construction funds comprise the remaining governmental expenditures.

Business-Type Funds Analysis

Proprietary, or business-type, funds are those funds that account for government operations where the intent is for the costs to be primarily paid for by user charges. Enterprise funds are those funds that provide services primarily to external users, and the internal service funds provide their services primarily within the City. The City has twelve business-type funds; seven are enterprise funds, and five are internal service funds.

The Water/Sewer Fund is the largest business-type fund in the City, accounting for 94.9% of net assets for the enterprise funds at \$343.7 million. Water/Sewer Fund net assets increased \$5.7 million in 2010 mainly due to the increase in utility plant assets and capital contributions. This fund encompasses three legally consolidated utilities; water, sewer, and stormwater operations.

Water/Sewer, the utility, reported operating income of \$1.1 million in 2010, and their operating revenues decreased 0.9% primarily due to an unusually wet and cool spring and summer in 2010. Utility operating expenses were down by \$819.9 thousand from 2009, mainly related to decreased costs for personnel services and interfund/intergovernmental service payments. Additionally, the utility increased its net assets by \$5.7 million; \$3.7 million of this increase is due to prior period adjustments and a decrease in its bonded indebtedness by \$9.8 million in 2010.

The Parking Services Fund reported an operating loss of \$733.3 thousand in 2010. Operating expenses decreased by \$168.1 thousand from 2009 due to a decrease in personnel services and intergovernmental payments. Parking Services changes in net assets decreased by \$260.8 thousand from 2009. The General Fund support of the Parking fund has decreased by \$31.5 thousand in 2010. Over time, the fund is anticipated to become self-supporting.

In the non-major business funds, the Solid Waste and Building Inspection Funds accounted for the majority of the increase in total net asset of the non-major business funds. The Solid Waste fund reported \$1.2 million in operating income and accounted for 72.8% of the increase in total net assets of the non-major business funds. This increase can be attributed to increasing prices for recycling. The second biggest non-major business fund is the Building Inspection Fund, which reported \$140.1 thousand in operation income and accounted for 16.0% of the increase in total net assets of the non-major business funds. The valuation of permits in 2010 was almost 25% higher than that in 2009, but remains very low by historical standards.

Internal service funds operate like the enterprise funds, but perform services primarily for other funds within the City. Because of the nature of these funds, they are charged with operating as close as possible to a breakeven point. City internal service fund net assets decreased \$1.9 million from 2009. Operating losses of all City Internal Service funds totaled \$2.5 million, a decrease of \$248.3 thousand from 2009. A conscious effort was made to utilize these net asset balances for self-insurance benefits.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City budgets on a biennial basis, with 2010 being the second year of the biennium. The City is operating within budget, but needed to make some supplemental changes to the original budget to do so. Over the 2009-2010 biennium, the City addressed a \$21.5 million annual deficit, which included significant reductions in all programs the City provides.

The General Fund stayed within budget for the biennium. Revenues were below the biennial expectations by \$3.4 million, primarily due to lower than expected sales tax revenues. Actual expenses were accordingly below budget in almost all expenditure functions. Major adjustments in the City's general fund that took place during the last supplemental appropriation of 2010 included the following items: an adjustment for the January of 2010 budget reduction of \$4.3 million; approximately \$0.5 million of new appropriation related to the Byrne Competitive Grant and \$0.3 million in smaller grants and donations in police; approximately \$0.2 million of new appropriation covered by savings from fleet reductions in police to fund new MDC units in police vehicles; an appropriation increase of \$0.2 million in transportation and facilities maintenance funded by new grants; transfer of the city's remaining capital reserve in general fund of \$0.1 million, funded by proceeds from the sale of surplus property to the general capital fund to purchase adjacent land in accordance with a signed agreement in 1999; an adjustment to the general fund transfer to the Fire fund, in accordance with the latest agreement with Fire District 5. The net impact of the recommended changes on the General Fund for the 2010 Fall Supplemental budget ordinance is a reduction of \$3.4 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Vancouver's investment in capital assets, including construction in progress, for its governmental and business type activities as of December 31, 2010, amounts to \$958.8 million (net of accumulated depreciation).

The 2010 investment total reflects an increase in net capital assets of \$9.4 million.

	Governmental Activities		Business-Type Activities		Total Activities	
	2009 Restated	12/31/2010	2009 Restated	12/31/2010	2009 Restated	12/31/2010
Land	\$ 51,490,287	\$ 57,247,594	\$ 28,366,530	\$ 29,020,675	\$ 79,856,817	\$ 86,268,269
Intangible - Easements	7,907,161	9,621,252	33,695	925,702	7,940,856	10,546,954
Buildings and systems	74,667,679	92,635,882	21,513,101	21,758,938	96,180,780	114,394,820
Machinery and equipment	14,170,681	12,963,927	6,111,179	5,138,831	20,281,860	18,102,758
Infrastructure	375,198,889	382,257,405	307,700,958	310,018,460	682,899,847	692,275,865
Intangible assets	191,678	111,417	3,292,409	2,195,988	3,484,087	2,307,405
Construction in progress	44,642,167	26,534,717	14,095,521	8,300,147	58,737,688	34,834,864
Total	\$ 568,268,542	\$ 581,372,194	\$ 381,113,393	\$ 377,358,741	\$ 949,381,935	\$ 958,730,935

The major changes for assets were in construction in progress (CIP) and buildings and systems for Governmental Activities and infrastructure for both Governmental and Business-Type Activities categories. The increase in CIP for Governmental Activities relates to ramp up of various parks and infrastructure projects. 2009 capital assets were restated to separate intangible easements from land with the adoption of GASB 51, and to correct depreciation amounts.

Additional information on City of Vancouver's capital assets can be found in note IV.B of this report.

Long-Term Debt

At December 31, 2010, the City of Vancouver had total bonded debt outstanding of \$202.1 million. Of this amount, \$117.6 million is General Obligation debt, which is debt backed by the full faith and credit of the government. The remainder of the City's debt of \$81.9 million represents bonds secured solely by specific revenue sources (i.e., revenue bonds). The table on the following page is a comparison of the summary information for year-end 2009 and 2010 bonded debt.

The City of Vancouver's total bonded debt decreased by \$31.2 million offset by new additions of \$25.0 million during 2010, the result of scheduled principal payments made throughout 2010 coupled with new Transportation Capital Improvement bonds. The City's remaining capacity for non-voted debt is approximately \$106.9 million.

City of Vancouver Outstanding Bonded Debt

	(in thousands)					
	Governmental Activities		Business-Type Activities		Total Activities	
	2009 Restated	2010	2009 Restated	2010	2009 Restated	2010
General obligation bonds	\$ 98,256	\$ 102,545	\$ 15,848	\$ 15,090	\$ 114,104	\$ 117,635
Revenue bonds	-	-	91,655	81,940	91,655	81,940
Net of Deferred Amounts for:						
Issuance premiums (discounts)	3,922	4,059	5,186	4,625	9,108	8,684
Refunding	(1,944)	(1,911)	(4,810)	(4,285)	(6,754)	(6,196)
Total	<u>\$ 100,234</u>	<u>\$ 104,693</u>	<u>\$ 107,879</u>	<u>\$ 97,370</u>	<u>\$ 208,113</u>	<u>\$ 202,063</u>

The City of Vancouver has an "Aa3"/"AA" rating from Moody's/Standard and Poor's (S & P), respectively for general obligation debt. During 2010, the Moody's rating was increased from "A1" to "Aa3", and S & P upgraded the City's rating from "AA-" to "AA." Additional information on the City's long-term debt can be found in Note IV.F of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Since 2001, the City of Vancouver has been dealing with an ongoing structural deficit in its General, Street and Fire funds, resulting from its revenues growing at a slower pace than its expenditures. Prior to 2009, the City addressed a cumulative budget deficit of more than \$35 million between 2001 and 2009 by cutting staff and service levels, improving efficiencies, and increasing fees and taxes. The recent deep economic recession has only exacerbated the need for deep government reforms and re-thinking the services the City provides and their respective prioritization. During the 2009-2010 biennium, the City addressed an additional \$21.5 million shortfall, largely through budget reductions and a utility tax increase. Some of the reductions were one-time in nature, anticipating an economic improvement.

In preparation of the 2011-2012 Budget, the City is undergoing a thorough review and prioritization of all the programs the City provides in preparation for another round of budget reductions, this time looking for an estimated \$10 million in on-going budget reductions. The process, named Horizons, includes the top City management with an extensive community outreach component to ensure the City's priority of services matches that of the community. Using the six Strategic Commitments detailed in the City's Strategic Plan as the guiding framework, the City of Vancouver embarked on Horizons, a collaborative approach to meeting budget challenges and creating a more efficient organization. The City is using a combination of reforms, such as organizational flattening, coupled with major reorganizations and service level reductions in most City services to address the budget shortfall.

Going into planning for 2011-2012, the City is in a stable financial situation. Projections for 2013-2016 show that revenues are anticipated to continue increasing at a slower pace than expenditures, but the projected gap is significantly smaller than the gap addressed during 2009-2012. The City is currently taking steps to slow the growth rate of its personnel costs to ensure more fiscally sustainable operations into the future.

Requests for Information

This financial report is designed to provide a general overview of City of Vancouver'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 Financial and Management Services, City of Vancouver, P.O. Box 1995, Vancouver, WA, 98668-1995.

CITY OF VANCOUVER
STATEMENT OF NET ASSETS
December 31, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total Primary Government	Vancouver Downtown Redevelopment Authority	Vancouver Public Facilities District
ASSETS					
Cash, cash equivalents and pooled investments	\$ 132,780,167	\$ 75,037,005	\$ 207,817,172	\$ 91,638	\$ 110,768
Cash with fiscal/escrow agent	5,143,205	-	5,143,205	8,018,629	-
Restricted assets					
Cash	-	5,259,339	5,259,339	-	-
Accrued interest receivable	-	3,869	3,869	-	-
Receivables (net of allowance for uncollectible accounts)	12,939,936	8,050,893	20,990,829	1,130,362	331,810
Inventories	-	1,053,977	1,053,977	61,171	-
Prepaid Items	127,186	-	127,186	80,974	-
Internal balances	1,842,946	(1,842,946)	-	-	-
Investment in joint venture	623,091	-	623,091	-	-
Deferred charges	1,177,300	1,046,746	2,224,046	4,614,405	-
Due from other governmental units	2,587,091	15,435	2,602,526	-	-
Net pension asset	4,033,311	-	4,033,311	-	-
Capital assets (net of accumulated depreciation)					
Land	57,247,594	29,020,675	86,268,269	-	3,228,691
Easements	9,621,252	925,702	10,546,954	-	-
Buildings	92,635,882	21,758,938	114,394,820	49,621,003	-
Machinery and equipment	12,963,927	5,138,831	18,102,758	212,925	-
Infrastructure	382,257,405	310,048,460	692,305,865	-	-
Intangible assets	111,417	2,195,988	2,307,405	-	-
Construction work in progress	26,534,717	8,300,147	34,834,864	-	-
TOTAL ASSETS	\$ 742,626,427	\$ 466,013,059	\$ 1,208,639,486	\$ 63,831,107	\$ 3,671,269
LIABILITIES					
Accounts payable and other current liabilities	\$ 14,067,277	\$ 3,213,290	\$ 17,280,567	\$ 672,999	\$ -
Accrued interest payable	414,563	398,583	813,146	1,772,494	-
Unearned revenue	3,184,977	2,372	3,187,349	50,824	-
Custodial accounts	231,653	511,025	742,678	214	-
Environmental remediation	-	21,000	21,000	-	-
Noncurrent liabilities:					
Environmental remediation	-	357,000	357,000	-	-
Special assessment debt with governmental commitments due within one year	3,000	-	3,000	-	-
Special assessment debt with governmental commitments due in more than one year	12,326	-	12,326	-	-
Due within one year	12,749,415	12,550,107	25,299,522	565,000	-
Due in more than one year	121,187,811	86,970,485	208,158,296	71,759,374	-
TOTAL LIABILITIES	151,851,022	104,023,861	255,874,883	74,820,905	-
NET ASSETS					
Invested in capital assets, net of related debt	485,600,338	279,589,711	765,190,049	(13,921,745)	3,228,691
Restricted for:					
Capital purposes	30,825,518	1,350,769	32,176,287	746,026	-
Debt service	7,633	3,910,030	3,917,663	-	-
Grant Purposes	2,443,366	-	2,443,366	-	-
Other purposes	2,145,105	-	2,145,105	-	-
Unrestricted	69,753,445	77,138,688	146,892,133	2,185,921	442,578
TOTAL NET ASSETS	\$ 590,775,405	\$ 361,989,198	\$ 952,764,603	\$ (10,989,798)	\$ 3,671,269

The notes to the basic financial statements are an integral part of this statement

CITY OF VANCOUVER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Primary Government				Component Units			
	Expenses	Indirect Expense Allocation	Charges for Services, Fees, Fines and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT								
Governmental Activities:								
General Government	\$ 36,530,227	\$ (7,316,477)	\$ 13,415,364	\$ 115,918	\$ -	\$ (15,682,468)	\$ -	\$ (15,682,468)
Judicial	1,815,605	52,685	1,550,392	-	-	(317,898)	-	(317,898)
Security/ persons & property	65,860,401	1,266,051	9,369,538	1,791,530	-	(55,965,384)	-	(55,965,384)
Physical Environment	512,792	8,593	106,376	-	-	(413,009)	-	(413,009)
Transportation	29,376,550	1,518,073	1,117,281	399,734	5,290,715	(24,086,893)	-	(24,086,893)
Mental and Physical Health	209,637	174,029	-	-	-	(383,666)	-	(383,666)
Economic Environment	11,096,094	-	5,021,757	4,991,250	-	(1,083,087)	-	(1,083,087)
Culture and Recreation	17,838,877	193,673	6,177,881	2,616,954	1,355,628	(7,882,087)	-	(7,882,087)
Interest on Long-Term Debt	4,566,405	-	-	-	-	(4,566,405)	-	(4,566,405)
TOTAL GOVERNMENTAL ACTIVITIES	167,806,588	(4,103,373)	36,760,589	9,915,386	6,646,343	(110,380,897)	-	(110,380,897)
Business Type Activities:								
Water/Sewer	67,728,744	2,832,091	67,423,892	241,703	5,231,414	-	2,336,174	2,336,174
Parking	3,114,609	457,184	2,059,771	-	-	-	(1,512,022)	(1,512,022)
Airpark	514,948	65,789	622,179	-	-	-	41,442	41,442
Building Inspection	3,883,378	414,369	4,437,812	-	-	-	140,065	140,065
Solid Waste	1,723,622	101,396	2,996,101	-	-	-	1,171,083	1,171,083
Tennis Center	906,211	166,086	816,331	-	-	-	(255,966)	(255,966)
Fire Shop	854,929	66,458	977,976	-	-	-	56,589	56,589
TOTAL BUS. NESS-TYPE ACTIVITIES	78,726,441	4,103,373	79,334,062	241,703	5,231,414	-	1,977,365	1,977,365
Total Primary Government	\$ 246,533,029	\$ -	\$ 116,094,651	\$ 10,157,089	\$ 11,877,757	\$ (110,380,897)	\$ 1,977,365	\$ (108,403,532)
Component Units								
Downtown Redevelopment Authority	\$ 15,984,353	\$ -	\$ 10,792,992	\$ 2,725,424	\$ -	\$ -	\$ -	\$ (2,465,937)
Public Facilities District	1,532,241	-	-	681,025	-	-	-	(851,216)
TOTAL COMPONENT UNITS	\$ 17,516,594	\$ -	\$ 10,792,992	\$ 3,406,449	\$ -	\$ -	\$ -	\$ (2,465,937)
General Revenues:								
Property Taxes Levied for General Purposes					\$	\$ 39,204,693	\$ -	\$ 39,204,693
Sales and Use Taxes						25,176,886	-	25,176,886
Utility Taxes						34,850,679	-	34,850,679
Excise, Lodging and Other Taxes						8,759,900	-	8,759,900
Penalties and Interest						-	-	-
Intergovernmental Revenues not Restricted to Specific Programs						-	-	-
Unrestricted Investment Earnings						1,312,182	840,272	2,152,454
Miscellaneous						1,979,972	52,727	2,032,699
Transfers						(163,339)	163,339	-
Total General Revenues and Transfers						111,120,973	1,056,338	112,177,311
Income (loss) before special item						740,076	3,033,703	3,773,779
Special item - Lease assigned to primary government						-	-	-
Change in Net Assets						740,076	3,033,703	3,773,779
Net Assets - Beginning						589,768,843	355,161,104	944,929,947
Prior period adjustments						266,486	3,794,391	4,060,877
Net Assets - Ending						\$ 590,775,405	\$ 361,989,198	\$ 952,764,603

The notes to the basic financial statements are an integral part of this statement

CITY OF VANCOUVER
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010

	General Fund	Consolidated Fire	Capital Improvements	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and pooled investments	\$ 32,654,567	\$ 12,597,797	\$ 4,769,885	\$ 58,631,869	\$ 108,654,118
Cash with fiscal/escrow agent	-	-	-	5,143,205	5,143,205
Receivables (net)					
Taxes/assessments	6,185,298	-	-	793,497	6,978,795
Accounts	1,253,545	101,432	-	1,541,606	2,896,583
Interest	24,694	9,345	3,503	43,501	81,043
Notes	-	-	-	2,443,366	2,443,366
Due from other funds	150,186	16,894	2,645	958,536	1,128,261
Due from other governmental units	623,958	23,196	50,974	1,887,974	2,586,102
Prepaid items	-	-	-	72,186	72,186
Advances to other funds	910,000	-	-	-	910,000
TOTAL ASSETS	\$ 41,802,248	\$ 12,748,664	\$ 4,827,007	\$ 71,515,740	\$ 130,893,659
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 3,400,352	\$ 143,548	\$ 3,932,358	\$ 1,996,079	\$ 9,472,337
Due to other funds	475,049	4,195	-	363,560	842,804
Accrued interest payable	-	-	3,440	2,232	5,672
Accrued liabilities	1,983,247	1,625,569	-	170,835	3,779,651
Revenues collected in advance	165,453	419,500	-	-	584,953
Custodial accounts	145,450	1,651	-	84,024	231,125
Deferred revenues	2,281,417	1,879,167	-	42,024	4,202,608
Total liabilities	8,450,968	4,073,630	3,935,798	2,658,754	19,119,150
Fund balances					
Reserved for:					
Non-current receivables	910,000	-	-	-	910,000
Debt service	-	-	-	7,633	7,633
Capital	-	-	-	28,120,789	28,120,789
Travel Advances	45,735	-	-	-	45,735
Unreserved designated, Emergency Reserve	8,965,990	-	-	-	8,965,990
Unreserved designated, Capital	874,762	-	-	-	874,762
Unreserved, reported in:					
Major funds	22,554,793	8,675,034	891,209	-	32,121,036
Special revenue funds, non-major	-	-	-	15,258,951	15,258,951
Debt service funds, non major	-	-	-	1,560	1,560
Capital project funds, non-major	-	-	-	25,468,053	25,468,053
Total fund balance	33,351,280	8,675,034	891,209	68,856,986	111,774,509
TOTAL LIABILITIES AND FUND BALANCES	\$ 41,802,248	\$ 12,748,664	\$ 4,827,007	\$ 71,515,740	\$ 130,893,659

Amounts reported for governmental activities in the statement of net assets are different because (See Note II also):

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	\$ 576,156,870
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds, or other long-term assets of the City	7,436,286
Internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	24,744,463
Long-term liabilities that are not due and payable in the current period and are not reported in the funds	(129,336,723)
Net assets of governmental activities	\$ 590,775,405

The notes to the financial statements are an integral part of this statement

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

For the Year ended December 31, 2010

	General Fund	Consolidated Fire	Capital Improvements	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 39,366,289	\$ 16,894	\$ -	\$ 21,025	\$ 39,404,208
Sales and use taxes	24,504,701	-	-	3,703,378	28,208,079
Other taxes	33,807,130	-	-	-	33,807,130
License and permits	834,780	434,105	-	2,257,682	3,526,567
Intergovernmental	7,099,836	8,235,442	182,139	15,576,960	31,094,377
Charges for services	17,489,374	195,775	-	1,737,014	19,422,163
Fines and forfeits	1,531,046	7,450	-	110,390	1,648,886
Investment earnings	405,564	90,463	67,270	495,312	1,058,609
Rents and royalties	913,144	55,245	-	376,305	1,344,694
Contributions/donations	209,143	700	-	1,340,226	1,550,069
Miscellaneous	1,494,832	55,051	15,000	401,223	1,966,106
Total revenues	<u>127,655,839</u>	<u>9,091,125</u>	<u>264,409</u>	<u>26,019,515</u>	<u>163,030,888</u>
EXPENDITURES					
Current					
General government	24,329,698	-	459,690	-	24,789,388
Judicial	1,784,645	-	-	-	1,784,645
Security/persons & property	35,809,894	28,374,090	253,538	134,321	64,571,843
Physical environment	526,751	-	-	8,765	535,516
Transportation	2,760,040	-	-	12,863,560	15,623,600
Economic environment	6,151,551	-	199,728	3,887,452	10,238,731
Mental and physical health	383,666	-	-	-	383,666
Culture and recreation	9,327,961	-	3,446,700	1,307,739	14,082,400
Capital outlay	196,635	870,540	18,424,198	18,940,112	38,431,485
Debt service					
Principal retirement	-	-	-	6,110,651	6,110,651
Bond issuance cost	-	-	-	129,005	129,005
Interest/fiscal charges	-	-	31,019	4,556,846	4,587,865
Total expenditures	<u>81,270,841</u>	<u>29,244,630</u>	<u>22,814,873</u>	<u>47,938,451</u>	<u>181,268,795</u>
Excess (deficiency) of revenues over (under) expenditures	46,384,998	(20,153,505)	(22,550,464)	(21,918,936)	(18,237,907)
OTHER FINANCING SOURCES (USES)					
Capital related debt issued	-	-	-	14,100,000	14,100,000
Sale of capital assets	410,167	92,745	(2,538)	-	500,374
Refunding bond issued	-	-	-	3,150,000	3,150,000
Payment to refunded bond escrow account	-	-	-	(3,272,358)	(3,272,358)
Premium on debt issued	-	-	-	460,889	460,889
Transfers in	725,116	22,829,830	12,500,455	31,734,120	67,789,521
Transfers out	(41,960,602)	(616,606)	(111,171)	(25,773,904)	(68,462,283)
Total other financing sources and uses	<u>(40,825,319)</u>	<u>22,305,969</u>	<u>12,386,746</u>	<u>20,398,747</u>	<u>14,266,143</u>
Net change in fund balances	5,559,679	2,152,464	(10,163,718)	(1,520,189)	(3,971,764)
FUND BALANCES - BEGINNING	28,187,519	6,490,469	11,054,927	70,112,137	115,845,052
Prior period adjustments	(395,918)	32,101	-	265,038	(98,779)
FUND BALANCES - ENDING	<u>\$ 33,351,280</u>	<u>\$ 8,675,034</u>	<u>\$ 891,209</u>	<u>\$ 68,856,986</u>	<u>\$ 111,774,509</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VANCOUVER**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**
For the Year Ended December 31, 2010

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

Net changes in fund balances - total governmental funds:	\$	(3,971,764)
 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.		13,458,243
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) not reported in governmental funds.		1,728,299
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,259,532)
 The issuance of long-term debt 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(8,198,876)
 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.		903,507
 Internal service funds are used by management to charge the costs of equipment, insurance and printing to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		(1,919,801)
 Change in Net Assets of Governmental Activities	\$	<u><u>740,076</u></u>

The notes to the financial statements are an integral part of this statement

CITY OF VANCOUVER

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2010**

	Budget Amounts		Actual	
	Original	Final	Biennium	
	2009-2010	2009-2010	To- Date	Variance
	Biennium	Biennium	Thru 12/31/10	Thru 12/31/10
REVENUES				
Property tax	\$ 78,252,446	\$ 77,702,446	\$ 78,135,395	\$ (432,949)
Sales and use taxes	63,522,211	53,622,211	47,735,919	5,886,292
Other taxes	67,543,055	65,543,055	68,179,974	(2,636,919)
License and permits	2,247,207	2,047,207	1,678,233	368,974
Intergovernmental	9,582,853	14,784,814	14,515,554	269,260
Charges for services	37,389,181	35,229,539	35,035,237	194,302
Fines and forfeitures	3,723,263	4,763,263	3,126,919	1,636,344
Investment earnings	1,101,777	1,101,777	977,330	124,447
Rents and royalties	1,470,018	1,480,018	1,530,123	(50,105)
Contributions/donations	-	538,792	495,912	42,880
Miscellaneous	931,347	1,436,806	2,242,545	(805,739)
Total revenues	265,763,358	258,249,928	253,653,141	4,596,787
EXPENDITURES				
Current:				
General government	59,170,060	55,497,875	49,609,457	5,888,418
Judicial	4,144,156	4,470,346	3,614,022	856,324
Security/persons & property	78,942,034	76,014,377	72,476,655	3,537,722
Physical environment	1,223,838	1,208,838	1,045,939	162,899
Transportation	7,061,338	7,472,372	6,364,168	1,108,204
Economic environment	13,634,489	13,337,977	12,703,985	633,992
Mental and physical health	745,177	745,177	775,881	(30,704)
Culture and recreation	20,210,922	19,798,324	19,247,289	551,035
Capital outlay	2,100	135,283	316,661	(181,378)
Total expenditures	185,134,114	178,680,569	166,154,057	12,526,512
Excess (deficiency) of revenues over expenditures	80,629,244	79,569,359	87,499,084	(7,929,725)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	495,167	(495,167)
Transfers in	1,068,244	1,520,426	1,387,421	133,005
Transfers out	(79,895,455)	(82,024,200)	(81,082,868)	(941,332)
Total other financing sources (uses)	(78,827,211)	(80,503,774)	(79,200,280)	(1,303,494)
Net change in fund balance	1,802,033	(934,415)	8,298,804	(9,233,219)
FUND BALANCES AT BEGINNING OF BIENNIUM	24,989,792	24,989,792	24,989,792	-
Prior period adjustments	-	-	62,684	(62,684)
FUND BALANCES AT END OF BIENNIUM	\$ 26,791,825	\$ 24,055,377	\$ 33,351,280	\$ (9,295,903)

The notes to the financial statements are an integral part of this statement

CITY OF VANCOUVER**CONSOLIDATED FIRE FUND****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL**

For the Year Ended December 31, 2010

	Budget Amounts		Actual Biennium To- Date Thru 12/31/10	Variance Thru 12/31/10
	Original 2009-2010 Biennium	Final 2009-2010 Biennium		
REVENUES				
Property tax	\$ -	\$ -	\$ 32,293	\$ (32,293)
License and permits	902,932	988,618	825,947	162,671
Intergovernmental	16,041,931	17,054,724	16,881,615	173,109
Charges for services	795,683	280,813	488,863	(208,050)
Fines and forfeitures	60,000	36,750	30,139	6,611
Investment earnings	280,000	280,000	234,718	45,282
Rents and royalties	-	(11,883)	120,483	(132,366)
Contributions/donations	-	-	1,524	(1,524)
Miscellaneous	123,757	125,043	57,342	67,701
Total revenues	18,204,303	18,754,065	18,672,924	81,141
EXPENDITURES	-	-		
Current:				
Security/persons & property	59,818,137	58,292,494	57,340,704	951,790
Capital outlay	2,699,426	3,610,666	2,311,826	1,298,840
Total expenditures	62,517,563	61,903,160	59,652,530	2,250,630
Excess (deficiency) of revenues over expenditures	(44,313,260)	(43,149,095)	(40,979,606)	(2,169,489)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	119,329	(119,329)
Transfers in	49,121,216	48,233,137	44,060,131	4,173,006
Transfers out	(5,102,652)	(5,390,333)	(1,061,591)	(4,328,742)
Total other financing sources (uses)	44,018,564	42,842,804	43,117,869	(275,065)
Net change in fund balance	(294,696)	(306,291)	2,138,263	(2,444,554)
FUND BALANCES AT BEGINNING OF BIENNIUM	6,504,670	6,504,670	6,504,670	-
Prior year adjustments	-	-	32,101	(32,101)
FUND BALANCES AT END OF BIENNIUM	\$ 6,209,974	\$ 6,198,379	\$ 8,675,034	\$ (2,476,655)

The notes to the financial statements are an integral part of this statement

CITY OF VANCOUVER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010

	Business-Type Activities - Enterprise Funds				(Governmental
	Major Fund		Other Non-	Total	Activities)
	Water/Sewer	Parking Services	Major Enterprise Funds		Internal Service Funds
ASSETS					
Current assets					
Cash, cash equivalents and pooled investments	\$ 60,257,270	\$ 423,051	\$ 14,356,684	\$ 75,037,005	\$ 24,126,049
Restricted cash, cash equivalents and investments:					
Cash and cash equivalents	5,259,339	-	-	5,259,339	-
Accrued interest receivable	3,869	-	-	3,869	-
Receivables (net)					
Accounts	4,217,083	212,532	74,738	4,504,353	522,299
Interest	44,617	312	10,612	55,541	17,850
Notes	15,327	-	-	15,327	-
Due from other funds	158,433	-	732	159,165	651,188
Due from other governmental units	15,435	-	-	15,435	-
Inventory	819,535	-	234,442	1,053,977	-
Prepaid expenses	-	-	-	-	55,000
Total current assets	70,790,908	635,895	14,677,208	86,104,011	25,372,386
Noncurrent assets					
Deferred charges	903,575	114,770	28,401	1,046,746	-
Contracts receivable	3,475,672	-	-	3,475,672	-
Capital assets					
Land and improvements	27,703,816	832,657	484,202	29,020,675	-
Intangible - Easements	925,702	-	-	925,702	-
Construction in progress	8,300,147	-	-	8,300,147	-
Other improvements	488,575,498	49,165	1,973,862	490,598,525	-
Buildings	9,311,898	18,925,661	9,874,212	38,111,771	-
Intangible assets	8,341,534	128,712	705,027	9,175,273	-
Machinery and equipment	22,640,895	655,216	889,251	24,185,362	24,629,921
Accumulated depreciation	(207,915,210)	(8,714,220)	(6,299,284)	(222,928,714)	(19,414,596)
Capital assets net of accumulated depreciation	357,884,280	11,877,191	7,627,270	377,388,741	5,215,325
Total noncurrent assets	362,263,527	11,991,961	7,655,671	381,911,159	5,215,325
TOTAL ASSETS	\$ 433,054,435	\$ 12,627,856	\$ 22,332,879	\$ 468,015,170	\$ 30,587,711
LIABILITIES					
Current liabilities					
Accounts payable	\$ 2,037,089	\$ 35,847	\$ 203,252	\$ 2,276,188	\$ 693,750
Claims and judgments payable	-	-	-	-	538,630
Environmental remediation	21,000	-	-	21,000	-
Due to other funds	1,080,504	4,651	6,956	1,092,111	2,710
Due to other governmental units	78,947	2,070	-	81,017	-
Accrued interest payable	337,125	52,165	9,293	398,583	-
Accrued liabilities	1,946,483	32,578	333,221	2,312,282	319,047
Custodial accounts	428,132	5,568	77,325	511,025	528
Unearned revenues	2,372	-	-	2,372	-
Bonds, notes and loans payable	10,155,000	540,000	362,569	11,057,569	-
Total current liabilities	16,086,652	672,879	992,616	17,752,147	1,554,665
Noncurrent liabilities					
Due to other governmental units	350,674	-	-	350,674	-
Advances from other funds	-	910,000	-	910,000	-
Bonds, notes and loan payable	72,311,038	12,104,540	1,896,261	86,311,839	-
Claims and judgments	-	-	-	-	4,239,205
Environmental remediation	357,000	-	-	357,000	-
Accrued employee benefits	295,645	2,571	46,096	344,312	49,378
Total noncurrent liabilities	73,314,357	13,017,111	1,942,357	88,273,825	4,288,583
TOTAL LIABILITIES	89,401,009	13,689,990	2,934,973	106,025,972	5,843,248
NET ASSETS					
Invested in capital assets, net of related debt	274,988,621	(767,349)	5,368,440	279,589,711	5,215,325
Restricted for capital purposes	1,350,769	-	-	1,350,769	60,000
Restricted for Debt	3,910,030	-	-	3,910,030	-
Unrestricted	63,404,007	(294,785)	14,029,466	77,138,688	19,469,138
TOTAL NET ASSETS	\$ 343,653,426	\$ (1,062,134)	\$ 19,397,906	\$ 361,989,198	\$ 24,744,463

The notes to this financial statement are an integral part of this statement

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

For the Year Ended December 31, 2010

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major Enterprise Funds	Total	Internal Service Funds
	Water/Sewer	Parking Services			
OPERATING REVENUES					
Intergovernmental	\$ 43,006	\$ 3,240	\$ -	\$ 46,246	\$ 64,680
Charges for services	66,142,720	11,850	8,955,014	75,109,584	23,639,602
Fines and forfeitures	534,487	479,137	98,925	1,112,549	-
Rents and royalties	474,394	1,533,233	624,626	2,632,253	-
Insurance recoveries	-	-	-	-	94,856
Miscellaneous	229,285	32,311	171,834	433,430	1,622,331
Total operating revenues	67,423,892	2,059,771	9,850,399	79,334,062	25,421,469
OPERATING EXPENSES					
Personnel services	15,786,202	596,168	3,777,316	20,159,686	2,903,219
Supplies and contractual services	14,495,303	586,184	1,955,109	17,036,596	21,301,517
Interfund services	8,231,292	629,905	2,316,891	11,178,088	1,013,865
Intergovernmental payments	14,659,125	18,104	76,028	14,753,257	-
Depreciation	13,135,584	962,689	450,334	14,548,607	2,743,478
Total operating expenses	66,307,506	2,793,050	8,575,678	77,676,234	27,962,079
Operating income (loss)	1,116,386	(733,279)	1,274,721	1,657,828	(2,540,610)
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	716,685	5,660	117,927	840,272	184,376
State and federal grants	241,703	-	-	241,703	-
Interest and fiscal charges	(4,253,329)	(778,743)	(121,508)	(5,153,580)	(244)
Gain (Loss) on disposal of capital assets	5,748	-	-	5,748	(84,915)
Miscellaneous revenue (expense)	5,605	-	41,374	46,979	12,169
Total nonoperating revenues (expenses)	(3,283,588)	(773,083)	37,793	(4,018,878)	111,386
Income (loss) before contributions and transfers	(2,167,202)	(1,506,362)	1,312,514	(2,361,050)	(2,429,224)
Capital contributions	5,231,414	-	-	5,231,414	-
Transfers in	58,692	1,245,540	297,533	1,601,765	598,423
Transfers out	(1,191,233)	-	(247,193)	(1,438,426)	(89,000)
Change in net assets	1,931,671	(260,822)	1,362,854	3,033,703	(1,919,801)
TOTAL NET ASSETS - BEGINNING	337,976,463	(801,312)	17,985,953	355,161,104	26,478,319
Prior period adjustments	3,745,292	-	49,099	3,794,391	185,945
TOTAL NET ASSETS - ENDING	\$ 343,653,426	\$ (1,062,134)	\$ 19,397,906	\$ 361,989,198	\$ 24,744,463

The notes to the financial statements are an integral part of this statement

CITY OF VANCOUVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2010

Page 1 of 2

	Business-Type Activities - Enterprise Funds				(Governmental
	Major Fund		Other Non-		Activities)
	Water/Sewer	Parking Services	Major Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 66,549,758	\$ 2,003,463	\$ 9,711,272	\$ 78,264,493	\$ 23,757,797
Cash received from other operating activities	229,285	32,311	171,840	433,436	1,687,736
Cash payments for goods and services	(29,181,265)	(587,666)	(1,954,248)	(31,723,179)	(20,872,724)
Internal activity - payments for internal services	(7,106,886)	(624,262)	(2,346,919)	(10,078,067)	(1,029,818)
Cash payments to employees	(15,768,487)	(603,418)	(3,794,194)	(20,166,099)	(2,920,546)
Net cash provided by operating activities	14,722,405	220,428	1,787,751	16,730,584	622,445
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payment for interest on debt	-	-	-	-	(196)
Principal paid on debt	-	(105,000)	-	(105,000)	-
Unrestricted gifts received	5,605	-	40,672	46,277	-
Receipt of grant funds	237,838	-	-	237,838	-
Transfers from other funds	58,692	1,245,540	297,533	1,601,765	598,423
Transfers to other funds	(1,191,233)	-	(247,193)	(1,438,426)	(89,000)
Net cash provided by noncapital financing activities	(889,098)	1,140,540	91,012	342,453	509,227
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital debt	(9,543,389)	(448,907)	(295,098)	(10,287,394)	-
Interest paid on capital debt	(4,289,034)	(780,888)	(121,076)	(5,190,998)	(48)
Purchase of capital assets	(7,620,271)	-	(1,492,235)	(9,112,506)	(661,011)
Proceeds from sale of capital assets	5,748	-	-	5,748	(72,331)
Receipt of interest	-	-	-	-	11,795
Other receipts/payments)	276,182	-	697	276,879	(1,875)
Capital contributions	3,484,048	-	-	3,484,048	-
Net cash used by capital and related financing activities	(17,686,716)	(1,229,795)	(1,907,712)	(20,824,223)	(723,470)
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipt of investment earnings	803,522	5,889	135,214	944,625	213,323
Receipt (payment) of notes receivable or interfund loan	134,212	8,297	223	142,732	-
Issuance of notes receivable or interfund loan	(439,041)	-	(74)	(439,115)	(375,411)
Loans made to others	(155,433)	-	-	(155,433)	-
Net cash provided by investing activities	343,260	14,186	135,363	492,808	(162,088)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(3,510,150)	145,359	106,413	(3,258,377)	246,114
CASH AND CASH EQUIVALENTS - BEGINNING					
	69,026,759	277,692	14,250,271	83,554,722	23,879,935
CASH AND CASH EQUIVALENTS - ENDING	\$ 65,516,609	\$ 423,051	\$ 14,356,684	\$ 80,296,344	\$ 24,126,049

The notes to the financial statements are an integral part of this statement

CITY OF VANCOUVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2010

Page 2 of 2

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major Enterprise Funds	Total	Internal Service Funds
	Water/Sewer	Parking Services			
Reconciliation of operating income (loss) to net cash used by operating activities					
Net operating income (loss)	\$ 1,116,386	\$ (733,279)	\$ 1,274,721	\$ 1,657,828	\$ (2,540,610)
Adjustments to reconcile net operating income (loss) to net cash provided by operations:					
Depreciation expense	13,135,584	962,689	450,334	14,548,607	2,743,478
(Increase) Decrease in receivables	(644,986)	(23,996)	32,712	(636,270)	24,065
Increase (Decrease) in deposits	137	-	-	137	-
(Increase) Decrease in inventories	48,617	-	(7,419)	41,198	-
Increase (Decrease) in current payables	(54,454)	16,624	51,127	13,297	180,634
Increase (Decrease) in accrued liabilities	184,255	(7,251)	(16,880)	160,124	(17,352)
(Increase) Decrease in receivables from other funds	-	990	(658)	332	-
Increase (Decrease) in payables due to other funds	957,866	4,651	3,813	966,330	(27,380)
Increase (Decrease) in claims and judgments payable	-	-	-	-	259,610
(Decrease) in pollution remediation estimates	(21,000)	-	-	(21,000)	-
Total adjustments	13,606,019	953,707	513,030	15,072,756	3,163,055
Net cash provided by operating activities	\$ 14,722,405	\$ 220,428	\$ 1,787,751	\$ 16,730,584	\$ 622,445
Noncash investing, financing and capital activities					
Capital assets donated	\$ 1,747,366	\$ -	\$ -	\$ 1,747,366	\$ 13,057
Net change in fair value of investments	\$ (65,907)	\$ (425)	\$ (12,996)	\$ (79,328)	\$ (24,265)

The notes to the financial statements are an integral part of this statement

CITY OF VANCOUVER
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
December 31, 2010

	Pension Trust Funds	Agency Funds
ASSETS		
Cash, cash equivalents and pooled investments	\$ 5,962,739	\$ 1,444,814
Investments: (at fair value)		
Federal Agency Coupon Securities	1,261,111	-
Receivables:		
Accounts	-	229,134
Interest	4,195	1,069
Prepaid expenses	54,755	-
TOTAL ASSETS	7,282,800	1,675,017
LIABILITIES		
Accounts and accrued employee payables	17,767	193,418
Due to other funds	-	989
Custodial accounts	-	5,364
Due to other governmental units	-	1,475,246
TOTAL LIABILITIES	17,767	1,675,017
NET ASSETS		
Held in trust	\$ <u>7,265,033</u>	\$ <u>-</u>

The notes to the financial statements are an integral part of this statement

CITY OF VANCOUVER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For The Year Ended December 31, 2010

	Pension Trust Funds
Additions:	
Employer Contributions	
For pension benefits	\$ 1,103,890
For postemployment healthcare benefits	1,536,290
Other Sources	<u>161,022</u>
Total Contributions	<u>2,801,202</u>
Investment Income	
Interest earnings	<u>67,185</u>
Total Investment Income	<u>67,185</u>
Total Additions	2,868,387
Deductions:	
Pension benefits	905,924
Healthcare premium subsidies	1,542,419
Administrative expense	<u>62,544</u>
Total Deductions	<u>2,510,887</u>
Change in fiduciary net assets	357,500
Net assets - beginning	<u>6,907,533</u>
Net assets - ending	<u>\$ 7,265,033</u>

The notes to the financial statement are an integral part of this statement

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Vancouver (the City) conform to generally accepted accounting principles as applied to City governments. The following is a summary of the more significant policies:

A. REPORTING ENTITY

The City of Vancouver was incorporated January 23, 1857. The City operates under a Council-Manager form of government and provides services per its charter adopted February 10, 1952, as last amended November 3, 2009.

The Comprehensive Annual Financial Report of the City of Vancouver includes the primary government and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

Discretely Presented Component Units:

The Vancouver Public Facilities District (PFD) is a special purpose government established to participate in the development of the Hotel/Convention Center in downtown Vancouver. The PFD board is comprised of five (5) members appointed by the City Council of Vancouver. The City is able to impose its will on the district; however, PFD's services do not exclusively or almost exclusively benefit the City of Vancouver. Therefore, financial statements are discretely presented as a business-type activity in the City's annual financial report.

The Downtown Redevelopment Authority (DRA) is a special purpose government established in 1997 to plan, design, finance, acquire, construct, equip, own, maintain, operate, repair, remodel, expand, and promote the Vancouver Convention Center and Hotel Project. The DRA Board is composed of seven (7) members who are appointed by the City Council of Vancouver to four year terms. The City is able to impose its will on the authority; however, the DRA's services do not exclusively or almost exclusively benefit the City of Vancouver. Therefore, financial statements are discretely presented as a business-type activity in the City's annual financial report.

Unless noted otherwise in this report, the accounting policies of the component units are consistent with those described for the primary government. PFD and DRA issue separate financial statements which can be obtained from the City of Vancouver, Financial and Management Services, PO Box 1995, Vancouver, WA 98668-1995, or electronically by contacting Janet Frank, Accounting Manager, at janet.frank@cityofvancouver.us.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are separate financial statements 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.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis relates to the timing of the measurements made, regardless of the measurement focus applied.

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. 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. Agency funds only report assets and liabilities, using the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements report 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 60 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. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City 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 *Consolidated Fire Fund* accounts for money received and the expenditures made in providing fire services to the combined City and Fire District 5 service area.

The *Capital Improvements Fund* accounts for money received and the expenditures made in funding capital improvement projects.

The City reports the following major proprietary funds:

The *Water/Sewer Fund* accounts for the activities of the City's utility. Revenues are received from water and sewer services provided. Expenses are comprised of maintenance and extensions of drainage, water and sewer service facilities, operating a water supply system, maintaining sewer treatment plants and operating a water drainage system. This fund also encompasses the accounting for revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds.

The *Parking Services fund* accounts for revenues received from operations of City owned or operated public parking spaces. Expenses are directly related to the operations and maintenance of those facilities.

Additionally, the City reports the following fund types:

Debt service funds account for the accumulation of resources for and payments of general long-term debt principal and interest, except those required to be accounted for in another fund.

Special revenue funds account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

Capital project funds account for the acquisition or development of capital facilities for governmental activities. Their major sources of revenues are from proceeds from general obligation bonds, grants from other agencies and contributions from other funds.

Internal service funds account for services provided to other departments or agencies of the government, or to other governments on a cost reimbursement basis.

The *Trust funds* account for the activities of the Police and Firemen's Pension funds, which accumulate resources for pension benefit payments to qualified public safety employees.

Agency funds represent assets held in a trustee or agency capacity for others and do not report results of operations.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

The City now follows the standards set by GASB Statement No.62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water/Sewer enterprise fund, of the non-major enterprise funds, and of the City'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 nonoperating 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.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash resources of individual funds are invested directly into government securities with interest accruing for the benefit of the specific fund. This policy covers all funds operated by the City. Cash resources required for immediate reasons (within the next month) are invested to the extent possible in short-term investments such as money market/Washington State Local Government Investment Pool (LGIP) accounts with interest accruing to the benefit of each individual fund based on the monthly average cash balance of each fund.

Statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. Agencies, and instrumentalities, banker's acceptances, repurchase agreements, and the state treasurer's investment pool. The City is also authorized to enter into reverse repurchase agreements, but did not participate in these investments during 2010. The Pension Trust Fund is also authorized to invest in corporate bonds rated "A" or better by Standard & Poor's Corporation, or "A" or better by Moody's Bond Ratings. Since the City maintains an internal investment pool, regulatory oversight is performed by the CFO, the Treasurer, and the Treasury accountant. Since the City is a governmental unit, at this point, no other type of regulatory oversight is required.

Investments for the City, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. As of December 31, 2010, the City had \$84,274,278 in the Washington State local investment pool and \$43,469,714 in the Clark County Local Government Investment Pool, which were both classified as cash equivalents.

For purposes of the statement of cash flows, the City considers the assets within the state and local government investment pools and all highly liquid investments with a maturity of three months or less to be cash equivalents.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (for the current portion of interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade accounts receivable are shown net of an allowance for uncollectible accounts.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

The Clark County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually before December 15, and become a lien as of January 1, on property value listed as of the prior May 31. Assessed values are established by the Clark County Assessor at 100 percent of fair market value. A revaluation of all property is required every six years.

Taxes are due in two equal installments on April 30 and October 31. The Clark County Treasurer remits collections monthly to the appropriate district. Property taxes are recorded as a receivable and revenue in the period for which they are levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes receivable is established because delinquent taxes are considered fully collectible and in the event of nonpayment, create a lien against the associated property. Prior year tax levies were recorded using the same principle as discussed previously, and delinquent taxes are evaluated annually. Taxes receivable also contains related interest and penalties. See Note V. E for more discussion.

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

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments, related interest, and penalties. Deferred assessments consist of unbilled special assessments that are liens against the property benefited.

Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consists of amounts owed on open account from private individuals or organizations for goods and services rendered.

3. Inventories and prepaid items

The inventory carried by the Water/Sewer Fund is valued at average cost. A cycle count protocol is used to verify inventory amounts throughout the year and at year end. Inventory for the Fire Shop Fund is valued at cost using a first-in first-out basis.

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

These accounts contain resources for construction and debt service in enterprise funds. Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they may be maintained in separate bank accounts and their use is limited by applicable bond covenants.

The current portion of related liabilities is shown as Payables from Restricted Assets. Specific debt service reserve requirements are described in Note IV.F.3.

5. Capital assets

Capital assets are generally considered property, plant, and equipment owned by the City costing \$10,000 or more, and having an estimated useful life of 4 years or more. Additionally, new infrastructure construction (e.g. roads, bridges, sidewalks, etc.) of \$100,000 or more is also reported as capital. Assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if the actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are recorded in Construction in Progress as they are constructed, and capitalized upon completion. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

Assets are depreciated using the straight line method over the following estimated useful lives:

Asset Category	Useful Life
Buildings	40
Infrastructure	15-40
Structures	20
Leasehold Improvements	5
Utility Improvements	5-60
Other Improvements	5-30
Rolling Stock	5-15
Information Tech Equipment	4
Equipment	5-15
Software (Intang bles)	5

The City has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the City has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable column in the statement of net assets.

As mentioned in Note I.E, the City implemented GASB Statement 51: Accounting and Reporting for Intangible Assets. Easements with indefinite lives are considered non-depreciable assets. Other intangible assets with limited useful lives will be depreciated.

6. Compensated absences

City employees can accumulate a certain amount of earned but unused vacation and sick leave benefits. All vacation pay is accrued when earned, and a liability for these amounts is reported. The City also reports a liability for sick leave accrual earned by certain employees. See Note IV. F.2, for more information.

7. Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities in all statements other than those statements prepared on the modified accrual basis of accounting (the governmental fund statements). Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period as other financing sources or uses. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred revenues

This includes amounts recognized as receivables but not available or available but not yet earned. See Note IV. D, for more discussion.

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

10. Use of estimates

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP), requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates and assumptions.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

E. ADOPTION OF NEW GASB PRONOUNCEMENTS

For the fiscal year ended December 31, 2010, the City implemented the following GASB Pronouncements

GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets

The Statement provides needed guidance regarding how to identify, account for, and report intangible assets. GASB Statement No. 51 changes are reflected in Note IV.B Capital Assets.

GASB Statement No. 53 Accounting and Reporting for Derivative Instrument

This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB Statement 53 has no impact to the City.

GASB Statement No.58 Accounting and Financial Reporting of Bankruptcies

The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement 58 has no impact to the City.

GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This statement has no impact to the City. See note I.C.

F. FUTURE ADOPTION OF GASB PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at December 31, 2010:

- GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions
- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans
- GASB Statement No. 59 Financial Instruments Omnibus
- GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements
- GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34

The City of Vancouver will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The City has not yet determined if the above listed new GASB pronouncements will have a significant financial impact to the City or in issuing its financial statements.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balances—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 difference are as follows:

Bonds Payable	\$	102,545,017
Less: Deferred charge on refunding (to be amortized as interest expense)		(1,911,255)
Less: Issuance Discount (to be amortized as interest expense)		(26,168)
Plus: Issuance premium (to be amortized as interest income)		4,086,433
Accrued interest payable		408,891
Due to other governments		5,703,529
Special assessment debt		15,326
Net OPEB Obligation		2,776,902
Compensated absences for non-Internal Service Funds		7,291,587
Impact Fee Credits		<u>8,446,461</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u><u>129,336,723</u></u>

Another element of that reconciliation explains that “other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds, or other long-term assets of the City.” The details of this difference are as follows:

Deferred charges, debt issuance costs	\$	1,177,300
Earned but unavailable revenues		1,602,584
Investments in joint ventures		623,091
Net pension asset		<u>4,033,311</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u><u>7,436,286</u></u>

B. 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 difference are as follows:

Capital outlay	\$	31,952,432
Depreciation expense		<u>(18,494,189)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u><u>13,458,243</u></u>

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this difference are as follows:

Earned Taxes	\$	(199,521)
Earned Special Assessments		(4,422)
Miscellaneous Revenues related to Joint Venture		(208,856)
Contributions related to Impact Fee Credits		<u>(846,733)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	<u><u>(1,259,532)</u></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 difference are as follows:

Debt issued or incurred	\$	17,250,000
Premium (discounts)		460,889
Debt issue costs		(129,005)
Principal repayments:		
General obligation debt		(9,121,180)
Governmental loans		(116,471)
Special assessment debt		(3,000)
Retirement of discounts		(214,536)
Retirement of debt issue costs		<u>72,179</u>
Net adjustment to decrease net changes in fund balance-total governmental funds to arrive at changes in net assets of governmental activities	\$	<u><u>8,198,876</u></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 are as follows:

Compensated absences	\$	1,031,108
Pension and OPEB cost		(149,306)
Accrued interest		24,921
Amortization of issuance costs/deferred amount on refunding		302,140
Amortization of bond discounts/premiums		<u>(305,356)</u>
Net adjustment to increase <i>net changes in fund balances—total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	<u><u>903,507</u></u>

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City prepares a biennial budget for all funds in accordance with the Municipal Code 35.33 of the Revised Code of Washington (RCW) that is on a basis consistent with accounting principles generally accepted in the United States of America. All funds except custodial agency funds are budgeted to the fund level. Biennially appropriated budgets are adopted for all funds and lapse at the end of each biennium. However, some of the Special Revenue and Capital funds may carry forward budgeted amounts beyond the biennium for completion of certain projects.

Budget amounts shown in the basic financial statements include the original budget amounts and all appropriation transfers and adjustments approved by the City Manager or City Council, as required. The City Manager or his designee is authorized as the chief executive officer to approve intra-fund budget transfers from one department to another or between line items of the same department. Only the City Council has the authority to increase a given fund's biennial budget. This is executed by City ordinance.

The City's biennial budget process is usually similar each biennium, but due to the forecasted deficit in 2009-2010, City Council and staff incorporated additional elements into the budget process. Those elements included:

- Updating of business plans to clearly establish priorities and funding requirements.
- Internal Audit recommendations were used to identify technology needs, and focused on how best to leverage city resources through streamlining processes.
- Targeted reductions across the board in departments supported by the General Fund in May of 2009.
- Revenues review, revenue increases and adjustments recommended as appropriate.

The calendar below outlines the general time frame followed to prepare, review and adopt the 2009-2010 Biennial Budget.

January-March 2008

- Completed a Community Survey – a statistically valid random sample survey of residents.
- Updated the budget calendar and identified modifications to the City's Budget Preparation Information System.

April-June 2008

- Prepared the preliminary revenue and expenditure forecast for 2009-2014.
- Identified the direction of the budget process and outlined specific guidelines for departmental submission.
- Installed new Budget Preparation software by Host and set it up for use during the 2009-10 budget process.
- Developed a budget preparation manual to outline the budget process and explain how to use the new software.
- Held multiple training sessions to familiarize departments with the new software system.
- Provided departments with initial budget allocations.

July-September 2008

- Met with all departments to discuss their budget submissions and review some of the potential issues that the City might face in the future.
- Held televised workshops with City Council to review:
 - The budget process.
 - The 2009-2010 revenue and expenditure forecasts.
 - Input from the public on City budget priorities.

October-November 2008

- Developed the City Manager's Preliminary Recommended budget.
- Presented the Preliminary Recommended Budget to City Council in televised workshop sessions and provided Council members with a detailed notebook on the proposed budget.
- Filed the City's Preliminary Budget with the City Clerk and made copies available to the public.
- Workshop sessions related to the strategic investment opportunities and the revenue increases necessary to support them, were scheduled with City Council in October and November.
- A public hearing on the Recommended Budget and related ordinances for fee increases was held on November 10th of 2008.
- Council action on the City's property tax levy and final 2009-2010 budget occurred on November 7th.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

The final budget as adopted is published within the first three months of the new budget year. The City of Vancouver Biennial Budget is distributed to various agencies such as neighborhood associations and the Chamber of Commerce, and is made available to all interested citizens in paper format and on the Web.

State statutes provide for a mid-biennial review and modification of the biennial budget to allow flexibility for addressing issues unanticipated during the budget process. Modifications to the original adopted budget are proposed by departments and reviewed by Budget Office staff in conjunction with the City Manager and his/her management team. Adoption by the City Council requires a public hearing. There are usually two supplemental appropriations during any fiscal year. These procedures are in accordance with RCW's.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no funds where expenditures exceeded biennial appropriations for year ending December 31, 2010.

C. DEFICIT NET ASSETS/NET FUND BALANCE

At December 31, 2010, the Parking Services fund had a deficit in the fund net assets of \$1,062,134. The Parking Services fund accounts for operations of City owned or operated public parking spaces. Depreciation expense (a non-cash item) was \$962,689 in 2010. This fund also increased its allowance for doubtful accounts by \$136,449 during 2010. The City has increased collection efforts in 2010 by seeking judgments from delinquent payers. In addition, the City notifies the Department of Licensing of repeat offenders ("scofflaw" accounts with three or more unpaid citations). Those affected will be unable to renew their vehicle registration without payment in full.

At December 31, 2010, Vancouver Downtown Redevelopment Authority (DRA), a component unit of the City, had a deficit in the fund net assets of \$10,989,798. The DRA activities involve the operation of a hotel and convention center in the City's central downtown area. This is a cash flow based project and the negative net asset balance is primarily attributed to accumulated depreciation of \$7,783,754 and accumulated amortization of deferred charges of \$1,358,212, both of which are non-cash items. The economic environment has had a negative impact on the convention and lodging business in 2010, and this was also reflected in the net asset change. Deep cost-cutting measures have been put in place and a new general manager has been hired. A series of revenue generating guidelines and on-going expense reductions have been implemented by the hotel.

NOTE IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments are presented on the balance sheet in the basic financial statements at fair value or amortized cost, which approximates fair value, in accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools."*

Activities undertaken by the pool on behalf of the proprietary funds are not part of the operating, capital, investing, or financing activities of the proprietary funds, and details of these transactions are not reported in the Statement of Cash Flows. In general, interest earned from the pooled investments is allocated to each fund based on the average earnings and daily cash balance of each fund.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

A reconciliation of cash, cash equivalents (including pooled investments) and investments as shown in the government-wide and fund financial statements is as follows:

<u>Notes</u>	
Investments	\$ 218,528,337
Deposits	3,444,857
Deposits w/fiscal agent, escrow, trust	13,136,221
Total	<u>\$ 235,109,415</u>
<u>Financial Statements</u>	
Cash and cash equivalents	\$ 213,076,511
Cash and cash equivalents – component units	202,406
Cash with fiscal agent/trustee	5,143,205
Cash with fiscal agent/trustee – component units	8,018,629
Fiduciary cash	7,407,553
Fiduciary investments	1,261,111
Total	<u>\$ 235,109,415</u>

1. Deposits

At year-end, the City's carrying amount of deposits including money market accounts was \$3,444,857 and bank balance was \$5,166,891. The Federal Deposit Insurance Corporation (FDIC) provides unlimited insurance for the City's non-interest bearing deposits and up to \$250,000 insurance on interest bearing deposit and investments through December 31, 2013. All deposits and bank balances not covered by FDIC are covered under the State of Washington Public Deposit Protection Commission Act of 1969. As of June 30, 2009, the State of Washington Public Deposit Protection Commission Act of 1969 was amended to require all public depositories within the State of Washington to fully collateralize their uninsured public deposits at 100%.

2. Investments

The City maintains an Internal Investment Pool. The Pool has an average maturity of approximately eight months. Some funds are invested for the benefit of the respective fund. Remaining monies are aggregated in a residual account, and invested in the pool for the benefit of all funds. As required by state law, all investments of the City funds are obligations of the U.S. Government, U.S. agency issues, the State Treasurer's Investment Pool, or the Clark County Investment Pool. Regulatory oversight is performed by the CFO, the Treasurer, and the Treasury accountant. Because we are a government, at this point, we do not need any other type of regulatory oversight.

As of December 31, 2010 the fair value of the City's investment portfolio was \$218,528,337 of which \$1,261,111 was invested on behalf of the Firemen's Pension Fund, and \$217,267,226 was invested in the City's Internal Investment Pool for the benefit of all funds. Investments of pension funds are not subject to the preceding limitations under state law.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

As of December 31, 2010, the City had the following investments:

Investment Type	Fair Value (in Thousands)	Weighted Average Maturity (Years)	Percent of Portfolio
Federal Agency Coupon Securities	\$ 77,784	1.50	35.6%
Certificates of Deposit	13,000	0.01	5.9%
Washington State Investment Pool	84,274	0.01	38.6%
Clark County Investment Pool	43,470	0.01	19.9%
Total Fair Value	\$ 218,528		100.0%
Portfolio Weighted Average Maturity		0.78	

* Fair value of pooled investments does not include adjustments made for accrued interest distributed to pooled participants.

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to declines in fair values by keeping the weighted average maturity of its investment portfolio less than 2.5 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Washington State Investment Pool, a 2a7-like pool, is unrated. The Clark County Investment Pool is also an unrated fund and has oversight by the Clark County Finance Committee.

To limit risk, Washington State law and the City of Vancouver's investment policy limits the amount of the portfolio invested in commercial paper, banker's acceptances, and corporate bonds. It is the City's policy to limit its credit risk by only investing in commercial paper or banker's acceptances with a credit rating of A1 or P1, and investing in corporate bonds for the pension fund, with a credit rating of "A" or better (or equivalent) by nationally recognized statistical rating organizations. The ratings of debt securities as of December 31, 2010 are:

Debt Security	S&P Rating
Fannie Mae (Federal National Mortgage Association)	AAA
Freddie Mac (Federal Home Loan Mortgage Corporation)	AAA
Federal Home Loan Bank	AAA
Federal Farm Credit Bank	AAA

Concentration of credit risk: Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places limits on the amount it may invest in any one issuer depending on the security type of the investment. At the end of 2010, the City's portfolio had the following concentration of securities in it: 13.84% of Federal Home Loan Bank, 13.45% of Federal National Mortgage Association, 4.57% of Federal Farm Credit Bank, and 3.64% of Federal Home Loan Mortgage Corporation. The City has several investments in government-sponsored enterprises which are not explicitly backed by the federal government. However, the federal government has provided significant support by increasing its investments in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation and stated they would not allow these enterprises to fail.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

B. CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2010 is as follows:

	Restated Beginning Balance 01/01/10	Increases	Decreases	Ending Balance 12/31/10
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 51,064,665	\$ 5,782,391	\$ -	\$ 56,847,056
Intangible - Easements	7,907,161	1,714,091	-	9,621,252
Construction in progress	44,642,167	7,052,289	25,159,739	26,534,717
Total capital assets, not being depreciated	103,613,993	14,548,771	25,159,739	93,003,025
Capital assets, being depreciated/depleted:				
Cemetery land	1,101,047	-	-	1,101,047
Buildings	95,334,996	20,778,410	-	116,113,406
Machinery and equipment	43,535,966	3,076,552	1,529,917	45,082,601
Infrastructure	505,940,446	21,392,856	-	527,333,302
Intangible	6,697,864	-	-	6,697,864
Total capital assets being depreciated/depleted	652,610,319	45,247,818	1,529,917	696,328,220
Less accumulated depreciation for:				
Cemetery land	675,425	25,084	-	700,509
Buildings	20,666,901	2,810,623	-	23,477,524
Machinery and equipment	29,365,285	3,988,193	1,234,804	32,118,674
Infrastructure	130,741,557	14,334,340	-	145,075,897
Intangible	6,506,186	80,261	-	6,586,447
Total accumulated depreciation	187,955,354	21,238,501	1,234,804	207,959,051
Total capital assets, being depreciated, net	464,654,965	24,009,317	295,113	488,369,169
Governmental activities capital assets, net	\$ 568,268,958	\$ 38,558,088	\$ 25,454,852	\$ 581,372,194
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 28,366,530	\$ 654,145	\$ -	\$ 29,020,675
Intangible - Easements	33,695	892,007	-	925,702
Construction in progress	14,095,522	2,218,362	8,013,737	8,300,147
Total capital assets, not being depreciated	42,495,747	3,764,514	8,013,737	38,246,524
Capital assets, being depreciated:				
Buildings and system	36,619,536	1,492,235	-	38,111,771
Infrastructure	477,804,928	12,793,597	-	490,598,525
Machinery and equipment	23,972,296	354,964	141,898	24,185,362
Intangible	8,742,893	432,380	-	9,175,273
Total capital assets, being depreciated	547,139,653	15,073,176	141,898	562,070,931
Less accumulated depreciation for:				
Buildings and system	15,106,435	1,246,398	-	16,352,833
Infrastructure	170,103,969	10,446,096	-	180,550,065
Machinery and equipment	17,861,117	1,327,312	141,898	19,046,531
Intangible	5,450,484	1,528,801	-	6,979,285
Total accumulated depreciation	208,522,005	14,548,607	141,898	222,928,714
Total capital assets, being depreciated, net	338,617,648	524,569	-	339,142,217
Business-type activities capital assets, net	\$ 381,113,395	\$ 4,289,083	\$ 8,013,737	\$ 377,388,741

The beginning balance of the Governmental and Business activities were restated as described in Note V.I Prior Period Adjustments. The beginning governmental accumulated depreciation for cemetery land at December 31, 2009 was reported at \$716,094 and restated at January 1, 2010 to \$675,425. The beginning business accumulated depreciation for infrastructure was reported at \$173,544,691 at December 31, 2009 and restated to \$17,103,969 at January 1, 2010. Easements which were previously included in land, now show the beginning balance with the adoption of GASB Statement No.51., for both governmental and business capital assets.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$	307,237
Security of persons & property		1,699,054
Transportation, including depreciation of general infrastructure assets		12,957,033
Physical Environment		25,712
Economic Environment		762,853
Culture and recreation		2,743,133
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets		2,743,479
Total depreciation expense — Governmental Activities	\$	<u>21,238,501</u>

Business-type Activities:

Water/Sewer	\$	13,135,584
Airpark		221,261
Building Inspection		197,742
Sanitation		11,587
Parking		962,689
Tennis Center		19,744
Total depreciation expense — Business-type Activities	\$	<u>14,548,607</u>

Component Units

A summary of capital asset activity for component units for the year ended December 31, 2010 is as follows:

	Beginning Balance 01/01/10	Increases	Decreases	Ending Balance 12/31/10
Vancouver Downtown Redevelopment Authority				
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 539,433	\$ -	\$ 539,433	\$ -
Construction in progress	-	16,579	16,579	-
Total capital assets, not being depreciated	<u>539,433</u>	<u>16,579</u>	<u>556,012</u>	<u>-</u>
Capital assets, being depreciated:				
Buildings and system	57,255,004	-	-	57,255,004
Machinery and equipment	<u>346,099</u>	<u>16,579</u>	<u>-</u>	<u>362,678</u>
Total capital assets, being depreciated	<u>57,601,103</u>	<u>16,579</u>	<u>-</u>	<u>57,617,682</u>
Less accumulated depreciation for:				
Buildings and system	6,202,626	1,431,375	-	7,634,001
Machinery and equipment	<u>80,533</u>	<u>69,220</u>	<u>-</u>	<u>149,753</u>
Total accumulated depreciation	<u>6,283,158</u>	<u>1,500,595</u>	<u>-</u>	<u>7,783,754</u>
Total capital assets, being depreciated, net	<u>51,317,945</u>	<u>(1,484,016)</u>	<u>-</u>	<u>49,833,928</u>
Business-type activities capital assets, net	<u>\$ 51,857,378</u>	<u>\$ (1,467,437)</u>	<u>\$ 556,012</u>	<u>\$ 49,833,928</u>
Vancouver Public Facilities District				
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ <u>3,228,691</u>	\$ -	\$ -	\$ <u>3,228,691</u>

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Loans between funds are classified as interfund loans receivable or payable or as advances to and from other funds on the statement of net assets. Within the City, one fund may borrow from another when specifically authorized by the City Council resolution. The interfund balances are in place to eliminate a temporary negative cash position. There is \$15,327 in interfund loans outstanding as of December 31, 2010. An advance from the General Fund to the Parking Services Fund for \$910,000 was made to reduce refunding debt.

Due to other funds and due from other funds result from goods issued, work performed or services rendered to or for the benefit of another fund of the same government. An Agency Fund payable to the Internal Services Fund of \$989 has been netted for presentation in the Statement of Net Assets. The following table displays Due to and Due from activity outstanding as of December 31, 2010:

	Due from Other Funds	Due to Other Funds
Governmental Activities		
General Fund	\$ 150,186	\$ 475,049
Consolidated Fire Funds	16,894	4,195
Capital Improvement Fund	2,645	-
Non-Major Governmental Funds	958,536	363,560
Subtotal Governmental Activities	1,128,261	842,804
Internal Service Funds	650,199	2,710
Governmental Activities	1,778,460	845,514
Business Activities		
Water/Sewer	158,433	1,080,504
Parking Services	-	4,651
Non-Major Business Type Activities	732	6,956
Subtotal Business Activities	159,165	1,092,111
Total Government Wide	\$ 1,937,625	\$ 1,937,625

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These are transfers to support other funds without a requirement for repayment. The interfund transfer activity for the year is as follows:

Transfers Out								
Transfers In	General Fund	Fire	Capital Improvement	Non-Major Governmental Funds	Water Sewer	Non-Major Enterprise Funds	Internal Service	Total
General Fund	\$ -	\$ 4,975	\$ -	\$ 292,775	\$ 227,121	\$ 200,245	\$ -	\$ 725,116
Consolidated Fire	22,740,830	-	-	-	-	-	89,000	22,829,830
Capital Improvement	1,658,469	172,000	-	10,669,986	-	-	-	12,500,455
Non-Major Governmental Funds	15,362,233	439,631	111,171	14,810,025	964,112	46,948	-	31,734,120
Water/Sewer	58,692	-	-	-	-	-	-	58,692
Parking Services	1,245,540	-	-	-	-	-	-	1,245,540
Non-Major Enterprise Funds	296,415	-	-	1,118	-	-	-	297,533
Internal Service Funds	598,423	-	-	-	-	-	-	598,423
Total	\$ 41,960,602	\$ 616,606	\$ 111,171	\$ 25,773,904	\$ 1,191,233	\$ 247,193	\$ 89,000	\$ 69,989,709

There were no significant transfers made during 2010 that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

D. DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but have not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 1,560,560	\$ -
Revenues not applied (General Fund)	-	720,857
Revenues not applied (Consolidated Fire Fund)	-	1,879,167
Special assessments not yet due (Debt Service Fund)	42,024	-
Total deferred/unearned revenue for governmental funds	<u>\$ 1,602,584</u>	<u>\$ 2,600,024</u>

E. LEASE AGREEMENTS

1. Operating Leases

The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in City's statement of net assets. For the year ended December 31, 2010, the costs for such leases were \$2,017,222 and \$881,509 for governmental and business-type activities, respectively.

The following is a schedule of minimum future rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2010:

	Governmental Activities	Business-type Activities
2011	\$ 1,173,935	\$ 138,692
2012	103,319	-
2013	84,187	-
2014	86,503	-
2015	88,881	-
2016-2020	482,443	-
2021-2025	552,528	-
2026-2030	632,792	-
2031-2034	559,097	-
	<u>\$ 3,763,685</u>	<u>\$ 138,692</u>

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

F. LONG-TERM DEBT

1. BONDS AND DEBT:

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds have been issued for both governmental and business-type activities. During the year, general obligation bonds totaling \$13,410,000 were issued to fund the purchase of City administrative offices and to partially refinance 2001 LTGO and refunding bonds. A total of \$10,260,000 of bonds was issued to finance the City administration building and \$3,150,000 was issued to partially refund \$3,130,000 of the 2001 LTGO & Refunding bonds, and to pay the cost of issuance. The refunding generated on a net present value savings \$170,096 over the remaining life of the bond issue, which is 5.4%. The City has a minimum threshold of at least a 3% present value savings to consider a refunding. The aggregate total debt service payments through the life of the refunding bonds will be \$149,365 less than the original debt service payment.

General obligation bonds are direct obligations and are pledged by the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with fixed payments maturing each year. General obligation bonds are either created by 3/5 majority vote of the people and, therefore, financed by a special tax levy; or are created by ordinance, adopted by the City Council, and normally financed from general revenues (councilmanic bonds). General obligation bonds currently outstanding (in thousands) are as follows:

<u>Name of Issuance</u>	<u>Purpose</u>	<u>Original Debt</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Debt Outstanding</u>
2000 LTGO Bond	Business Type & Governmental Activities	25,075	8/23/2000	12/1/2025	5%-5.75%	-
2001 LTGO Bond	Governmental Activities & Refunding	8,495	8/1/2001	9/1/2015	4.25%-5%	635
2002 LTGO Bond	Governmental Activities & Refunding	39,365	10/23/2002	12/1/2025	2%-5.25%	33,410
2003 LTGO Bond	Governmental Activities	18,520	6/3/2003	12/1/2029	2%-5%	16,420
2005 LTGO Bond	Governmental Activities & Refunding	18,090	7/15/2005	12/1/2026	3%-5%	15,780
2006 LTGO Bond	Governmental Activities	14,785	10/11/2006	12/1/2025	3.75%-5%	12,955
2008 LTGO Bond	Governmental Activities	14,570	6/30/2008	12/1/2027	3.5%-5%	12,775
2009 LTGO Bond	Governmental Activities	12,970	6/1/2009	12/1/2028	3.5%-5%	12,250
2010 LTGO Bond	Governmental Activities	13,410	12/1/2010	12/1/2035	2.0%-5.125%	13,410
<i>Total General Obligation Bonds</i>		<u>\$ 165,280</u>				<u>\$ 117,635</u>

City management provides for cash to fund current debt service requirements as a part of the biennial budgeting process. Annual debt service requirements to maturity for general obligation bonds (in thousands) are as follows:

	Governmental Activities			Business Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 6,157	\$ 4,738	\$ 10,895	\$ 903	\$ 737	\$ 1,640
2012	6,662	4,472	11,134	938	693	1,631
2013	6,926	4,218	11,144	979	646	1,625
2014	7,220	3,923	11,143	1,035	595	1,630
2015	7,542	3,606	11,148	1,088	540	1,628
2016-2020	29,313	13,161	42,474	4,772	1,901	6,673
2021-2025	22,610	7,333	29,943	5,375	763	6,138
2026-2030	12,910	2,311	15,221	-	-	-
2031-2035	3,205	509	3,714	-	-	-
	<u>\$ 102,545</u>	<u>\$ 44,271</u>	<u>\$ 146,816</u>	<u>\$ 15,090</u>	<u>\$ 5,875</u>	<u>\$ 20,965</u>

The City's legal limit of indebtedness is 1 ½% of assessed property value without a vote of the taxpayers and an additional 1% with a vote of the taxpayers. At December 31, 2010 the remaining non-voted and voted remaining capacity for indebtedness was \$106,893,145 and \$138,848,455, respectively.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

The City has also received governmental loans to provide for construction of capital projects. Governmental loans outstanding (in thousands) at year-end are as follows:

Name of Issuance	Purpose	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
1991 PWTF Water Station#4	Business-Type Activities	\$ 1,263	7/1/1991	7/1/2011	1%	\$ 79
2006 PWTF	Governmental-Type Activities	2,200	11/30/2006	7/1/2026	1%	1,864
Section 108 HUD Loan	Governmental-Type Activities	3,840	7/7/2010	8/1/2015	3-month LIBOR plus 20 bp	3,840
Dept of Ecology Revolving Fund Loan	Business-Type Activities	350	1/11/2010	12/1/2034	2.9%	350
		<u>\$ 7,653</u>				<u>\$ 6,133</u>

Government and bank loan debt service requirements to maturity (in thousands) are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2011	\$ 116	\$ 29	\$ 145	\$ 79	\$ 1	\$ 80
2012	116	31	147	-	-	-
2013	116	31	147	-	-	-
2014	117	31	148	13	10	23
2015	3,956	34	3,990	14	10	24
2016-2020	583	26	609	74	42	116
2021-2025	583	12	595	85	31	116
2026-2030	116	1	117	99	18	117
2031-2033	-	-	-	66	3	69
	<u>\$ 5,703</u>	<u>\$ 195</u>	<u>\$ 5,898</u>	<u>\$ 430</u>	<u>\$ 115</u>	<u>\$ 545</u>

The Section 108 Loan was approved for a total of \$6.8 million, however through the 12/31/10 only \$3,840,000 was drawn down on the loan. The loan has quarterly interest-only payments, with the total principal balance due on August 1, 2015. The Washington State Department of Ecology loan is authorized for \$1.1 million. As of December 31, 2010, only \$350,674 was expended. This loan has a delayed repayment schedule. The first payment is due in 2014. At that time the loan will have even payments due twice per year. The table above reflects debt service estimated debt service payments on these loans based on balances outstanding on December 31, 2010.

Special Assessment Debt

The government also issues special assessment debt to provide funds for the construction of water and sewer utilities in residential areas without existing infrastructure. Special assessment bonds are created by ordinance, adopted by Council, and financed by assessments on property owners. A separate guaranty fund is available to cover most outstanding delinquencies at the end of the assessment period. The City's obligation doesn't extend beyond the guaranty fund assets. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The City has a Local Improvement District Guaranty Fund to finance any uncollectible special assessment debt. Special assessment debt with a governmental commitment reported at year end is (in thousands) as follows:

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Name of Issuance</u>	<u>Original Debt</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Debt Outstanding</u>
Assessment Notes Receivable	213	3/31/1996	Various	7.65%	15
<i>Total Assessment Debt</i>	<u>\$ 213</u>				<u>\$ 15</u>

Special assessment bonds are serial bonds but are called yearly based on assessments received. Annual debt service requirements to maturity for special assessment bonds are (in thousands) as follows:

Governmental Activities			
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011 \$	15	\$ 3	\$ 18
Total \$	<u>15</u>	<u>\$ 3</u>	<u>\$ 18</u>

The Local Improvement District Debt Service Fund and the Local Improvement District Guaranty Debt Service Fund have \$5,448 and \$1,560 respectively, to service the local improvement district bonds.

Revenue Bonds

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds are created by ordinance, adopted by the City Council, and financed from enterprise fund revenues. The Water/Sewer revenue bonds are issued to finance capital projects.

Revenue bonds outstanding at year-end are (in thousands) as follows:

<u>Name of Issuance</u>	<u>Original Debt</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Debt Outstanding</u>
1993 Water Sewer	\$ 35,155	8/9/1993	6/1/2013	2.65%-5.5%	\$ 9,450
2004 Water Sewer Refunding	26,250	2/26/2004	6/1/2020	2%-5%	24,130
2005 Water Sewer Refunding	42,520	4/4/2005	6/1/2018	3%-5.5%	32,345
2008 Water Sewer Refunding	20,230	6/3/2008	6/1/2016	3.25%-5%	16,015
<i>Total Revenue Bonds</i>	<u>\$ 124,155</u>				<u>\$ 81,940</u>

Business Type Activities:

Revenue bond debt service requirements to maturity are (in thousands) as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	10,155	3,807	13,962
2012	10,645	3,322	13,967
2013	11,150	2,812	13,962
2014	9,095	2,331	11,426
2015	9,550	1,868	11,418
2016-2020	31,345	3,244	34,589
\$	<u>81,940</u>	<u>\$ 17,384</u>	<u>\$ 99,324</u>

The reserve and redemption accounts of the Water/Sewer enterprise funds have \$3,910,030 available to service the revenue debt, plus the city has purchased surety dollars in addition to meet debt service reserve requirements.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

Water/Sewer revenue bond covenants require that revenue available for debt service (defined as operating and non-operating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.3 to 1. The City remains in compliance with that provision with a current ratio of 2.0 to 1 coverage. There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Advance refunding

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase US Government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been removed as a liability from the Governmental Activities column of the Statement of Net Assets.

The following is a schedule of outstanding bonds (in thousands) that are either refunded or defeased:

Name of Issue	Year Issue Defeased	Cash on Deposit With Trustee	Investment With Trustee	Bonds Payable	Fund Balance (Deficit)
<i>General Obligation Bonds</i>					
2001 LTGO & Refunding	2010	\$ 1	\$ 3,199	\$ (3,130)	\$ 70

2. COMPENSATED ABSENCES AND IMPACT FEE CREDITS:

Compensated Absences

Accumulated amounts of vacation leave are accrued as expenses when incurred in the government-wide and proprietary fund financial statements. At December 31, 2010, the recorded liability for sick and vacation time amounted to \$9,260,034 with \$7,538,472 recorded in governmental activities and \$1,721,562 recorded in business-type activities. City employees receive vacation and sick leave time at monthly rates established by City ordinance or union agreement. Vacation is accrued semi-monthly by employees at annual rates ranging from 15 to 35 days depending upon tenure and union agreements. Accumulated vacation carryover between years is limited to twice an employee's current year accrual. Sick leave accruals vary, depending upon union agreement, between 10 and 12.25 hours per month. City Policy and all contracts provide for a pay off of sick leave in some instances. Employees who are not covered by contract and were age 50 or who had more than 14 years of service as of January 1, 1980 may qualify for payoff of up to 50% of their sick leave balance at retirement. Employees who are covered by either the Joint Labor Coalition, AFSCME or OPEIU contracts and were hired prior to January 1, 1980 may qualify for 50% payoff of their sick leave balance at retirement. Employees covered under law enforcement contracts and who were hired prior to January 1, 1981, and employees covered by fire suppression and command contracts and who were hired prior to January 1, 1983, may qualify for 50% payoff of their sick leave balance at retirement, or 25% upon leaving the employer in good standing for reasons other than retirement. For the governmental activities, compensated absences are generally liquidated by operating funds, such as the General Fund and Consolidated Fire funds.

Impact Fee Credits

In 1995, the City of Vancouver adopted an impact fee ordinance to ensure that adequate facilities are available to serve new growth and development. An impact fee is charged at the issuance of a building permit. In addition, the developer may be entitled to a non-refundable "credit" against the applicable impact fee component for the fair market value of appropriate dedications of land, improvements or new construction of system improvements provided by the developer. In the event that the amount of the "credit" is calculated to be greater than the amount of the impact fee due, the developer may apply the excess "credit" toward future impact assessment on other developments within the same service district. As of December 31, 2010, the amount of credits that may be applied against future impact fees is \$8,446,461. This is recorded as a governmental activity in the Government-wide Financial Statements.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

3. CHANGES IN LONG TERM LIABILITIES:

The following is a summary of long-term debt changes of the City for the year (in thousands):

	Restated Beginning Balance 1/1/10	Additions	Reductions	Ending Balance 12/31/10	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 98,256	\$ 13,410	\$ 9,121	\$ 102,545	\$ 6,157
Less deferred amounts					
For issuance premiums	3,952	461	327	4,086	93
For issuance discounts	(30)	-	(3)	(27)	(3)
On refunding	(1,944)	223	190	(1,911)	(261)
Total bonds payable	100,234	14,094	9,635	104,693	5,986
Special assessment debt with governmental commitment	18	-	3	15	3
Government loans	1,980	3,840	116	5,704	116
Claims and judgements	4,518	2,062	1,802	4,778	539
Net OPEB Obligation (See Note V.G for details)	2,087	2,226	1,536	2,777	-
Compensated absences	8,560	6,382	7,404	7,538	6,031
Impact Fee Credit	7,600	2,529	1,682	8,447	77
Governmental activity long term liabilities	<u>\$ 124,997</u>	<u>\$ 31,133</u>	<u>\$ 22,178</u>	<u>\$ 133,952</u>	<u>\$ 12,752</u>
Business-type activities					
Bonds payable					
General obligation bonds	\$ 15,848	\$ 1,443	\$ 2,201	\$ 15,090	\$ 903
Revenue bonds	91,655	10,155	19,870	81,940	10,155
Less deferred amounts					
For issuance premiums (discounts)	5,186	6	567	4,625	561
On refunding	(4,810)	525	-	(4,285)	(525)
Total bonds payable	107,879	12,129	22,638	97,370	11,094
Government loans	158	1,133	861	430	79
Compensated absences	1,672	1,541	1,492	1,721	1,377
Business-type activity long term liabilities	<u>\$ 109,709</u>	<u>\$ 14,803</u>	<u>\$ 24,991</u>	<u>\$ 99,521</u>	<u>\$ 12,550</u>

The beginning balance was restated to adjust a bond refunding from a business-type fund to a governmental-type fund and for an adjustment to impact fee credits. See also Note V.I (Prior Period Adjustment).

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$246,885 of internal service funds compensated absences are included in the above amounts. For the governmental activities, claims and judgments and compensated absences are generally liquidated by operating funds, such as the General Fund, Consolidated Fire and the Street funds.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

4. COMPONENT UNIT DEBT:

In 2003, the Downtown Redevelopment Authority (DRA), a component unit of the City, issued bonds in which it pledged income derived from the acquired or constructed assets to pay debt service. Revenue bonds are created by ordinance, adopted by the DRA Board, and financed from operating revenues. The revenue bonds were issued to finance construction of the Conference Center and Hotel capital project. Revenue bonds outstanding at year-end are as follows:

The 2003A Revenue Bonds were issued in the amount of \$65,855,000 in December 2003. Annual principal installments range from \$550,000 to \$9,510,000. Interest rates on this issue range from 4.0% to 6.0%. The amount of outstanding principal at December 31, 2010 is \$65,050,000.

The 2003B Subordinate Revenue Bonds are capital appreciation revenue bonds received in two installments. The authorized amount of these revenue bonds is \$2,420,000. The first installment was issued in the amount of \$155,000 in December 2003, of which \$99,784 was received and accreted to the face value of \$155,000 over the last five years. The second installment \$2,265,000 was issued on June 1, 2005. DRA received \$1,652,204 and the \$612,796 difference was accreted to the face value over the last three and one-half years. The interest rate on this issue is 9.00% beginning January 1, 2009. One principal installment is required on January 1, 2034. On December 31, 2010, \$2,420,000 is outstanding.

Under an interlocal agreement with the Clark County Public Facilities District (PFD), DRA is liable to the Clark County PFD for state sales credit monies received by the DRA. Payments under this agreement are received by Clark County PFD monthly and forwarded to the DRA. This creates a liability for the DRA to repay these funds via three methods. The first is a predetermined tax cap in the 2003A Bond indenture which changes each year through 2034, for Clark County PFD, Vancouver PFD, and City of Vancouver lodging taxes, so that the funds in excess of the tax cap are returned to the Clark County PFD. The second method occurs after funds flow through the 2003A bond indenture distribution requirements. The monies available in the end are return to Clark County PFD. A third method is, if the City of Vancouver makes payments to the Clark County PFD, these amounts decrease the DRA liability to Clark County PFD after each payment.

DRA 2003A Revenue bond debt service requirements to maturity are as follows:

Revenue Bonds			
	Principal	Interest	Total Requirements
2011 \$	550,000	\$ 3,533,988	\$ 4,083,988
2012	645,000	3,510,088	4,155,088
2013	750,000	3,481,250	4,231,250
2014	765,000	3,446,931	4,211,931
2015	1,040,000	3,401,250	4,441,250
2016-2020	7,330,000	15,986,075	23,316,075
2021-2025	11,940,000	13,515,231	25,455,231
2026-2030	17,920,000	9,427,894	27,347,894
2031-2034	24,010,000	3,134,925	27,144,925
\$	<u>64,950,000</u>	<u>\$ 59,437,632</u>	<u>\$ 124,387,632</u>

Principal payment dates are on January 1 in the calendar year immediately following.

\$4,070,000 from the original bond proceeds still remains available in the senior debt service account to service revenue debt. This balance is presented as cash with fiscal agents in the balance sheet.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

Component Units Changes in Long Term Liabilities

The following is a summary of long-term debt changes of the authority for the year (in thousands):

	Restated Beginning Balance 1/1/10	Additions	Reductions	Ending Balance 12/31/10	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 67,925	\$ -	\$ 455	\$ 67,470	\$ 550
Less deferred amounts					
For issuance premiums (discounts)	371	16	31	356	15
Due to other governments	3,009	851	99	3,761	-
Total bonds payable	71,305	867	585	71,587	565
Subordinate bond interest	217	198	-	415	-
Subordinate management fee	159	163	-	322	-
Capital leases	110	-	110	-	-
Component units long term liabilities	\$ 71,791	\$ 1,228	\$ 695	\$ 72,324	\$ 565

The beginning balance was restated to include the subordinate interest. See Note V.J. for more information about the capital lease.

NOTE V. OTHER DISCLOSURES

A. RELATED PARTY TRANSACTIONS

In December 2003, the Downtown Redevelopment Authority, a component unit of the City of Vancouver, began construction of a Convention Center and Hotel in downtown Vancouver. The project was funded by proceeds from the sale of tax exempt bonds issued by the Vancouver Downtown Redevelopment Authority. The bonds were secured by project revenues, together with a credit from the State of Washington equal to 0.033% of 1% of the sales and use tax collected within the City and Clark County, and a dedication of 50% of the lodging taxes collected within the City. During 2010, the City contributed \$ 586,540 to the project in lodging tax revenues.

B. CONTINGENCIES AND COMMITMENTS

Litigation

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. It is the opinion of City management and the City Attorney that any losses which may ultimately be incurred as a result of the suits and claims will not be material.

Grants

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.

Contract Commitments

The City has active contracts for professional services and construction projects as of December 31, 2010. The professional services contracts are primarily for operations of a sewer treatment facility, architectural, engineering and technology contracts. These construction projects include large transportation and infrastructure projects and facility projects. Significant City commitments to contracts as of fiscal year end totals \$62,144,792.

Related Party Commitments:

1. Commitment to Downtown Redevelopment Authority (DRA), with respect to the Vancouver Conference Center

The City signed an agreement on December 1, 2003 to participate in the construction and operation of the Vancouver Conference Center, using tourism funds. This is further discussed in Notes 1 and IV.F.

Under this agreement the City has pledged Guaranteed Revenues and Guaranteed Reserve amounts. The tax related revenue refers to the aggregate amount of City Sales and Use taxes, County Sales and Use taxes, and City Lodging Taxes for each calendar year to a minimum amount, as follows:

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

Schedule of Guaranteed Revenue

Year	Guaranteed Amt	Year	Guaranteed Amt
2011	\$ 1,900,000	2023	\$ 2,200,000
2012	\$ 2,000,000	2024	\$ 2,200,000
2013	\$ 2,000,000	2025	\$ 2,200,000
2014	\$ 2,000,000	2026	\$ 2,200,000
2015	\$ 2,100,000	2027	\$ 1,700,000
2016	\$ 2,100,000	2028	\$ 1,200,000
2017	\$ 2,200,000	2029	\$ 1,000,000
2018	\$ 2,200,000	2030	\$ 1,000,000
2019	\$ 2,200,000	2031	\$ 1,000,000
2020	\$ 2,200,000	2032	\$ 1,000,000
2021	\$ 2,200,000	2033	\$ 1,000,000
2022	\$ 2,200,000		

The minimum Guaranteed Revenue Amounts were reached in all prior years

The Guaranteed Reserve is an amount the City agrees to pay if the DRA has not accumulated enough funds to pay debt service up to the limits noted below. In 2010, the City paid \$584,420 from the Guaranteed Reserve.

Schedule of Guaranteed Reserve Amounts

Year	Guaranteed Amount	Year	Guaranteed Amount
2011	\$ 650,000	2023	\$ 440,000
2012	\$ 650,000	2024	\$ 440,000
2013	\$ 650,000	2025	\$ 440,000
2014	\$ 650,000	2026	\$ 800,000
2015	\$ 550,000	2027	\$ 1,400,000
2016	\$ 550,000	2028	\$ 1,400,000
2017	\$ 550,000	2029	\$ 1,400,000
2018	\$ 550,000	2030	\$ 1,400,000
2019	\$ 550,000	2031	\$ 1,400,000
2020	\$ 440,000	2032	\$ 1,400,000
2021	\$ 440,000	2033	\$ 1,400,000
2022	\$ 440,000		

2. Commitment to Clark County, with respect to the Exhibition Hall

The City signed an interlocal agreement on September 14, 2004 for support of the Exhibition Hall. This hall is considered a tourism related facility which would benefit both the County and City. Beginning in 2005, the City pledges it will pay an amount of money (up to certain maximum amounts) which would be necessary to enable the County to meet its semi-annual debt service obligation, should they fall short from revenues dedicated for this purpose. For 2010-2014, the maximum amount is \$200,000, and from 2015 through termination, the maximum is \$150,000.

To date, no such payments have been made against this agreement since the dedicated revenues have been adequate to cover the debt service. This agreement will be terminated once the bonds issued to finance the Exhibition Hall have been redeemed or defeased, no later than 2027.

CITY OF VANCOUVER NOTES TO THE BASIC FINANCIAL STATEMENTS

3. Commitment to Hilton Hotel, with respect to the Subordinate Management Fee

The DRA signed an agreement on December 1, 2003 for the operation of the Vancouver Conference Center. In that agreement, during the fourth full year of operation, which was 2009, the Manager of the Vancouver Conference Center (Hilton Hotels) would earn a subordinate management fee for its services. These fees will be paid subject to the availability of amounts in the Subordinate Management Fee Fund. Since there was no available balance in that fund during 2009 or 2010, the amount of \$322,628 has been accrued, and is also shown in the Component Units summary of long term debt changes in Note IV.F.4.

Arbitrage Rebate

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The City of Vancouver carefully monitors its investments to restrict earnings to a yield less than the bond issue, and therefore limit any arbitrage liability. As of December 31, 2010 the City has no arbitrage rebate liability.

C. JOINT VENTURES

The City is involved in a joint operation with other governmental entities in the establishment and operation of the Clark Regional Emergency Services Agency. Control of the entity is shared equitably by the controlling organizations. For reporting purposes, this entity is shown as a governmental activities joint venture. The City's share of ownership is reported as a capital asset in the government-wide statement of net assets. Control in this entity, by participating governmental entities, is by board representation.

Clark Regional Emergency Services Agency

Clark Regional Emergency Services Agency (the Agency) was created under the Interlocal Cooperation Act (RCW 39.4) by agreement between the City and other governmental units and political districts. Its purpose is to provide a consolidated public safety communications service to participating cities, political districts, and Clark County. The City has a 40% interest in the equity and operations of the Agency. Given the timing of available information, the City is reporting its investment in the joint venture at the 2009 values. The City's share of 2009 operations was a gain of \$23,082 over the restated 2008 balances for a total equity interest of \$623,091 at the end of 2009. Current liabilities are comprised of amounts owed to vendors, other governments, and accrued employee leave liabilities. The entity's long-term debt consists mainly of deferred compensation and accrued liabilities. The entity's long-term debt is unsecured. Clark County maintains the accounting records for Clark Regional Emergency Services Agency. Detailed financial statements for this entity can be obtained from Clark Regional Emergency Services Agency at 710 W 13th St, Vancouver, WA 98660-2810.

D. RISK MANAGEMENT

During 1977, the City became a qualified self-insurer for workers' compensation as an alternative to the state program. In 1978, all local governments within Washington State were brought under the state unemployment tax coverage, which also allowed qualified cities to become self-insured. The City qualified and became self-insured for unemployment in 1978. The City established a Self-Insurance Internal Service fund to account for and finance its insured and uninsured risks of loss. The fund addresses claims in four areas of risk that include general liability, workers' compensation, unemployment, and property. Commercial insurance is purchased to handle risk of loss. In the past three years, one settlement has exceeded the City's insurance limits. Information on each area is as follows:

General liability and Property

The self-insurance cost for liability claims and claims administration through December 31, 2010 is \$762,420 with 91 new claims filed for 2010. The fund pays the majority of claims involving general liability, but has other liability coverage through specific policies. Currently, specific policies include airport liability at an annual cost of \$4,535. Coverage totals \$5,000,000 for liability and \$5,000,000 for hangar keepers legal. In addition, the City purchases excess liability insurance for all City operations including auto, for a limit of \$10,000,000 plus \$10,000,000 excess at an annual cost of \$246,400. The excess policy provides \$1,000,000 for self insured retention. The City also purchases liability on specific vehicles up to \$1,000,000 at an annual cost of \$15,541 and inland marine coverage for the equipment fleet at an annual cost of \$55,852.

Property claim costs in 2010 were \$52,885, with 36 new first party property and vehicle claims reported in 2010. The City carries fire damage insurance (buildings and business personal property), fleet physical damage coverage, boiler and machinery, and flood insurance coverage at an annual cost of \$347,942, for all City buildings and contents. Policy coverage for property damage is up to \$456 million with a \$100,000 deductible. This represents replacement cost for all City buildings and contents. The deductible for fleet physical damage is \$10,000.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

Worker's compensation

The cost for Workers' Compensation claims and claims administration was \$983,134 in 2010, with 88 new claims processed. The City is self-insured through the fund for workers' compensation; however, an excess coverage policy is carried at an annual premium cost of \$80,066. The policy has a \$600,000/\$750,000 deductible.

Contributions and reserves

City fund contributions to the Self-Insurance Fund are determined using information from the contributing funds past claims experience and loss exposures. The claims liability reported in the fund totaled \$4,777,835 at December 31, 2010.

The claims liability, as reported in the fund, is based on the requirements of GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The following was prepared based on an actuarial analysis by Richard E. Sherman & Associates dated April 9, 2009. These are actuarial estimated amounts reflecting expected losses; actual losses may vary slightly. Changes in the fund's claims liability amount in 2010, 2009, and 2008 are as follows:

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2010	\$ 4,518,225	\$ 2,061,679	\$ 1,802,069	\$ 4,777,835
2009	4,125,800	2,568,741	2,176,316	4,518,225
2008	4,311,133	2,128,500	2,313,833	4,125,800

E. PROPERTY TAXES

The Clark County Treasurer acts as an agent to collect property taxes levied in the County for the City and all other taxing authorities. (See Note I: D.2 receivables and payables for additional discussions).

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 established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Cities are permitted to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services and \$0.225 per \$1,000 for local Fire Pension Funds. However, a separate library district was formed in 1981 for the tax year 1982, and this district annexed the City thus reducing the City's levy rate by \$.50 per \$1,000 of assessed valuation to \$3.10/\$1,000. Because the City has a local Fire and Police Pension Funds, the City is able to add \$0.225 to the levy rate per \$1,000 of assessed valuation which makes the City's maximum levy rate at \$3.325/\$1,000. This amount may be reduced for any of the following reasons:

- The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value, except for port districts and public utility districts. Within the one percent limitation, RCW 84.52.043(2) imposes an aggregate limitation on regular levies by all taxing districts, other than the State, of \$5.90/\$1,000 of assessed value, except for levies for any port or public utility district; excess levies authorized in Article VII, Section 2 of the State Constitution; and certain levies for acquiring conservation futures, for emergency medical services or care, and to finance affordable housing.
- The regular property tax increase limitation (chapter 84.55 RCW), as amended most recently by Initiative No. 747 (which was passed by voters in 2001), limits the total dollar amount of regular property taxes levied by an individual local taxing district such as the City to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, annexations, improvements and State-assessed property at the previous year's rate. The limit factor is the lesser of 101 percent of the highest levy in the three previous years (excluding new construction, improvements, and State-assessed property) or 100 percent plus inflation, unless a greater amount is approved by a simple majority of the voters. With a supermajority vote of the Council, the limit factor is a flat 101 percent. On November 8, 2007, the Washington Supreme Court

CITY OF VANCOUVER NOTES TO THE BASIC FINANCIAL STATEMENTS

ruled Initiative 747 unconstitutional. On November 29, 2007, the Legislature approved a bill reinstating the 101 percent property tax limit factor approved by the voters under Initiative 747.

- The City may voluntarily levy taxes below the legal limit.

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

For 2010, the City's regular tax levy was \$2.57 per \$1,000 on a total taxable 2010 assessed valuation of \$15,384,105,994 for a total regular levy of \$39,514,796.

Outstanding property taxes at December 31, 2010 amount to \$1,560,560. The City does not establish an allowance for doubtful accounts since state law has authorized sales of taxed property to satisfy delinquent property taxes.

All property taxes are received into the General, Fire and Street funds. Transfers are then made into the general obligation debt service funds as required by the bond ordinances. Any shortages due to delinquent property taxes are absorbed by the General Fund.

F. EMPLOYEE RETIREMENT SYSTEMS AND 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 No. 27, *Accounting for Pensions by State and Local Government Employers*.

1. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) Plans 1, 2, and 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 combination defined benefit/defined contribution plan. 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 in national higher education retirement programs; judges of district and municipal court; 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 option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 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 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 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 3 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 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-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 30 years of service, a 3 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) and capped at 3 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 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 44; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. 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 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	<u>53,896</u>
Total	<u>262,166</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 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officers and do not vary from year to year. 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. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 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 of the RCW.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2009, were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

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

Both the City and its 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>
2010	\$30,084	\$1,707,495	\$282,769
2009	56,343	2,422,534	384,463
2008	71,653	2,557,018	398,372

2. LAW ENFORCEMENT OFFICERS' & 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. Membership in the system includes all full-time, fully compensated, local law enforcement officers, and firefighters. LEOFF is comprised primarily of non-state employees. LEOFF participants who joined the system by September 30,

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

1977, are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Effective January 1, 2003, fire fighter emergency medical technicians (EMTs) may transfer Public Employees' Retirement System (PERS) Plan 1 or Plan 2 service credit to LEOFF Plan 2 if while employed for a city, town, county or district, the EMT's job was relocated to a fire department from another city, town, county or district. LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays 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 to retire with five years of service at the age of 50. The benefit per year of service is calculated as a percent of final average salary is as follows:

<u>Term of Service</u>	<u>Percent of Final Average Salary</u>
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 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 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 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 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. 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 3 percent annually.

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Members Nonvested	<u>3,944</u>
Total	<u>27,435</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 Department of Retirement Systems in accordance with 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated 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 methods used to determine the contribution rates are established under state statute in accordance with chapters 41.26 and 41.45 of the RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%
State	N/A	3.38%

*The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for ports and universities is 8.62%.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2010	\$549	\$1,661,149
2009	668	1,766,847
2008	896	1,716,100

3. POLICE OFFICERS AND FIREFIGHTERS' PENSION FUNDS

The City administers two single employer defined benefit pension plans, Police Pension Fund and Fire Pension Fund. These funds were established by the City in compliance with requirements of the Revised Code of Washington 41.20 and 41.18. The plans are limited to police officers, firefighters and their beneficiaries for individuals employed before March 1, 1970, the effective date of LEOFF. The LEOFF laws were subsequently amended by the Pension Reform Act, which took effect October 1, 1977. Through the LEOFF Act, the state undertook to provide the bulk of police and fire pensions; however, the municipalities continue to be responsible for all or part of pension benefits for employees hired before March 1, 1970, as discussed later. The plans are closed plans that provide pension and medical benefits, some of which can be in excess of LEOFF benefits.

Benefit Provisions

The LEOFF Act requires a varying obligation of the City for benefits paid to police officers and firefighters.

- Pension and medical expenses for police officers and firefighters retired prior to March 1, 1970; continue to be paid in their entirety by the City under the old pension laws.
- Police officers and firefighters hired before, but not retired on March 1, 1970, received at retirement the greater of the pension benefit provided under the old pension laws and under the LEOFF Act. Any excess of the old benefit over the LEOFF benefit is provided by the City. The City also pays the reasonable cost of necessary medical expenses of the retiree for life.
- For police officers and firefighters hired on or after March 1, 1970, and prior to October 1, 1977, the City is obligated for lifetime medical expenses only. The LEOFF system pays the entire retirement allowance.
- Police officers and firefighters hired on or after October 1, 1977 are covered entirely by the LEOFF system with no City obligation for either retirement allowance or medical expenses.

There were no changes in benefit provisions in the current year.

Summary of Significant Accounting Policies

The Police and Fire plans are shown as trust funds in the financial statements of the City. The financial statements are prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City follows GASB Statement No. 50, "Pension Disclosures," which amends GASB statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures" and GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers." As such, we will be reporting funding progress of the pensions, as required.

As of December 31, 2010, the Firefighters Pension fund had an investment portfolio with fair value of \$1,261,111, of which the entire amount was invested in U.S. Governmental Agencies on behalf of the Firemen's Pension Fund. In addition to these investments, the Firefighters Pension fund had cash and cash equivalents invested in the City's internal investment pool totaling \$5.2 million. Investments in the City's internal investment pool are invested in the Washington State Treasurer Local Government Investment Pool is a Rule 2a-7 money market type fund with an average portfolio maturity of less than 91 days, the Clark County Local Government Investment Pool, and in Federal Agencies. All investments are valued at fair value. The Police Pension fund reported no investments at December 31, 2010, but did have \$743,545 invested in the City's internal investment pool. Investments are reported at fair value.

The City does not hold an investment in any one corporation or organization exceeding 5% of net assets available for benefits. Additionally, the City does not have any long-term contract for contributions and any amounts outstanding at the report date.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

Contributions and Reserves

Each Plan receives funding as detailed in section A of this note. Funding for the Police Pension Fund comes from annual transfers from the General Fund that are budgeted and approved by Council. Sources of funding for the Firefighters Pension Fund include donations, distributions from the state from fire insurance premium collections, and a property tax levy of up to \$.45 per \$1,000 of assessed valuation. Milliman Consultants and Actuaries completed actuarial studies of the two funds as of January 1, 2011. The General Fund is responsible for the costs of administering the plans. Obligations for medical expenses are funded for the most part by group insurance. There have been no required employee contributions to the plans since March 1, 1970. As of December 31, 2010, the Police Pension Funds and the Firefighters Pension Fund reported net assets reserved for payment of future claims of \$773,589 and \$6,491,444, respectively.

Police and Fire Pension Funds Annual Pension Cost and Net Pension Obligation

	Police Pension	Fire Pension
Amortized of Unfunded Actuarial Liability (UAAL)	\$ 280,479	\$ 254,060
Interest to December 31, 2009	11,219	10,162
Actuarial Required Contribution (ARC) 12/31/09	291,698	264,222
Interest on Net Pension Obligation (NPO)	(38,337)	(101,370)
Adjustment to Net Pension Obligation	(65,689)	(173,694)
Annual Pension Cost (APC)	319,050	336,546
Employer Contributions	481,081	715,161
Increase (Decrease) in NPO	(162,031)	(378,615)
Net Pension Obligation (Asset) January 1, 2010	(958,418)	(2,534,247)
Net Pension Obligation (Asset) December 31, 2010	\$ (1,120,449)	\$ (2,912,862)

The negative net pension obligation is a result of the City over paying its required annual pension cost; the resulting net pension asset has been recorded in the Governmental Activities, Statement of Net Assets.

Three Year Trend Information

Police Pension Fund:

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (Asset)
December 31, 2010	\$ 319,050	151%	\$ (1,120,449)
December 31, 2009	315,436	120%	(958,418)
December 31, 2008	266,749	164%	(894,484)

Firefighters Pension Fund:

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (Asset)
December 31, 2010	\$ 336,546	213%	\$ (2,912,862)
December 31, 2009	317,935	260%	(2,534,247)
December 31, 2008	320,746	315%	(2,024,070)

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

Schedule of Funding Progress

GASB 50 requires that the current funded status of the plan is shown, so that users of the financial statements can determine if the funding status is improving or worsening over time. These amounts are shown in thousands below:

Police Pension Fund:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
January 1, 2011	\$ 774	\$ 3,074	\$ 2,300	25%	\$ -	N/A
January 1, 2009	569	4,784	4,215	12%	149	2829%
January 1, 2007	498	3,973	3,475	13%	171	2032%

Fire Pension Fund:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
January 1, 2011	\$ 6,491	\$ 7,895	\$ 1,404	82%	\$ 472	297%
January 1, 2009	6,225	10,043	3,818	62%	659	579%
January 1, 2007	5,458	9,505	4,047	57%	634	638%

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Six-year trend information is presented as required supplementary information following the Notes to the Financial Statements.

Actuarial assumptions are shown below:

	Police Pension	Fire Pension
Valuation Date	1/1/2011	1/1/2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	30 Year closed period as of 1/1/2001	30 Year closed period as of 1/1/2001
Remaining Amortization Period	20 Years	20 Years
Asset Valuation Method	Fair Value	Fair Value
Actuarial Assumptions		
Investment Rate of Return	4%	4%
Projected Salary Increases	3.75%	3.75%
Inflation Rate	2.75%	2.75%
Cost of Living Adjustments	Varies*	Varies*

*Under the Police and Fire Pension fund requirements of state law, most adjustments are based on the change in salary for the rank of the members held at retirement or based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150 and RCW 41.26.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

Separate financial statements are not issued for the police and fire pension plan. The statement of net assets and the statement of changes in fiduciary net assets for the police and fire pension plans are disclosed below:

CITY OF VANCOUVER
COMBINING STATEMENT OF NET ASSETS
PENSION TRUST FUNDS
December 31, 2010

	<u>Police Pension</u>	<u>Fire Pension</u>
ASSETS		
Cash, cash equivalents and pooled investments	\$ 743,545	\$ 5,219,194
Investments (at fair value)		
Federal Agency Coupon	-	1,261,111
Receivables (net):		
Interest	-	4,195
Prepaid expenses	30,830	23,925
TOTAL ASSETS	\$ 774,375	\$ 6,508,425
LIABILITIES		
Accounts and accrued employee payables	\$ 786	\$ 16,981
TOTAL LIABILITIES	786	16,981
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	\$ 773,589	\$ 6,491,444

CITY OF VANCOUVER
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2010

	<u>Police Pension</u>	<u>Fire Pension</u>
ADDITIONS:		
Employer Contributions		
For pension benefits	\$ 511,276	\$ 592,614
For healthcare benefits	555,728	980,562
Other Sources	889	160,133
Total Contributions	1,067,893	1,733,309
Investment Income		
Interest earnings	-	67,185
Total Investment Income	-	67,185
Total Additions	1,067,893	1,800,494
DEDUCTIONS:		
Pension benefits	267,552	638,372
Healthcare premium subsidies	555,729	986,690
Administrative expense	31,085	31,459
Total Deductions	854,366	1,656,521
Change in net assets	213,527	143,973
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	560,062	6,347,471
END OF YEAR	\$ 773,589	\$ 6,491,444

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

G. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description:

In addition to the pension benefits described in Note V.F.3, the City administers two single employer defined benefit plans covering postretirement healthcare and long term care in accordance with state statute to retired police and fire employees who are eligible under the Police Relief and Pension Fund and Firefighter's Pension Fund through Law Enforcement Officers & Fire Fighters Plan 1(LEOFF-1). The activity of the plan is reported in the City's Police and Fire Pension Trust Funds. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature. A separate audited GAAP-basis Postemployment benefit plan report is not available.

Membership:

Membership in this program includes Plan 1 participants of LEOFF who joined the system by September 30, 1977. Currently, 129 retirees meet those eligibility requirements. This is considered a closed group with no new members. There were 3 active employees who had not retired as of December 31, 2010.

Funding Policy:

The City reimburses 100 percent of the amount of validated claims for medical and hospitalization costs incurred by eligible retirees. The City pays for the retiree's monthly insurance premium and also picks up the balance owing after insurance and Medicare payments are made. The pension board performs an annual survey to determine the limit of optical and chiropractic care to be covered. The City also reimburses a monthly fixed amount equal to the Medicare premium for each retiree eligible for Medicare. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.26 and 41.45 of the RCW.

Under RCW law, medical, hospital, and nursing care are covered as long as a disability exists for any active fire fighter or police hired prior to March 1, 1970.

Employer contributions are financed on a pay-as-you-go basis. Expenditures for postretirement health in 2010 were \$1,536,290.

Annual OPEB costs and Net OPEB Obligation:

The city's annual other post employment benefit (OPEB) cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The city's annual OPEB cost for the current year and the related information for each plan are as follows:

	Police	Fire
Annual required contribution	\$ 897,805	\$ 1,367,846
Interest on net OPEB obligation	24,723	58,755
Adjustment to annual required contribution	(36,395)	(86,492)
Annual OPEB cost	886,133	1,340,109
Contributions made	(555,728)	(980,562)
Increase in net OPEB obligation	330,405	359,547
Net OPEB obligation - beginning of year	618,081	1,468,869
Net OPEB obligation - end of year	<u>\$ 948,486</u>	<u>\$ 1,828,416</u>

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years for each were as follows:

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB obligation
Police	December 31, 2010	\$ 886,133	63%	\$ 948,486
	December 31, 2009	892,278	66%	618,081
	December 31, 2008	663,640	80%	312,150
Fire	December 31, 2010	\$ 1,340,109	73%	\$ 1,828,416
	December 31, 2009	1,350,932	62%	1,468,869
	December 31, 2008	1,140,112	59%	955,364

Funding Status and Funding Progress:

The actuarial updates on the funding status is as follows:

Police:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
January 1, 2011	\$ -	\$ 17,272	\$ 17,272	0%	-	N/A
January 1, 2009	\$ -	\$ 14,518	\$ 14,518	0%	149	9744%
January 1, 2007	\$ -	\$ 9,734	\$ 9,734	0%	171	5692%

Fire:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
January 1, 2011	\$ -	\$ 26,545	\$ 26,545	0%	472	5624%
January 1, 2009	\$ -	\$ 21,587	\$ 21,587	0%	659	3276%
January 1, 2007	\$ -	\$ 216,244	\$ 16,244	0%	634	2562%

Actuarial Methods and Assumptions:

The actuarial assumptions used in the January 1, 2011 OPEB actuarial valuations include techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. In the January 1, 2011 actuarial valuation, the entry age normal cost method was used. The assumptions included a 4% investment rate of return, a medical inflation rate that ranges between 5-10% over the next 10 years, and a long-term care inflation rate of 4.75% for both plans. The plans unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2010 is twenty-six years.

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, service retirement, disability, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents the results of OPEB valuations as of December 31, 2010 and looking forward, the schedule of funding progress will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Calculations are based on the OPEB benefits provided under the

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and the plan members to that point.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liability for benefits.

H. POLLUTION REMEDIATION OBLIGATION

Dry cleaning solvent had been dumped down a catch basin on a regular basis which subsequently caused perchloroethylene (PCE) to leak into the aquifer at Water Station No.4. The City is using aeration towers to treat this ground water. The towers remove trace volatile organic compounds, and carbon dioxide which occurs naturally. The environmental liability is expected to cost \$378,000 over the next 18 years. This estimate is based on prior year actual costs, and is subject to changes in price, technology or changes in applicable laws and regulations.

I. PRIOR PERIOD ADJUSTMENTS

The City has recorded prior period adjustments (PPA), which includes:

Government-wide : Governmental Activities (not affecting the Fund Statements)

Impact fee credit entry	\$	180,005
Debt payment corrections		(49,099)
Depreciation corrections		48,414
	\$	<u>179,320</u>

Government-wide : Governmental Activities

	General Fund	Consolidated Fire Fund	Non-Major Governmental Funds	Internal Service Funds	Total
Labor rate and cost allocation correction	\$ (351,391)	\$ 32,101	\$ (49,691)	\$ 185,945	\$ (183,036)
Revenue adjustments	(44,527)	-	314,729	-	270,202
	\$ (395,918)	\$ 32,101	\$ 265,038	\$ 185,945	\$ 87,166

Government-wide : Business Type Activities

	Water Sewer Fund	Non-Major Enterprise Funds	Total
Labor rate and cost allocation correction	\$ 180,554	\$ -	\$ 180,554
Revenue adjustments	141,978	-	141,978
Debt payment corrections	-	49,099	49,099
Asset capitalization and depreciation corrections	3,422,760	-	3,422,760
	\$ 3,745,292	\$ 49,099	\$ 3,794,391

J. SPECIAL ITEM

In December 2010, the DRA assigned its capital lease to the City of Vancouver. At that point, the DRA no longer owned the land, or the related debt.

K. SUBSEQUENT EVENTS

The city will be issuing approximately \$10 million in Limited Tax General Obligation Bonds in June 2011 for the Water Front Access project. If approved by Council, this will be part of the City's local match for future Federal and State grants awarded for this project. The bonds are anticipated to be funded by the full faith and credit of the City, but also supported by the Local Revitalization Financing (LRF) Act allocation approved by Washington State in 2009 totaling \$220,000 per fiscal year to fund debt service for the downtown/waterfront project, and by Real Estate Excise Tax (REET) revenues for transportation capital projects.

CITY OF VANCOUVER

Required Supplementary Information

Police and Fire Pension Funds

December 31, 2010

GASB Statement No. 25 and 27

Schedule of Funding Progress

(in thousands)

Six year trend Information

Reirement System	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ra io	Covered Payroll	UAAL as a Percentage of Covered Payroll
Police Relief and Pension Fund	01-01-2011	\$ 774	\$ 3,074	\$ 2,300	25%	\$ -	N/A
	01-01-2009	569	4,784	4,215	12%	149	2829%
	01-01-2007	498	3,973	3,475	13%	171	2032%
	01-01-2005	344	3,781	3,437	9%	169	2034%
	01-01-2003	468	3,760	3,292	12%	157	2097%
	01-01-2001	568	5,271	4,703	11%	*	N/A
Fireman's Pension Fund	01-01-2011	\$ 6,491	\$ 7,895	\$ 1,404	82%	\$ 472	297%
	01-01-2009	6,225	10,043	3,818	62%	659	579%
	01-01-2007	5,458	9,505	4,047	57%	634	638%
	01-01-2005	5,620	9,224	3,604	61%	822	438%
	01-01-2003	5,993	9,233	3,240	65%	765	424%
	01-01-2001	5,108	10,313	5,205	50%	*	N/A

* Informa ion unavailable

GASB Statement No. 25

Schedule of Employer Contributions #

Six year trend Information

Reirement System	Fiscal Year Ending	Actual **Employer Contribution	Police Auc ion Income / Fire Insurance Premiums	Annual Required Contribution (ARC)	Percentage of ARC Contributed
Police Relief and Pension Fund	12-31-2010	\$ 480,192	\$ 889	\$ 291,698	165%
	12-31-2009	377,246	2,124	291,698	130%
	12-31-2008	437,206	1,167	251,853	174%
	12-31-2007	416,758	1,992	251,853	166%
	12-31-2006	463,570	1,799	264,325	176%
	12-31-2005	391,196	2,568	264,325	149%
Fireman's Pension Fund	12-31-2010	\$ 555,028	\$ 160,133	\$ 264,222	271%
	12-31-2009	684,887	143,225	264,222	313%
	12-31-2008	860,815	151,037	293,278	345%
	12-31-2007	739,430	141,234	293,278	300%
	12-31-2006	376,839	132,665	276,853	184%
	12-31-2005	294,537	120,901	276,853	150%

** Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.

Prior information used to determine funding requirements for Police Relief and Pension and Firefighters' Pension Funds do not meet the parameters for actuarial calculations for defined benefit pension plans and so historical data prior to 1997 is not shown. The City's plan is valued every two years.

CITY OF VANCOUVER

Required Supplementary Information
Police and Fire OPEB Pension Funds
December 31, 2010

Schedule of Funding Progress

(in thousands)

Six year trend *

Retirement System	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Police Relief and Pension Fund	01-01-2011	\$ -	\$ 17,272	\$ 17,272	0%	\$ -	N/A
	01-01-2009	-	14,518	14,518	0%	150	9679%
	01-01-2007	-	9,734	9,734	0%	178	5469%
Fireman's Pension Fund	01-01-2011	\$ -	\$ 26,545	\$ 26,545	0%	\$ 472	5624%
	01-01-2009	-	21,587	21,587	0%	662	3261%
	01-01-2007	-	16,244	16,244	0%	743	2186%

* This is the third year of OPEB implementation. The actuarial updates on this information is done on a biennial basis.

City of Vancouver

Notes to Required Supplementary Information

Police and Fire Pension Funds

	<u>Police Pension</u>	<u>Fire Pension</u>
Valuation Date	01-01-2011	01-01-2011
Actuarial Cost Method	Entry age normal	Entry age normal
Amortization Method	30-year, closed as of 01/01/01	30-year, closed as of 01/01/01
Remaining Amortization Period	20 years	20 years
Asset Valuation method	Fair Value	Fair Value
Actuarial Assumptions:		
Investment rate of return	4%	4%
Projected Salary Increases	3.75%	3.75%
Includes Inflation at	2.75%	2.75%
Cost of living adjustments	Varies*	Varies*

*Under the Police and Fire Pension funds requirement of State law, most adjustments are based on the change in salary for the rank of the members held at retirement or based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26.

CITY OF VANCOUVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures
Page 1 of 2					
Department of Agriculture:					
<i>Passed through Office of Superintendent of Public Instruction:</i>					
Child and Adult Care Food Program	10.558	06-07-0504		\$ 11,807	
Simplified Summer Food Program	10.559	S03-06810		80,530	
<i>Passed through Department of Natural Resources:</i>					
2010 Urban and Community Forestry Grant	10.664	IAA-10-340/K244-08-DG-014		5,600	
Total Department of Agriculture:				97,937	\$ 97,937
Department of Housing and Urban Development:					
Community Development Block Grant/Entitlement	14.218	B-10-MC-53-0013	\$ 221,816		
Community Development Block Grant/Entitlement	14.218	B-09-MC-53-0013	1,000,425		
Community Development Block Grant/Entitlement	14.218	B-08-MC-53-0013	366,758		
Community Development Block Grant/Entitlement	14.218	B-07-MC-53-0013	27,390		
Community Development Block Grant/Entitlement	14.218	Program Income	171,274		
Total CFDA 14.218			1,787,663		
<i>Passed through Department of Commerce</i>					
CDBG/Neighborhood Stabilization Program	14.228	08-F6401-024		713,939	
HOME Investment Partnerships Program	14.239	M-09-MC-530208	761,556		
HOME Investment Partnerships Program	14.239	M-10-MC-530208	124,587		
<i>Passed through Clark County:</i>					
HOME Investment Partnerships Program	14.239	M-08-DC-530204		92,452	
Total CFDA 14.239			886,143	92,452	
CDBG/Brownfields Economic Development Initiative	14.246	B-06-BD-530011	563,769		
CDBG/Section 108 Loan Guarantees	14.248	B-06-MC-53-0013	3,840,000		
Total Department of Housing and Urban Development:				806,391	7,883,966
Department of Interior:					
Preserve America Grant Program	15.929	53-07-PA-3076	5,261		
<i>Passed through Department of Archaeology and Historic Preservation:</i>					
Historic Preservation Fund Grants-In-Aid	15.904	FY11-61011-007		1,196	
Total Department of Interior:				5,261	1,196
Department of Justice:					
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2005-WE-AX-0028	58,950		
<i>Passed through Washington State Patrol</i>					
High Intensity Drug Trafficking Area Initiatives	07.000	G10NW0002A / C110217FED		7,503	
Domestic Cannabis Eradication / Suppression	16.000	2010-116 / C100870FED		3,569	
Bulletproof Vest Partnership Program	16.607	09047999	22,005		
<i>Passed through Seattle Police Department</i>					
Internet Crimes Against Children Task Force Program	16.543	2009-MC-CX-K016		4,037	
<i>Passed through Clark County:</i>					
Violence Against Women Formula Grant	16.588	F-08-31103-055		7,196	
<i>Passed through Washington Association of Sheriffs & Police Chiefs:</i>					
Project Safe Neighborhoods PSN	16.609	GANG-2007-005		14,050	
<i>Passed through Multnomah County:</i>					
Project Safe Neighborhoods Anti Gang Initiative	16.609	2008-GP-CX-0029		10,000	
Total CFDA 16.609				24,050	
<i>Passed through Clark County:</i>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0227		4,650	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0618		22,191	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Program Income		1,230	
Total CFDA 16.738				28,071	
Total Department of Justice:				74,426	155,381

CITY OF VANCOUVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures
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Page 1 of 2

Department of Transportation:

Passed through Washington State Department of Transportation:

Highway Planning and Construction	20.205	STPH-4226(001)		3,278	
Highway Planning and Construction	20.205	POMVIP-000S(230)		27,007	
Highway Planning and Construction	20.205	STPUL-4221(004)		30,383	
Highway Planning and Construction	20.205	CM-4401(006)		39,021	
Highway Planning and Construction	20.205	STPH-4345(002)		23,481	
Highway Planning and Construction	20.205	POMVIP-4242(020)		43,740	
Highway Planning and Construction	20.205	CM-1350(007)		47,653	
Highway Planning and Construction	20.205	CM-4270(003)		75,432	
Highway Planning and Construction	20.205	CM-4242(019)		49,285	
Highway Planning and Construction	20.205	CM-1350(012)		25,025	
Highway Planning and Construction	20.205	CM-1350(011)		19,254	
Highway Planning and Construction	20.205	CM-4371(012)		19,334	
Highway Planning and Construction	20.205	CM-4375(005)		19,005	
Highway Planning and Construction	20.205	CM-4242(023)		4,772	
Highway Planning and Construction	20.205	CM-1350(009)		108,125	
Highway Planning and Construction	20.205	STPH-IGFSB-4280(017)		165,459	
Highway Planning and Construction	20.205	HPP-4254(004)		1,430,365	
Highway Planning and Construction	20.205	STPUL-4421(003)		67,917	
Highway Planning and Construction	20.205	CM-4451(012)		65,325	
Highway Planning and Construction	20.205	STPUL-4266(002)		17,090	
Highway Planning and Construction	20.205	STPD-4242(024)		3,864	
Highway Planning and Construction	20.205	HSIP-4330(002)		169,553	
Highway Planning and Construction	20.205	HPP-0014(056)		57,101	
Highway Planning and Construction	20.205	STPH-IGFSB-4280(017)		480	
Highway Planning and Construction	20.205	CM-1350(013)		99,652	
Total CFDA 20.205				2,611,601	

Passed through Washington Association of Sheriffs & Police Chiefs:

State and Community Highway Safety	20.600	Traffic Safety Equipment Grant		6,937	
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Passed through State of Washington Traffic Safety Commission:

Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	DUI Emphasis		3,625	
Safety Belt Performance Grants	20.609	Night Time Seat Belt and Special Emphasis		16,254	

Passed through State of Washington Department of Licensing:

National Motor Carrier Safety	20.218	CD095310000000		698	
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Total Department of Transportation: 2,639,115 **2,639,115**

Environmental Protection Agency

Passed through Department of Ecology

Nonpoint Source Implementation Grant	66.460	C9-00044906-0		15,084	
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Total Environmental Protection Agency 15,084 **15,084**

Department of Homeland Security

Passed through Clark County:

Urban Area Security Initiative	97.008	UA07-071		15,966	
Urban Area Security Initiative	97.008	UA08-170		188,160	
Urban Area Security Initiative	97.008	UA08-0076		3,291	
Total CFDA 97.008				207,417	

Passed through Washington State Association of Fire Marshalls:

Assistance to Firefighters; Fire Prevention and Safety Grants	97.044	EMW-2008-FP-01846		50,578	
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Passed through Clark Regional Emergency Services Agency:

Citizens Corp Program (CCP)	97.053	FFY 2008 Citizen Corp Program K458		3,235	
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Passed through Clark Regional Emergency Services Agency:

Port Security Grant Program	97.056	E10-190		1,624	
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Passed through Clark Regional Emergency Services Agency:

Homeland Security Grant Program	97.067	2008-GE-T8-0038		175,124	
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Passed through Clark Regional Emergency Services Agency:

State Homeland Security Program	97.073	E09-140		42,547	
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Staffing for Adequate Fire and Emergency Response (SAFEF)	97.083	EMW-2008-FF-00494	41,827		
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Total Department of Homeland Security 41,827 480,525 **522,352**

CITY OF VANCOUVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures
Page 1 of 2					
Department of Energy:					
ARRA - Energy Efficiency and Conservation Block Grant	81.128	DE-SC0003385	165,769		
<i>Passed through Department of Commerce</i>					
ARRA - Energy Efficiency and Conservation Block Grant	81.128	F10-52110-013		12,767	
ARRA - Energy Efficiency and Conservation Block Grant	81.128	F10-52110-063		20,710	
<i>Passed through Clark County</i>					
ARRA - Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000856		2,769	
Total Department of Energy:			165,769	36,246	202,015
Department of Housing and Urban Development:					
ARRA - CDBG ARRA Entitlement Grants (CDBG-R)	14.253	B-09-MY-53-0013	257,868		
ARRA - Homelessness Prevention & Rapid Re-Housing Prog	14.257	S-09-MY-53-0004	297,870		
Total Department of Housing and Urban Development:			555,738		555,738
Department of Health and Human Services					
<i>Passed through Clark County Volunteer Lawyers:</i>					
ARRA - Community Services Block Grant	93.710	2009-CSR-07		17,740	
Total Department of Health and Human Services				17,740	17,740
Department of Justice:					
ARRA - FY09 Recovery Act Byrne Competitive Grant	16.808	2009-SC-B9-0139	351,862		
<i>Passed through Clark County</i>					
ARRA - FY 2009 Recovery Act JAG Program	16.804	2009-SB-B9-1974		135,000	
ARRA - FY 2009 Recovery Act JAG Program	16.804	Program Income		2,781	
Total CFDA 16.804				137,781	
<i>Passed through Clark County</i>					
ARRA - Washington State Meth Initiative	16.710			457	
<i>Passed through Department of Commerce</i>					
ARRA - Recovery Act - Edward Byrne Memorial JAG	16.803	F09-34721-405		205,676	
Total Department of Justice:			351,862	343,914	695,776
Department of Transportation:					
<i>Passed through Washington State Department of Transportation:</i>					
ARRA - Highway Planning and Construction	20.205	ARRA-9906(028)		2,487,000	
Total Department of Transportation:				2,487,000	2,487,000
TOTAL FEDERAL EXPENDITURES					\$ 15,278,561

CITY OF VANCOUVER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE/LOCAL FINANCIAL ASSISTANCE

NOTE 1 **BASIS OF ACCOUNTING**

The Schedule of Financial Assistance is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting.

NOTE 2 **PROGRAM COSTS**

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

NOTE 3 **REVOLVING LOAN - PROGRAM INCOME**

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

NOTE 4 **FEDERAL LOANS**

The City was approved by the Department of Housing and Urban Development to receive a loan under the Community Development Block Grants (CDBG) - Section 108 Loan Guarantees program to be used in conjunction with the CDBG/Brownfields Economic Development Initiative (BEDI) grant. The amount listed loan includes proceeds received during the year. The liability for this loan is reported in the City's financial statements as a component of long-term debt.

NOTE 5 **AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009**

The City has received Federal awards made under the Recovery Act which have been identified separately on the Schedule of Expenditures of Federal Awards (SEFA). These awards are entered by CFDA number and have included the prefix "ARRA" to identify the name of the Federal program.



ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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

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