

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

City of Vancouver
Clark County

Audit Period
January 1, 2011 through December 31, 2011

Report No. 1008186

Issue Date
August 27, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

August 27, 2012

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

Table of Contents

**City of Vancouver
Clark County
January 1, 2011 through December 31, 2011**

Federal Summary	1
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i>	3
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	5
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	9

Federal Summary

City of Vancouver
Clark County
January 1, 2011 through December 31, 2011

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>
20.205	Highway Planning and Construction
97.044	Assistance to Firefighters Grant
81.128	ARRA – Energy Efficiency and Conservation Block Grant (Recovery Act)
14.257	ARRA – Homelessness Prevention and Rapid Re-Housing Program (Recovery Act)
16.808	ARRA – Byrne Competitive Grant FY 2009 (Recovery Act)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$310,868.

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, 2011 through December 31, 2011

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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2012. During the year ended December 31, 2011, the City implemented Governmental Accounting Standards Board Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*.

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.

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, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

June 29, 2012

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, 2011 through December 31, 2011

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, 2011. 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 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, 2011.

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", with a stylized, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 13, 2012

Independent Auditor's Report on Financial Statements

**City of Vancouver
Clark County
January 1, 2011 through December 31, 2011**

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, 2011, 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 .4 percent, 3.8 percent, 100 percent, and 83 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, 2011, 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.

As described in Note 1, during the year ended December 31, 2011, the City implemented Governmental Accounting Standards Board Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*.

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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 21, police and fire pension fund on page 72 and information on police and fire other postemployment benefits pension funds on pages 73 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRIAN SONNTAG, CGFM
STATE AUDITOR

June 29, 2012

Financial Section

**City of Vancouver
Clark County
January 1, 2011 through December 31, 2011**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2011

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2011
Statement of Activities – 2011
Balance Sheet – Governmental Funds – 2011
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2011
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund – 2011
Statement of Revenues, Expenditures and Changes in Fund Balances Compared to Budget (GAAP Basis) and Actual – General Fund – 2011
Statement of Revenues, Expenditures and Changes in Fund Balances Compared to Budget (GAAP Basis) and Actual – Consolidated Fire Fund – 2011
Statement of Net Assets – Proprietary Funds – 2011
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds – 2011
Statement of Cash Flows – Proprietary Funds – 2011
Statement of Net Assets – Fiduciary Funds – 2011
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2011
Notes to the Basic Financial Statements – 2011

REQUIRED SUPPLEMENTARY INFORMATION

Police and Fire Pension Funds – 2011
Police and Fire OPEB Pension Funds – 2011
Notes to the Required Supplementary Information – Police and Fire Pension Funds – 2011

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards – 2011
Notes to the Schedule of Expenditures of Federal Awards – 2011

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, 2011. 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, 2011 by \$978.6 million.
- Net assets invested in capital assets (net of related debt) accounts for over 80% of this amount, with a value of \$783.1 million.
- Of the remaining net assets, \$114.4 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 \$26.8 million from current operations in 2011. Beginning net assets were restated with prior period adjustments of \$1.0 million. This is explained in detail in Note V.I. The government's net capital assets increased by \$8.4 million during 2011.
- Total program revenues were \$141.2 million in 2011, up \$3.1 million from 2010, due to increases in capital grant revenues and contributions. Program expenses were \$228.5 million, down \$18.0 million from 2010. General revenues and transfers were \$114.1 million, up \$1.9 million from last year.
- As of December 31, 2011, the City of Vancouver's governmental funds reported combined ending fund balances of \$126.7 million, which was \$14.9 million more than the prior year year. About 40.3% of this total amount, or \$51.1 million, is available for spending at the government's discretion. The unassigned fund balance for the General Fund was \$34.5 million at December 31, 2011.
- The City of Vancouver's total bonded debt at December 31, 2011 was \$195.6 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 economic 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, 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 2011. 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 Transportation Capital 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, airpark, 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 \$978,560,689 at December 31, 2011. 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	
	2010 Restated	2011	2010 Restated	2011	2010 Restated	2011
Current and other assets	\$ 161,254,233	\$ 175,301,318	\$ 88,624,318	\$ 86,774,301	\$ 249,878,551	\$ 262,075,619
Capital assets (net of accumulated depreciation)	580,335,038	590,772,747	377,212,085	375,124,838	957,547,123	965,897,585
TOTAL ASSETS	741,589,271	766,074,065	465,836,403	461,899,139	1,207,425,674	1,227,973,204
Long-term liabilities	133,952,552	141,508,339	99,877,592	88,745,810	233,830,144	230,254,149
Other liabilities	17,898,470	14,786,184	4,146,269	4,372,182	22,044,739	19,158,366
TOTAL LIABILITIES	151,851,022	156,294,523	104,023,861	93,117,992	255,874,883	249,412,515
NET ASSETS						
Invested in capital assets, net of related debt	484,563,182	494,576,336	279,413,055	288,493,306	763,976,237	783,069,642
Restricted	35,421,622	75,636,451	5,258,905	5,405,918	40,680,527	81,042,369
Unrestricted	69,753,445	39,566,755	77,140,582	74,881,923	146,894,027	114,448,678
TOTAL NET ASSETS	\$ 589,738,249	\$ 609,779,542	\$ 361,812,542	\$ 368,781,147	\$ 951,550,791	\$ 978,560,689

The 2010 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, 80.0%, 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 2011 by \$20.5 million and total liabilities decreased by \$6.4 million resulting in an increase in total net assets of \$26.8 million, or 2.8%.

Net assets representing resources that are subject to external restrictions on how they may be used are 8.3% of total net assets. The remainder of the net assets balance of \$114.4 million (unrestricted net assets), represents the amount that may be used to meet the City's ongoing obligations.

At December 31, 2011, 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 2011 of \$26.8 million is split between governmental increase of \$19.9 million and business-type activities increase of \$7.0 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 2011.

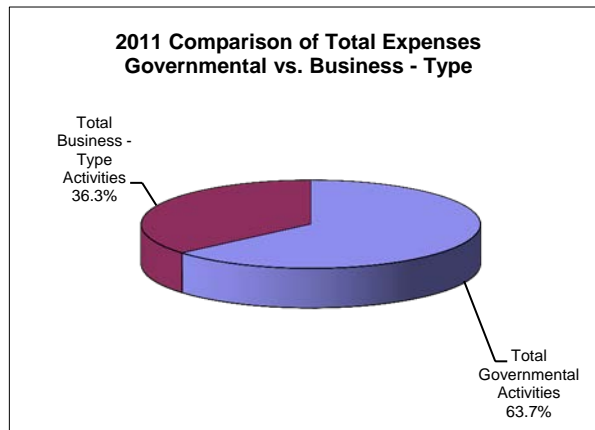
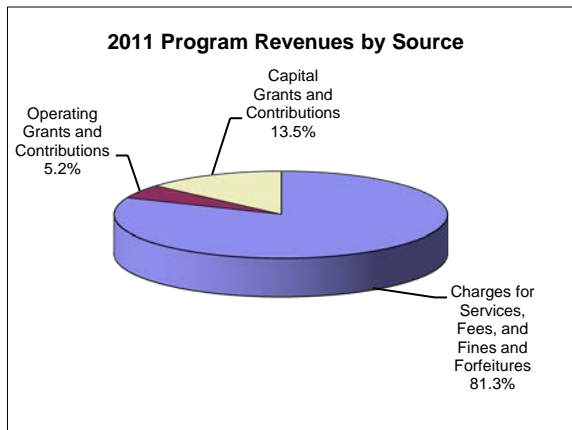
The increase in net assets is primarily due to increased capital asset additions, some of which were donated to the City. The largest addition was related to the new City Hall improvement and Waterfront Access project. Capital asset growth net of related debt totaled \$19.1 million, restricted net assets increase of \$40.4 million; unrestricted net assets decrease of \$32.4 million to equal \$26.8 million total increase in government's net assets.

Governmental activities revenue decreased by 0.2% while governmental expenses decreased by 12.6%. The major decrease in governmental activities revenue from Charges for Services, Fees, and Fines and Forfeitures and Operation Grant and Contribution was offset by an increase in revenue from Capital Grants and Contributions. In 2011, governmental program revenue from Charges for Services, Fees, and Fines and Forfeitures and Operation Grant and Contribution decreased by \$10.0 million and governmental program revenue from Capital Grants and Contribution increased by \$7.5 million from 2010.

The Business-Type Activity revenue increased by 2.4% while expenses increased by 0.2%. The major increase in Business-Type Activity revenue was from Charges for Services, Fees, and Fines and Forfeitures. In 2011, Business-Type Activity revenue from Charges for Services, Fees, and Forfeitures increased by 2.1%, due to increased Sewer rates by 9% in 2011 and SEH America and Frito Lay increased business.

**Summary of Changes in Net Assets
Comparative 2010-2011**

Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Program revenues:						
Charges for Services, Fees, and Fines and Forfeitures	\$ 44,077,066	\$ 37,113,193	\$ 79,334,062	\$ 80,969,889	\$ 123,411,128	\$ 118,083,082
Operating Grants and Contributions	9,915,386	6,941,995	241,703	624,583	10,157,089	7,566,578
Capital Grants and Contributions	6,646,343	14,175,444	5,231,414	5,425,419	11,877,757	19,600,863
General Revenues						-
Taxes:						-
Property Taxes Levied for General Purposes	39,204,693	40,145,943	-	-	39,204,693	40,145,943
Sales and Use Taxes	25,176,886	24,700,968	-	-	25,176,886	24,700,968
Utility and Other Taxes	43,610,579	47,450,677	-	-	43,610,579	47,450,677
Intergovernmental Revenues not Restricted to Specific Programs	-	-			-	-
Unrestricted Investment Earnings	1,312,182	1,096,185	840,272	669,651	2,152,454	1,765,836
Miscellaneous	1,979,972	2,471	52,727	46,173	2,032,699	48,644
Total Revenues	171,923,107	171,626,875	85,700,178	87,735,715	257,623,285	259,362,590
Program Expenses						
Governmental Activities:						
General Government	36,530,227	30,035,434	-	-	36,530,227	30,035,434
Judicial	1,868,290	1,750,281	-	-	1,868,290	1,750,281
Security/Persons & Property	67,126,452	63,405,526	-	-	67,126,452	63,405,526
Physical Environment	521,385	315,426	-	-	521,385	315,426
Transportation	30,894,623	26,830,253	-	-	30,894,623	26,830,253
Health and Human Services	383,666	264,823	-	-	383,666	264,823
Economic Environment	11,096,094	9,201,330	-	-	11,096,094	9,201,330
Culture and Recreation	18,032,550	12,772,816	-	-	18,032,550	12,772,816
Interest on Long-Term Debt	4,566,405	4,932,951	-	-	4,566,405	4,932,951
Business-Type Activities:						
Water Sewer	-	-	70,560,835	71,882,823	70,560,835	71,882,823
Parking	-	-	3,571,793	3,637,263	3,571,793	3,637,263
Airpark	-	-	580,737	702,277	580,737	702,277
Building Inspection	-	-	4,297,747	3,763,539	4,297,747	3,763,539
Sanitation	-	-	1,825,018	2,005,789	1,825,018	2,005,789
Tennis Center	-	-	1,072,297	1,032,844	1,072,297	1,032,844
Fire Shop	-	-	921,387	132	921,387	132
Total Expenses	171,019,692	149,508,840	82,829,814	83,024,667	253,849,506	232,533,507
Excess (deficiency) of revenues over expenses	903,415	22,118,036	2,870,364	4,711,048	3,773,779	26,829,084
Transfers - Governmental	(163,339)	(2,257,553)	-	-	(163,339)	(2,257,553)
Transfers - Business-Type	-	-	163,339	2,257,553	163,339	2,257,553
Change in Net Assets	740,076	19,860,483	3,033,703	6,968,601	3,773,779	26,829,084
Net Assets - Beginning	589,768,843	590,775,405	355,161,104	361,989,200	944,929,947	952,764,605
Prior year adjustments	266,486	(856,346)	3,794,391	(176,654)	4,060,877	(1,033,000)
Net Assets - Ending	\$ 590,775,405	\$ 609,779,542	\$ 361,989,198	\$ 368,781,147	\$ 952,764,603	\$ 978,560,689

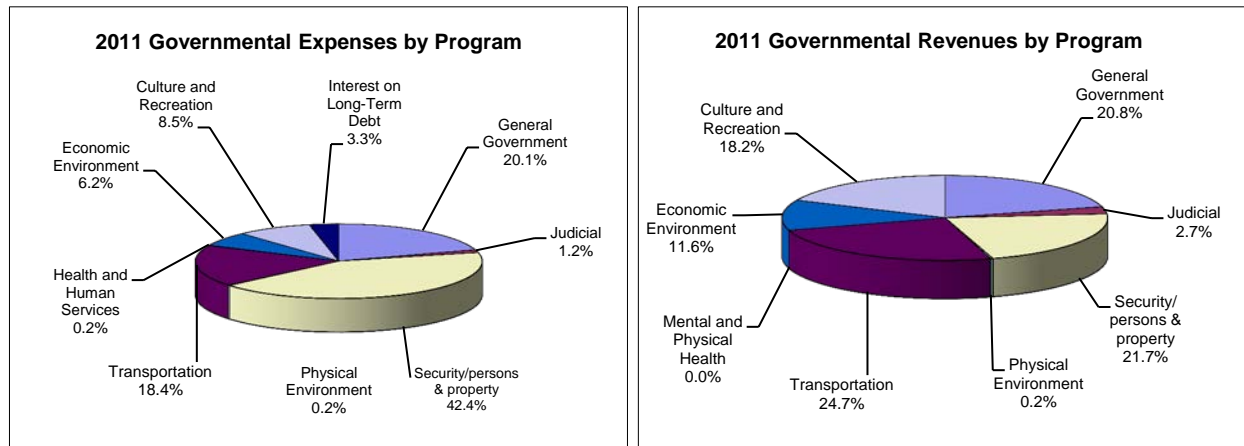


Governmental Activity Analysis

Governmental net assets increased by \$19.9 million in 2011 from operations offset by \$856.3 thousand from prior year adjustments. This 3.2% increase corresponds to a \$23.4 million increase in total assets with only \$4.4 million increase in total liabilities. During 2011, the City's cash balances increased by \$4.1 million, capital assets increased by \$10.4 million, and receivables and other assets increased by \$9.9 million.

Governmental revenues increased from 2010 by \$3.0 million or 1.8%. Program revenues increased \$864.8 thousand and general revenues increased by \$2.1 million. The largest increase in program revenues came from capital grants and contributions.

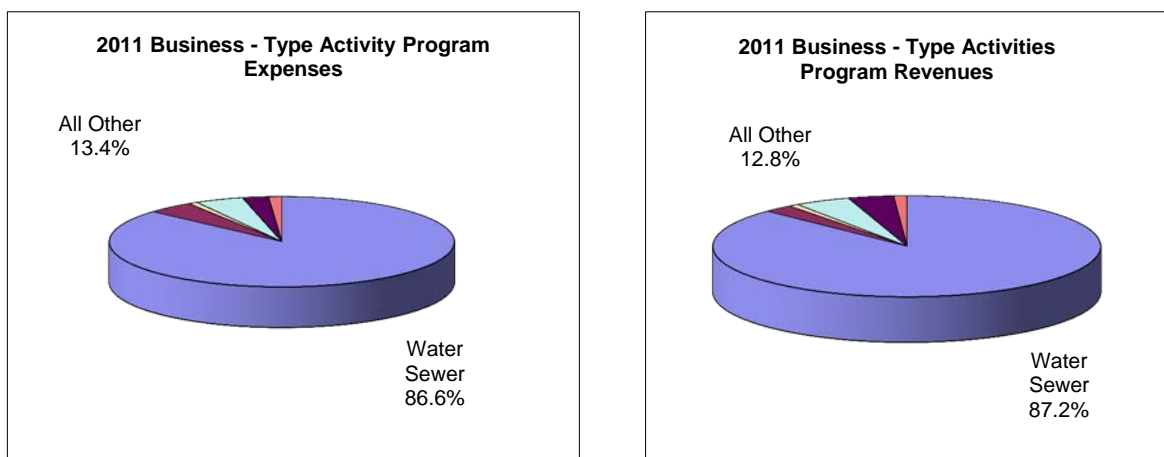
General Government expenses were down by \$6.4 million, due to decrease grant expenses and HR recruitment was way down. Transportation expenses decreased by \$4.1 million from 2010 to 2011, primarily due decentralization of the transportation function in 2011. Security/Persons & Property expenses decreased \$3.7 million in several areas, the largest included expenses for Fire Station 6 that was closed for a period of time. Culture and Recreation expenses decreased by 5.3 million due to reduction of the trails program, sports development, and recreation total. In total, expenses for Governmental activities decreased by \$21.5 million.

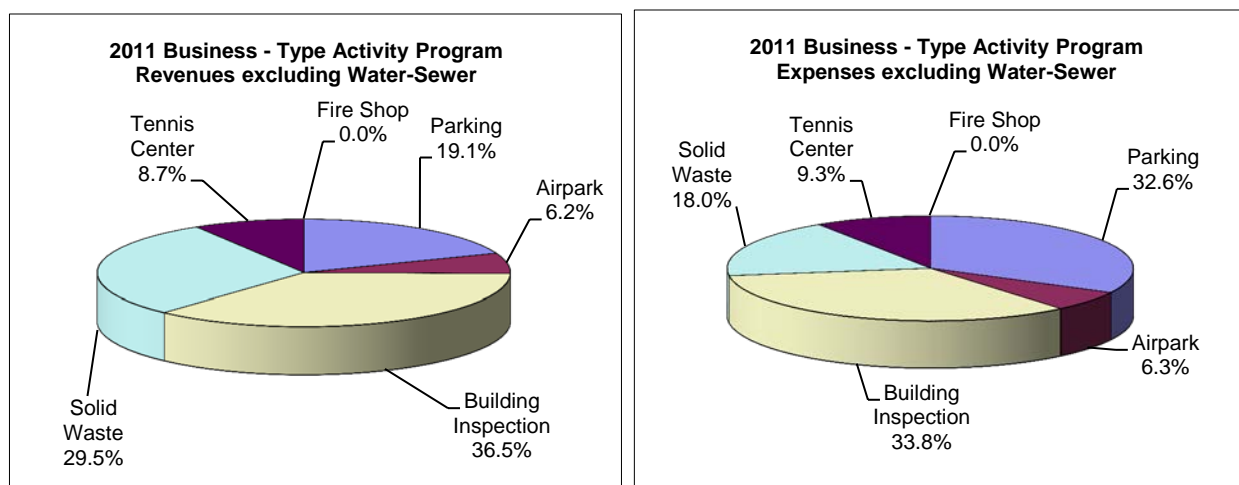


Business-Type Activities Analysis

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 \$2.03 million increase in charges for services, a \$414 thousand increase in Capital Grants and Contributions and a \$1.8 million increase in operating expenses.

The other business-type activities had moderate gains and losses. Solid Waste had \$1.3 million net increase in operating income due to increasing price and amount of recycling. Parking Activity had \$1.5 million net decrease in operating income. The General Fund support of the Parking Fund remained at the 1.25 million. Building Inspection Activity had \$294 thousand net increase; largely led by the multifamily component. On a year over year basis, June 2011 national housing starts were 16.7% higher than in 2010.





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 Transportation Capital 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 down 0.6% over 2010 due primarily to decrease in charges for services and intergovernmental revenue of \$4.8 million and \$516 thousand, respectively. Compared to property tax and sales and use tax collections in 2010, 2011 saw an increase of approximately 2.5% and 11.5%, respectively, in these revenue sources due to new construction and delinquency rates. By Council action, there was 1% property tax levy increase for 2011 taxes. The increase in sales and use taxes is due primarily to a the state sales tax credit to the Local Revitalization Program, brokered natural gas for CY, and deferred amount from 2009 and 2010. Rent and royalties revenues increase due to the collection from tenants of the newly purchased building that began on July1, 2010. General Fund expenditures accounted for 49.2% of total governmental fund expenditures for 2011. General Fund expenditures decreased by approximately 4.1%, primarily due decentralization of the transportation function, reduction in culture and recreation program, and economic environment expenditures.

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 2011 accounted for 17.3% of the governmental funds' expenditures, a decrease of \$1.8 million from 2010. In 2011, the Consolidated Fire Fund Balance increased by \$1.9 million.

The Transportation Capital Fund is a capital projects fund. It was created in 1998 to account for all capital projects in the Transportation Department. The funding for the projects is primarily from grants, bonds, and developer agreements as well as other public and private funding sources. The Transportation Capital Fund in 2011 accounted for 11.3% of the governmental funds' expenditures, an increase of \$3.1 million from 2010 due to increased capital outlay expenditures with majority for the Waterfront Access project, NE 18th St Extension & Mill Plain SE 136th. In 2011, the Transportation Capital Fund balance decreased by \$1.3 million due to a large capital outlay for the Waterfront Access Project.

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 94.7% of net assets for the enterprise funds at \$349.3 million. Water/Sewer Fund net assets increased \$5.6 million in 2011 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 \$1.9 million in 2011, and their operating revenue increased 3.8% primarily due to sewer rate increased by 9% in 2011, increased in business activities for SEH America and grant revenue. Utility operating expenses increased by \$1.8 million from 2010, mainly related to increased costs for personnel and professional & contracted services and utility tax expenses. Additionally, depreciation of utility capital assets increased by \$13.1 million and its bonded indebtedness decreased \$10.7 million in 2011.

The Parking Services Fund reported an operating loss of \$760.9 thousand in 2011. Operating expenses increased by \$97.0 thousand from 2010 due to a increase in personnel services and intergovernmental payments. Parking Services changes in net assets decreased by \$260.3 thousand from 2010. The General Fund support of the Parking Services Fund remained at the \$1.25 million level in 2011. 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 \$1.3 million in operating income and accounted for 91.1% of the increase in total net assets of the non-major business funds. This increase can be attributed to increasing prices and number of pounds for recycling. The second biggest non-major business fund is the Building Inspection Fund, which reported \$293.7 thousand in operation income and accounted for 26.1% of the increase in total net assets of the non-major business funds. At the national level, housing starts were up in June 2011, largely led by the multifamily component.

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 increased \$273.2 thousand from 2010. Operating losses of all City Internal Service funds totaled \$760.6 thousand, a decrease of \$1.8 million from 2010. A conscious effort was made to utilize these net asset balances for self-insurance benefits.

GENERAL FUND BUDGETARY HIGHLIGHTS

Since 2001, the City has addressed an ongoing structural deficit each biennium that is a result of growth in expenditures outpacing growth in revenues. Contributing factors to this deficit include the voters' passage of Initiative 695, which eliminated the motor vehicle excise tax in 2000; Initiative 747, which beginning in 2002 limited increases in property taxes to the lower of 1 percent or the implicit price deflator; the phase out and elimination of the city's Business and Occupation Tax beginning in 1993, and significantly greater City reliance on revenues that fluctuate with the economy.

In light of the permanent downward adjustment in revenues driven by the recession, the City has determined that it would not have the financial capacity to maintain 2010 levels of services in 2011 and beyond. As a result, the 2011-2012 Budget incorporates approximately \$9.1 million in annual budget reductions in the General, Street and Fire Funds. The reductions were achieved largely through employee layoffs, cuts in programs, service levels and employee compensation. This reduction reflects the City's practice of pro-actively constraining on-going expenditures to match the on-going revenues, while maintaining appropriate reserves and fund balances.

The Strategic Commitment of a Safe and Prepared Community remains the city's highest priority in the 2011-2012 Budget. Both Police and Fire departments reflect significantly lower level of reductions proportionate to General Fund resources supporting these areas. Across all city services, their proportionate reduction increased as priority decreased. Citywide, all recommended reductions will result in service level reductions across all areas, ranging from cuts in parks and median maintenance to slower emergency response in certain areas of the City.

The General Fund stayed within budget for the biennium. Revenues were below the forecast for the year by \$3.8 million. Of that amount, approximately \$2.1 million relates to the City's delayed spending on several large grants in Police and Community Development Department. Actual expenses were below budget in almost all expenditure functions.

Adjustments for the City's Operating and Capital funds included in the fall 2011 Supplemental Budget have an increase of \$65 million on the City's expenditure appropriation. Of that amount, \$13.6 million relate to an increase in the Operating budget and the remaining \$51.4 million relate to the Capital Budget and the supporting transfers increase. The appropriation increase in the General, Street, and Fire Funds equal \$7.3 million is largely a result of a carry forward appropriation from the 2009-2010 budget and new grants.

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, 2011, amounts to \$965.9 million (net of accumulated depreciation).

The 2011 investment total reflects an increase in net capital assets of \$8.4 million.

	Governmental Activities		Business-Type Activities		Total Activities	
	2010 Restated	2011	2010 Restated	2011	2010 Restated	2011
Land	\$ 57,247,594	\$ 60,781,763	\$ 29,020,675	\$ 29,235,379	\$ 86,268,269	\$ 90,017,142
Intangible - Easements	9,621,252	7,260,900	982,263	1,591,679	10,603,515	8,852,579
Buildings and systems	91,598,726	90,769,321	21,758,938	21,528,472	113,357,664	112,297,793
Machinery and equipment	12,963,927	13,689,290	5,138,830	4,446,281	18,102,757	18,135,571
Infrastructure	382,257,405	375,448,458	310,048,459	307,107,280	692,305,864	682,555,738
Intangible assets	111,417	42,182	2,195,988	1,013,767	2,307,405	1,055,949
Construction in progress	26,534,717	42,780,833	8,066,932	10,201,981	34,601,649	52,982,814
Total	<u>\$ 580,335,038</u>	<u>\$ 590,772,747</u>	<u>\$ 377,212,085</u>	<u>\$ 375,124,838</u>	<u>\$ 957,547,123</u>	<u>\$ 965,897,585</u>

The major changes for assets were in construction in progress (CIP), machinery and equipment 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. 2010 capital assets were restated to Prior Period Adjustments

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, 2011, the City of Vancouver had total bonded debt outstanding of \$195.6 million. Of this amount, \$121.1 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 \$71.8 million represents bonds secured solely by specific revenue sources (i.e., revenue bonds). The below table is a comparison of the summary information for year-end 2010 and 2011 bonded debt.

The City of Vancouver's total bonded debt decreased by \$28.8 million offset by new additions of \$22.1 million during 2011, the result of scheduled principal payments made throughout 2011 coupled with new Waterfront capital bond. The City's remaining capacity for non-voted debt is approximately \$103.7 million.

City of Vancouver Outstanding Bonded Debt

(in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2010	2011	2010	2011	2010	2011
General obligation bonds	\$ 102,545	\$ 106,903	\$ 15,090	\$ 14,187	\$ 117,635	\$ 121,090
Revenue bonds	-	-	81,940	71,785	81,940	71,785
Net of Deferred Amounts for:						
Issuance premiums (discounts)	4,059	4,104	4,625	4,064	8,684	8,168
Refunding	(1,911)	(1,650)	(4,285)	(3,761)	(6,196)	(5,411)
Total	<u>\$ 104,693</u>	<u>\$ 109,357</u>	<u>\$ 97,370</u>	<u>\$ 86,275</u>	<u>\$ 202,063</u>	<u>\$ 195,632</u>

The City of Vancouver maintains an "Aa3"/"AA" rating from Moody's/Standard and Poor's (S & P) rating services, respectively for general obligation debt. 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

The 2011-2012 Biennial Budget authorizes \$817,481,191 in operating and capital expenditures, including 980.75 positions. At 112.4 fewer positions than in 2009-2010, this budget represents a 14% reduction from the prior biennium, with most of the reductions being in the General Fund supported areas and capital programs. Developed during the deepest economic recession since the Great Depression, this budget is balanced in a manner that reflects the stark reality of recessionary impacts on city revenues. The 2011-12 Budget was built anticipating the economy to continue to improve at a slow pace during the biennium.

In preparation of the 2011-2012 Budget, the City underwent a thorough review and prioritization of all the programs the City provides. 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 used 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.

The City's management continues its commitment to seeking out and implementing new cost containment and service delivery options that will address aspects of the ongoing structural deficit beyond this biennium. 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, 2011

	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	\$ 138,541,760	\$ 73,017,827	\$ 211,559,587	\$ 91,924	\$ 117,299
Cash with fiscal/escrow agent	3,485,512	-	3,485,512	7,666,868	-
Restricted assets					
Cash	-	5,409,725	5,409,725	-	-
Accrued interest receivable	-	2,991	2,991	-	-
Receivables (net of allowance for uncollectible accounts)	14,504,685	8,093,051	22,597,736	732,241	353,331
Inventories	506,472	753,613	1,260,085	46,505	-
Capital assets held for resale	5,801,535	-	5,801,535	-	-
Prepaid Items	50,000	-	50,000	74,912	-
Internal balances	1,486,724	(1,486,724)	-	-	-
Investment in joint venture	1,364,785	-	1,364,785	-	-
Deferred charges	1,145,643	901,855	2,047,498	4,413,779	-
Due from other governmental units	3,499,464	81,963	3,581,427	1,743,063	-
Net pension asset	4,914,738	-	4,914,738	-	-
Capital assets (net of accumulated depreciation)					
Land	60,781,763	29,235,379	90,017,142	-	3,603,691
Easements	7,260,900	1,591,679	8,852,579	-	-
Buildings	90,769,321	21,528,472	112,297,793	43,434,212	-
Machinery and equipment	13,689,290	4,446,281	18,135,571	380,310	-
Infrastructure	375,448,458	307,107,282	682,555,740	-	-
Intangible assets	42,182	1,013,767	1,055,949	-	-
Construction work in progress	42,780,833	10,201,979	52,982,812	-	-
TOTAL ASSETS	\$ 766,074,065	\$ 461,899,139	\$ 1,227,973,204	\$ 58,583,814	\$ 4,074,321
LIABILITIES					
Accounts payable and other current liabilities	\$ 11,330,688	\$ 3,418,957	\$ 14,749,645	\$ 753,409	\$ -
Accrued interest payable	361,705	348,802	710,507	1,761,494	-
Unearned revenue	2,844,616	2,873	2,847,489	29,306	-
Custodial accounts	249,175	580,550	829,725	-	-
Environmental remediation	-	21,000	21,000	-	-
Noncurrent liabilities:					
Environmental remediation	-	336,000	336,000	-	-
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	9,326	-	9,326	-	-
Due within one year	15,204,583	13,041,857	28,246,440	660,000	-
Due in more than one year	126,291,430	75,367,953	201,659,383	72,369,462	-
TOTAL LIABILITIES	156,294,523	93,117,992	249,412,515	75,573,671	-
NET ASSETS					
Invested in capital assets, net of related debt	494,576,336	288,493,306	783,069,642	(19,375,687)	3,603,691
Restricted for:					
Capital purposes	51,962,998	1,442,520	53,405,518	493,480	-
Debt service	5,139	3,963,398	3,968,537	-	-
Grant Purposes	-	-	-	-	-
Other purposes	12,377,271	-	12,377,271	-	-
Unrestricted	50,857,798	74,881,923	125,739,721	1,892,350	470,630
TOTAL NET ASSETS	\$ 609,779,542	\$ 368,781,147	\$ 978,560,689	\$ (16,989,857)	\$ 4,074,321

CITY OF VANCOUVER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
			Primary Government		Component Units	
Functions/Programs	Expenses	Indirect Expense Allocation	Charges for Services, Fees, Fines and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT						
Governmental Activities:						
General Government	\$ 30,012,150	\$ (4,043,544)	\$ 10,732,761	\$ 503,562	\$ -	(14,732,283) \$
Judicial	1,708,357	43,164	1,486,171	-	-	(265,350)
Security/ persons & property	62,550,676	871,005	9,436,666	2,219,691	116,937	(51,648,387)
Physical Environment	309,896	5,530	126,847	75	-	(188,504)
Transportation	26,222,197	610,506	2,343,388	300,636	10,772,824	(13,415,855)
Mental and Physical Health	264,823	-	-	-	-	(264,823)
Economic Environment	9,135,855	66,959	3,640,567	2,634,072	9,971	(2,918,204)
Culture and Recreation	12,683,043	91,728	5,303,249	1,283,959	3,275,712	(2,911,851)
Interest on Long-Term Debt	4,932,951	-	-	-	-	(4,932,951)
TOTAL GOVERNMENTAL ACTIVITIES	147,819,948	(2,354,652)	33,069,649	6,941,995	14,175,444	(91,278,208)
Business Type Activities:						
Water/Sewer	70,365,842	1,516,981	70,000,173	461,645	5,425,419	4,004,414
Parking	3,149,225	488,038	2,129,107	-	-	(1,508,156)
Airpark	656,774	45,503	630,334	59,936	-	(12,007)
Building Inspection	3,606,196	157,343	4,057,284	-	-	293,745
Solid Waste	1,921,754	84,035	3,285,907	-	-	1,280,118
Tennis Center	970,092	62,752	867,084	103,002	-	(62,758)
Fire Shop	132	-	-	-	-	(132)
TOTAL BUSINESS-TYPE ACTIVITIES	80,670,015	2,354,652	80,969,889	624,583	5,425,419	3,995,224
Total Primary Government	\$ 228,489,963	\$ -	\$ 114,039,538	\$ 7,566,578	\$ 19,600,863	\$ (87,282,984)
Component Units						
Downtown Redevelopment Authority	\$ 16,180,961	\$ -	\$ 11,089,923	\$ 2,224,715	\$ -	(2,866,323) \$
Public Facilities District	1,568,060	-	-	698,113	-	-
TOTAL COMPONENT UNITS	\$ 17,749,021	\$ -	\$ 11,089,923	\$ 2,922,828	\$ -	\$ (2,866,323)
General Revenues:						
Property Taxes Levied for General Purposes			\$ 40,145,943	\$ -	\$ 40,145,943	\$ -
Sales and Use Taxes			24,700,968	-	24,700,968	897,776
Utility Taxes			37,526,549	-	37,526,549	-
Excise, Lodging and Other Taxes			9,924,128	-	9,924,128	-
Unrestricted Investment Earnings			1,096,185	669,651	1,765,836	20,067
Miscellaneous			2,471	46,173	48,644	-
Transfers			(2,257,553)	2,257,553	-	-
Total General Revenues and Transfers			111,138,691	2,973,377	114,112,068	897,999
Change in Net Assets			19,860,483	6,968,601	(2,846,256)	28,052
Net Assets - Beginning			590,775,405	361,989,200	952,764,605	3,671,269
Prior period adjustments			(856,346)	(176,654)	(1,033,000)	375,000
Net Assets - Ending			\$ 609,779,542	\$ 368,781,147	\$ 978,560,689	\$ 4,074,321

CITY OF VANCOUVER
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011

	Major Funds			Other	
	General Fund	Consolidated Fire	Transportation Capital	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and pooled investments	\$ 35,661,817	\$ 13,144,045	\$ 3,366,782	\$ 61,178,886	\$ 113,351,530
Cash with fiscal/escrow agent	-	-	3,485,512	-	3,485,512
Receivables (net)					
Taxes/assessments	6,228,455	-	28	743,243	6,971,726
Accounts	840,804	43,809	30,999	1,197,806	2,113,418
Interest	20,341	7,325	1,865	34,094	63,625
Notes	-	-	331,572	4,401,936	4,733,508
Due from other funds	21,415	-	176,857	1,784,357	1,982,629
Due from other governmental units	930,547	350,580	1,385,051	737,281	3,403,459
Capital assets held for resale	228,400	-	-	5,529,135	5,757,535
Advances to other funds	800,000	-	-	-	800,000
TOTAL ASSETS	\$ 44,731,779	\$ 13,545,759	\$ 8,778,666	\$ 75,606,738	\$ 142,662,942
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 3,765,344	\$ 258,003	\$ 1,107,208	\$ 1,243,992	\$ 6,374,547
Due to other funds	545,756	-	-	599,675	1,145,431
Due to other governmental units	-	-	-	1,743,063	1,743,063
Accrued interest payable	-	-	-	31	31
Accrued liabilities	1,169,682	878,524	33,550	157,461	2,239,217
Revenues collected in advance	164,326	-	-	2,782	167,108
Custodial accounts	118,208	527	470	128,587	247,792
Deferred revenues	2,106,565	1,798,418	-	185,510	4,090,493
Total liabilities	7,869,881	2,935,472	1,141,228	4,061,101	16,007,682
Fund balances					
Nonspendable	1,028,400	-	331,572	9,931,071	11,291,043
Restricted	415,377	10,610,287	3,485,512	49,834,235	64,345,411
Committed	889,198	-	3,820,354	8,675,220	13,384,772
Assigned	-	-	-	3,105,111	3,105,111
Unassigned	34,528,923	-	-	-	34,528,923
Total fund balance	36,861,898	10,610,287	7,637,438	71,545,637	126,655,260
TOTAL LIABILITIES AND FUND BALANCES	\$ 44,731,779	\$ 13,545,759	\$ 8,778,666	\$ 75,606,738	\$ 142,662,942

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	\$ 585,433,625
Capital Assets Held for Resale used in governmental activities that are not financial resources and therefore are not reported in the funds	44,000
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	8,838,152
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	25,300,648
Long-term liabilities that are not due and payable in the current period and are not reported in the funds	(136,492,143)
Net assets of governmental activities	<u>\$ 609,779,542</u>

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

For the Year ended December 31, 2011

	Major Funds			Other	Total
	General Fund	Consolidated Fire	Transportation Capital	Non-Major Governmental Funds	Governmental Funds
REVENUES					
Property taxes	\$ 40,334,028	\$ -	\$ -	\$ -	\$ 40,334,028
Sales and use taxes	27,328,639	-	82,437	3,931,303	31,342,379
Other taxes	34,521,000	-	-	-	34,521,000
License and permits	850,921	466,340	-	2,293,197	3,610,458
Intergovernmental	6,583,687	8,583,965	8,883,252	10,038,358	34,089,262
Charges for services	12,715,732	103,540	476,991	1,490,801	14,787,064
Fines and forfeits	1,494,368	500	-	97,519	1,592,387
Investment earnings	383,922	81,430	28,907	406,490	900,749
Rents and royalties	1,239,377	54,194	24,735	459,002	1,777,308
Contributions/donations	229,142	-	-	408,776	637,918
Miscellaneous	1,227,858	426	-	174,630	1,402,914
Total revenues	<u>126,908,674</u>	<u>9,290,395</u>	<u>9,496,322</u>	<u>19,300,076</u>	<u>164,995,467</u>
EXPENDITURES					
Current					
General government	24,134,836	-	-	915,778	25,050,614
Judicial	1,742,800	-	-	-	1,742,800
Security/persons & property	35,939,090	26,230,952	-	179,022	62,349,064
Physical environment	295,271	-	-	5,744	301,015
Transportation	1,704,684	-	2,659,604	9,208,723	13,573,011
Economic environment	4,992,059	-	-	3,741,612	8,733,671
Mental and physical health	264,823	-	-	-	264,823
Culture and recreation	8,852,862	-	-	961,454	9,814,316
Capital outlay	39,314	1,238,457	15,193,912	8,789,623	25,261,306
Debt service					
Principal retirement	-	-	-	6,276,901	6,276,901
Bond issuance cost	-	-	-	63,032	63,032
Interest/fiscal charges	-	-	103	4,976,177	4,976,280
Total expenditures	<u>77,965,739</u>	<u>27,469,409</u>	<u>17,853,619</u>	<u>35,118,066</u>	<u>158,406,833</u>
Excess (deficiency) of revenues over (under) expenditures	48,942,935	(18,179,014)	(8,357,297)	(15,817,990)	6,588,634
OTHER FINANCING SOURCES (USES)					
Capital related debt issued	-	-	77,000	10,515,000	10,592,000
Sale of capital assets	14,439	1,727	37,850	459	54,475
Premium on debt issued	-	-	-	395,767	395,767
Transfers in	223,442	21,917,324	6,926,889	32,208,592	61,276,247
Transfers out	(45,898,599)	(1,804,784)	(19,315)	(16,201,456)	(63,924,154)
Total other financing sources and uses	<u>(45,660,718)</u>	<u>20,114,267</u>	<u>7,022,424</u>	<u>26,918,362</u>	<u>8,394,335</u>
Net change in fund balances	3,282,217	1,935,253	(1,334,873)	11,100,372	14,982,969
FUND BALANCES - BEGINNING	33,351,281	8,675,034	8,972,311	60,775,886	111,774,512
Prior period adjustments	228,400	-	-	(330,621)	(102,221)
FUND BALANCES - ENDING	<u>\$ 36,861,898</u>	<u>\$ 10,610,287</u>	<u>\$ 7,637,438</u>	<u>\$ 71,545,637</u>	<u>\$ 126,655,260</u>

CITY OF VANCOUVER**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**
For the Year Ended December 31, 2011

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

Net changes in fund balances - total governmental funds:	\$	14,982,969
 Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		8,022,822
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) not reported in governmental funds.		2,335,090
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(567,145)
 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.		(4,647,833)
 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.		(538,572)
 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.		273,152
 Change in Net Assets of Governmental Activities	\$	<u>19,860,483</u>

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, 2011

	Budget Amounts		Actual Year- To- Date Thru 12/31/11	Variance Thru 12/31/11
	Original	Final		
	2011-2012 Biennium	2011-2012 Biennium		
REVENUES				
Property tax	\$ 80,770,694	\$ 80,770,694	\$ 40,334,028	\$ 40,436,666
Sales and use taxes	50,914,487	52,809,059	27,328,639	25,480,420
Other taxes	73,410,004	73,410,004	34,521,000	38,889,004
License and permits	1,872,961	1,872,961	850,921	1,022,040
Intergovernmental	13,204,799	16,821,572	6,583,687	10,237,885
Charges for services	27,497,937	27,150,184	12,715,732	14,434,452
Fines and forfeitures	2,922,548	2,922,548	1,494,368	1,428,180
Investment earnings	950,000	950,000	383,922	566,078
Rents and royalties	2,401,724	2,681,689	1,239,377	1,442,312
Contributions/donations	10,000	16,500	229,142	(212,642)
Miscellaneous	1,280,000	1,280,504	1,227,858	52,646
Total revenues	255,235,154	260,685,715	126,908,674	133,777,041
EXPENDITURES				
Current:				
General government	55,623,458	56,873,204	24,134,836	32,738,368
Judicial	4,369,453	4,449,453	1,742,800	2,706,653
Security/persons & property	77,154,159	79,102,591	35,939,090	43,163,501
Physical environment	1,272,292	1,257,292	295,271	962,021
Transportation	2,185,587	3,844,858	1,704,684	2,140,174
Economic environment	10,999,853	10,281,820	4,992,059	5,289,761
Mental and physical health	751,485	751,485	264,823	486,662
Culture and recreation	18,477,574	18,407,617	8,852,862	9,554,755
Capital outlay	3,333	586,854	39,314	547,540
Total expenditures	170,837,194	175,555,174	77,965,739	97,589,435
Excess (deficiency) of revenues over expenditures	84,397,960	85,130,541	48,942,935	36,187,606
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	14,439	(14,439)
Transfers in	1,046,046	756,046	223,442	532,604
Transfers out	(85,912,843)	(88,543,677)	(45,898,599)	(42,645,078)
Total other financing sources (uses)	(84,866,797)	(87,787,631)	(45,660,718)	(42,126,913)
Net change in fund balance	(468,837)	(2,657,090)	3,282,217	(5,939,307)
FUND BALANCES AT BEGINNING OF BIENNIUM	33,351,281	33,351,281	33,351,281	-
Prior period adjustments	-	-	228,400	(228,400)
FUND BALANCES AT END OF BIENNIUM	\$ 32,882,444	\$ 30,694,191	\$ 36,861,898	\$ (6,167,707)

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, 2011

	Budget Amounts		Actual Year- To- Date Thru 12/31/11	Variance Thru 12/31/11
	Original 2011-2012 Biennium	Final 2011-2012 Biennium		
REVENUES				
License and permits	\$ 852,176	\$ 852,176	\$ 466,340	\$ 385,836
Intergovernmental	15,333,260	17,974,523	8,583,965	9,390,558
Charges for services	381,000	395,000	103,540	291,460
Fines and forfeitures	-	-	500	(500)
Investment earnings	280,000	280,000	81,430	198,570
Rents and royalties	-	-	54,194	(54,194)
Miscellaneous	114,755	114,755	426	114,329
Total revenues	16,961,191	19,616,454	9,290,395	10,326,059
EXPENDITURES	-	-		
Current:				
Security/persons & property	56,579,577	58,697,375	26,230,952	32,466,423
Capital outlay	2,824,000	2,824,000	1,238,457	1,585,543
Total expenditures	59,403,577	61,521,375	27,469,409	34,051,966
Excess (deficiency) of revenues over expenditures	(42,442,386)	(41,904,921)	(18,179,014)	(23,725,907)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,727	(1,727)
Transfers in	50,126,089	50,421,058	21,917,324	28,503,734
Transfers out	(6,466,314)	(6,500,776)	(1,804,784)	(4,695,992)
Total other financing sources (uses)	43,659,775	43,920,282	20,114,267	23,806,015
Net change in fund balance	1,217,389	2,015,361	1,935,253	80,108
FUND BALANCES AT BEGINNING OF BIENNIUM	8,675,034	8,675,034	8,675,034	-
FUND BALANCES AT END OF BIENNIUM	\$ 9,892,423	\$ 10,690,395	\$ 10,610,287	\$ 80,108

CITY OF VANCOUVER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011

	Business-Type Activities - Enterprise Funds				(Governmental
	Major Fund		Other Non-		Activities)
	Water/Sewer	Parking Services	Major Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets					
Cash, cash equivalents and pooled investments	\$ 56,706,482	\$ 488,998	\$ 15,822,347	\$ 73,017,827	\$ 25,190,230
Restricted cash, cash equivalents and investments:					
Cash and cash equivalents	5,409,725	-	-	5,409,725	-
Accrued interest receivable	2,991	-	-	2,991	-
Receivables (net)					
Accounts	4,250,389	202,044	80,860	4,533,293	608,402
Interest	31,560	272	8,793	40,625	14,006
Notes	12,327	-	-	12,327	-
Due from other funds	208,106	5	222	208,333	10
Due from other governmental units	22,027	-	59,936	81,963	-
Inventory	753,613	-	-	753,613	506,472
Prepaid expenses	-	-	-	-	50,000
Total current assets	67,397,220	691,319	15,972,158	84,060,697	26,369,120
Noncurrent assets					
Deferred charges	769,364	106,473	26,018	901,855	-
Contracts receivable	3,506,806	-	-	3,506,806	-
Capital assets					
Land and improvements	27,918,520	832,657	484,202	29,235,379	-
Intangible - Easements	1,591,679	-	-	1,591,679	-
Construction in progress	10,084,339	-	117,640	10,201,979	652,222
Other improvements	496,567,021	49,165	1,973,862	498,590,048	-
Buildings	9,311,898	19,003,673	10,872,271	39,187,842	-
Intangible assets	8,341,534	128,712	705,027	9,175,273	-
Machinery and equipment	23,030,043	655,216	889,251	24,574,510	24,834,323
Accumulated depreciation	(220,956,514)	(9,671,325)	(6,804,033)	(237,431,872)	(20,147,423)
Capital assets net of accumulated depreciation	355,888,520	10,998,098	8,238,220	375,124,838	5,339,122
Total noncurrent assets	360,164,690	11,104,571	8,264,238	379,533,499	5,339,122
TOTAL ASSETS	\$ 427,561,910	\$ 11,795,890	\$ 24,236,396	\$ 463,594,196	\$ 31,708,242
LIABILITIES					
Current liabilities					
Accounts payable	\$ 2,288,555	\$ 39,604	\$ 229,417	\$ 2,557,576	\$ 792,086
Claims and judgments payable	-	-	-	-	515,079
Environmental remediation	21,000	-	-	21,000	-
Due to other funds	-	-	895,057	895,057	54,479
Due to other governmental units	-	1,935	-	1,935	-
Accrued interest payable	291,082	49,914	7,806	348,802	-
Accrued liabilities	1,955,590	39,848	286,631	2,282,069	428,617
Custodial accounts	494,451	13,080	73,019	580,550	1,383
Unearned revenues	2,873	-	-	2,873	-
Bonds, notes and loans payable	10,645,000	635,000	302,894	11,582,894	-
Total current liabilities	15,698,551	779,381	1,794,824	18,272,756	1,791,644
Noncurrent liabilities					
Due to other governmental units	356,033	-	-	356,033	-
Advances from other funds	-	800,000	-	800,000	-
Bonds, notes and loan payable	61,565,922	11,535,495	1,591,188	74,692,605	-
Claims and judgments	-	-	-	-	4,554,239
Environmental remediation	336,000	-	-	336,000	-
Accrued employee benefits	310,713	3,455	41,487	355,655	61,711
Total noncurrent liabilities	62,568,668	12,338,950	1,632,675	76,540,293	4,615,950
TOTAL LIABILITIES	78,267,219	13,118,331	3,427,499	94,813,049	6,407,594
NET ASSETS					
Invested in capital assets, net of related debt	283,321,565	(1,172,397)	6,344,138	288,493,306	5,339,122
Restricted for capital purposes	1,442,520	-	-	1,442,520	-
Restricted for Debt	3,963,398	-	-	3,963,398	-
Unrestricted	60,567,208	(150,044)	14,464,759	74,881,923	19,961,526
TOTAL NET ASSETS	\$ 349,294,691	\$ (1,322,441)	\$ 20,808,897	\$ 368,781,147	\$ 25,300,648

CITY OF VANCOUVER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	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	\$ 499,731	\$ 78,012	\$ -	\$ 577,743	\$ 76,212
Charges for services	68,170,058	18,935	8,102,069	76,291,062	24,638,303
Fines and forfeitures	555,059	464,909	60,550	1,080,518	-
Rents and royalties	516,881	1,555,050	624,948	2,696,879	-
Miscellaneous	258,444	12,201	53,042	323,687	2,383,805
Total operating revenues	<u>70,000,173</u>	<u>2,129,107</u>	<u>8,840,609</u>	<u>80,969,889</u>	<u>27,098,320</u>
OPERATING EXPENSES					
Personnel services	17,028,816	646,162	3,189,019	20,863,997	3,360,325
Supplies and contractual services	15,944,416	613,038	2,252,279	18,809,733	21,615,539
Interfund services	6,753,099	656,135	1,342,658	8,751,892	775,354
Intergovernmental payments	15,241,586	17,616	105,646	15,364,848	-
Depreciation	13,118,064	957,104	504,748	14,579,916	2,107,742
Total operating expenses	<u>68,085,981</u>	<u>2,890,055</u>	<u>7,394,350</u>	<u>78,370,386</u>	<u>27,858,960</u>
Operating income (loss)	1,914,192	(760,948)	1,446,259	2,599,503	(760,640)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	576,006	2,309	91,336	669,651	142,260
State and federal grants	461,645	-	162,938	624,583	-
Interest and fiscal charges	(3,796,842)	(747,208)	(110,231)	(4,654,281)	-
Gain (Loss) on disposal of capital assets	-	-	-	-	232,313
Miscellaneous revenue (expense)	801	-	45,372	46,173	268,865
Total nonoperating revenues (expenses)	<u>(2,758,390)</u>	<u>(744,899)</u>	<u>189,415</u>	<u>(3,313,874)</u>	<u>643,438</u>
Income (loss) before contributions and transfers	(844,198)	(1,505,847)	1,635,674	(714,371)	(117,202)
Capital contributions	5,425,419	-	-	5,425,419	-
Transfers in	1,824,441	1,245,540	232,432	3,302,413	390,354
Transfers out	<u>(587,743)</u>	<u>-</u>	<u>(457,117)</u>	<u>(1,044,860)</u>	<u>-</u>
Change in net assets	5,817,919	(260,307)	1,410,989	6,968,601	273,152
TOTAL NET ASSETS - BEGINNING	343,653,426	(1,062,134)	19,397,908	361,989,200	24,744,464
Prior period adjustments	<u>(176,654)</u>	<u>-</u>	<u>-</u>	<u>(176,654)</u>	<u>283,032</u>
TOTAL NET ASSETS - ENDING	<u>\$ 349,294,691</u>	<u>\$ (1,322,441)</u>	<u>\$ 20,808,897</u>	<u>\$ 368,781,147</u>	<u>\$ 25,300,648</u>

CITY OF VANCOUVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

Page 1 of 2

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major Enterprise Funds	Total	Internal Service Funds
	Water/Sewer	Parking Services			
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 69,708,924	\$ 2,127,394	\$ 8,783,883	\$ 80,620,201	\$ 24,552,199
Cash received from other operating activities	258,444	12,201	284,921	555,566	2,468,074
Cash payments for goods and services	(30,823,295)	(626,897)	(2,356,589)	(33,806,781)	(21,424,945)
Internal activity - between funds	(6,353,680)	(646,004)	(720,272)	(7,719,956)	(676,278)
Cash payments to employees	(17,080,148)	(645,278)	(3,238,966)	(20,964,392)	(3,312,150)
Net cash provided by operating activities	15,710,245	221,416	2,752,977	18,684,638	1,606,900
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payment for interest on debt	-	(749,459)	(108,757)	(858,215)	-
Principal paid on debt	-	(110,000)	-	(110,000)	-
Unrestricted gifts received	801	-	45,372	46,173	-
Receipt of grant funds	455,053	-	103,002	558,055	651,188
Transfers from other funds	-	1,245,540	61,085	1,306,625	390,355
Transfers to other funds	-	-	-	-	(5)
Net cash provided by noncapital financing activities	455,854	386,082	100,703	942,638	1,041,538
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital debt	(10,328,704)	(474,180)	(364,749)	(11,167,633)	-
Interest paid on capital debt	(3,842,885)		(2,961)	(3,845,846)	-
Purchase of capital assets	(8,856,392)	(78,012)	(1,115,699)	(10,050,103)	(1,984,575)
Proceeds from sale of capital assets		-	-	-	116,461
Other receipts(payments)		-	-	-	137,754
Capital contributions	2,815,135	-	-	2,815,135	-
Net cash used by capital and related financing activities	(20,212,846)	(552,192)	(1,483,409)	(22,248,447)	(1,730,360)
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipt of investment earnings	589,941	2,349	93,157	685,447	146,102
Receipt (payment) of notes receivable or interfund loan	134,211	8,297	2,383	144,891	-
Issuance of notes receivable or interfund loan	(31,134)	-	(148)	(31,282)	-
Loans made to others	(46,673)	(5)	-	(46,678)	-
Net cash provided by investing activities	646,345	10,641	95,392	752,378	146,102
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(3,400,402)	65,947	1,465,663	(1,868,793)	1,064,181
CASH AND CASH EQUIVALENTS - BEGINNING					
	65,516,609	423,051	14,356,684	80,296,344	24,126,049
CASH AND CASH EQUIVALENTS - ENDING	\$ 62,116,207	\$ 488,998	\$ 15,822,346	\$ 78,427,552	\$ 25,190,230

CITY OF VANCOUVER

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended December 31, 2011

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)	\$ 1,914,192	\$ (760,948)	\$ 1,446,259	\$ 2,599,503	\$ (760,640)
Adjustments to reconcile net operating income (loss) to net cash provided by operations:					
Depreciation expense	13,118,064	957,104	504,748	14,579,916	2,107,741
(Increase) Decrease in receivables	(33,306)	10,488	(6,122)	(28,940)	(86,103)
Increase (Decrease) in deposits	501	-	-	501	-
(Increase) Decrease in inventories	65,922	-	234,442	300,364	(223,440)
(Increase) Decrease in prepaid assets	-	-	-	-	5,000
Increase (Decrease) in current payables	317,785	18,539	20,608	356,932	177,922
Increase (Decrease) in accrued liabilities	24,175	884	(49,946)	(24,887)	43,171
(Increase) Decrease in receivables from other funds	1,491,983	-	172,005	1,663,988	(5)
Increase (Decrease) in payables due to other funds	(1,168,071)	(4,651)	430,984	(741,738)	51,771
Increase (Decrease) in claims and judgments payable	-	-	-	-	291,483
(Decrease) in pollution remediation estimates	(21,000)	-	-	(21,000)	-
Total adjustments	13,796,053	982,364	1,306,719	16,085,136	2,367,540
Net cash provided by operating activities	\$ 15,710,245	\$ 221,416	\$ 2,752,978	\$ 18,684,639	\$ 1,606,900
Noncash investing, financing and capital activities					
Capital assets donated	\$ 2,610,284	\$ -	\$ -	\$ 2,610,284	\$ 246,963
Net change in fair value of investments	\$ (44,373)	\$ (349)	\$ (11,786)	\$ (56,508)	\$ 3,591

CITY OF VANCOUVER
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
December 31, 2011

	Pension Trust Funds	Agency Funds
ASSETS		
Cash, cash equivalents and pooled investments	\$ 6,579,123	\$ 857,151
Investments: (at fair value)		
Federal Agency Coupon Securities	1,097,887	-
Receivables:		
Accounts	-	228,824
Interest	12,625	475
Due from other funds	-	5
Prepaid expenses	58,334	-
TOTAL ASSETS	7,747,969	1,086,455
LIABILITIES		
Accounts and accrued employee payables	4,849	83,718
Due to other funds	5	96,003
Custodial accounts	-	3,517
Due to other governmental units	-	903,217
TOTAL LIABILITIES	4,854	1,086,455
NET ASSETS		
Held in trust for Pension and OPEB Benefits	\$ <u>7,743,115</u>	\$ <u>-</u>

CITY OF VANCOUVER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 Fiduciary Funds
 For The Year Ended December 31, 2011

	Pension Trust Funds
Additions:	
Employer Contributions	
For pension benefits	\$ 1,216,244
For postemployment healthcare benefits	1,620,756
Other Sources	<u>161,452</u>
Total Contributions	<u>2,998,452</u>
Investment Income	
Interest earnings	<u>52,755</u>
Total Investment Income	<u>52,755</u>
Total Additions	3,051,207
Deductions:	
Pension benefits	852,659
Healthcare premium subsidies	1,620,757
Administrative expense	<u>99,710</u>
Total Deductions	<u>2,573,126</u>
Change in fiduciary net assets	478,081
Net assets - beginning	<u>7,265,034</u>
Net assets - ending	<u>\$ 7,743,115</u>

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. 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. The City considers property taxes available if they are collected within 60 days after year end. 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 *Transportation Capital fund* was established to account for all capital projects in the transportation department.

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. Cash and Cash Equivalents

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 2011. 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, 2011, the City had \$96,726,389 in the Washington State local investment pool and \$52,956,365 in the Clark County Local Government Investment Pool, which were both classified as cash equivalents. Interest on these investments are prorated to the various funds.

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. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

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." A separate schedule of interfund receivable and payables is furnished in Note IV.C.

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 restricted assets of the enterprise funds consists of \$5,409,725 which is cash and investments held for debt service.

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.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The cost for normal maintenance and repairs are not capitalized.

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 (Intangibles)	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 incurred in the government-wide, proprietary and fiduciary fund financial statements. 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 revenues in governmental funds because the revenue recognition criteria have not been met. See Note IV. D, for more discussion.

9. Fund balance classification

In the fund financial statements, governmental funds now report amounts that are nonspendable, restricted, committed, assigned or unassigned per GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. See more detail in Note I.E. and IV.G.

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, 2011, the City implemented the following GASB Pronouncements

GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions

The Statement provides clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Please see Note IV.G. for more information.

The Statement incorporates into the GASB authoritative literature certain accounting and financial reporting guidance.

F. FUTURE ADOPTION OF GASB PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at December 31, 2011:

- 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
- GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an Amendment of GASB Statement No. 53.

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	\$	106,902,586
Less: Deferred charge on refunding (to be amortized as interest expense)		(1,650,385)
Less: Issuance discount (to be amortized as interest expense)		(22,788)
Plus: Issuance premium (to be amortized as interest income)		4,127,148
Accrued interest payable		361,674
Government loans		5,664,059
Special assessment debt		12,326
Net OPEB obligation		3,841,696
Compensated absences for non-Internal Service Funds		7,690,126
Impact fee credits		<u>9,565,701</u>
Net adjustment to reduce fund balance-total government funds to arrive at net assets-governmental activities	\$	<u><u>136,492,143</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	\$	1,145,644
Earned but unavailable revenues		1,412,985
Investments in joint ventures		1,364,785
Net pension asset		<u>4,914,738</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u><u>8,838,152</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	\$	26,913,866
Depreciation expense		<u>(18,891,044)</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>8,022,822</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	\$	(188,085)
Earned Special Assessments		(1,514)
Miscellaneous Revenues related to Joint Venture		741,694
Contributions related to Impact Fee Credits		<u>(1,119,240)</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>(567,145)</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	\$	10,592,000
Premium (discounts)		395,767
Debt issue costs		(63,032)
Principal repayments:		
General obligation debt		(6,157,431)
Governmental loans		(116,471)
Special assessment debt		<u>(3,000)</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>4,647,833</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	\$	(398,537)
Pension and OPEB cost		(183,367)
Accrued interest		47,220
Amortization of issuance costs/deferred amount on refunding		355,052
Amortization of bond discounts/premiums		<u>(358,940)</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>(538,572)</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.

Budgets are adopted at the level of the fund, except in the general fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level.

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.

Year 2011 is the first year of the 2011-2012 Biennium.

Amending the budget increases to total budget expenditures of the City that affect the number of authorized employee positions or salary ranges must be approved by City Council. When it is determined that it is in the best interest of the City to increase the appropriation for a particular fund or department within general fund, it may do so by resolution approved by one more than the majority after holding public hearings.

The calendar below outlines the general time frame followed to prepare, review and adopt 2011-2012 Biennial Budget.

January-March 2010

- Completed a Community Survey – a statistically valid random sample survey of residents.

April-June 2010

- Prepared the preliminary revenue and expenditure forecast for 2011-2016.
- Identified the direction of the budget process and outlined specific guidelines for departmental submission.
- The budget direction anticipated the need to take further budget reductions.
- Utilized a variation of the Budgeting by Priorities approach to prioritize all city programs.
- Utilized a large scale community involvement program to provide an educational opportunity and to solicit input on prioritization of City services and City's Strategic Commitments.
- Utilized community input in preparation of the budget reduction proposals city-wide. The 2011-2012 budgeting process utilized a collaborative process that took into account program prioritization city-wide and focused on service level reductions in lower priority programs.

July-September 2010

- Reviewed the departmental proposals and prepared budget recommendations for the City Manager.
- Held televised workshops with City Council to review:
 - The budget process and provided a budget reductions overview.
 - The 2011-2016 revenue and expenditure forecast.
 - Input from the public on priority of City services and programs.

October-November 2010

- The City Manager's Preliminary Recommended budget was published for public and Council review.
- Filed the City's Preliminary Budget with the City Clerk and made copies available to the public.
- Presented the Preliminary Recommended Budget to City Council in televised workshop sessions and provided Council members with detailed information on the proposed budget.
- A public hearing on the Recommended Budget and related ordinances for fee increases was held on November 1st of 2010.

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

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

departments and reviewed by the 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

The Riverwest special revenue fund had \$718 excess expenditures over biennial appropriations for year ending December 31, 2011. A supplemental budget to remedy this will be recorded in early June of 2012.

C. DEFICIT NET ASSETS/NET FUND BALANCE

At December 31, 2011, the Parking Services fund had a deficit in the fund net assets of \$1,322,441. The Parking Services fund accounts for operations of City owned or operated public parking spaces. Depreciation expense (a non-cash item) was \$957,104 in 2011. The City has increased collection efforts in 2011 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, 2011, Vancouver Downtown Redevelopment Authority (DRA), a component unit of the City, had a deficit in the fund net assets of \$16,989,857. 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 \$14,055,708 and accumulated amortization of deferred charges of \$1,589,665, both of which are non-cash items. The economic environment has had a negative impact on the convention and lodging business in 2011, 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.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

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

Investments	\$ 220,621,657
Deposits	5,091,039
Deposits w/fiscal agent, escrow, trust	11,152,380
Total	<u>\$ 236,865,076</u>
<u>Financial Statements</u>	
Cash and cash equivalents	\$ 216,969,312
Cash and cash equivalents – component units	209,223
Cash with fiscal agent/trustee	3,485,512
Cash with fiscal agent/trustee – component units	7,666,868
Fiduciary cash	7,436,274
Fiduciary investments	1,097,887
Total	<u>\$ 236,865,076</u>

1. Deposits

At year-end, the City's carrying amount of deposits was \$5,091,039 and bank balance was \$7,636,750. 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 ten 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, 2011 the fair value of the City's investment portfolio was \$220,621,657 of which \$1,097,887 was invested on behalf of the Firemen's Pension Fund, and \$219,523,770 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, 2011, the City had the following investments:

Investment Type	Fair Value (in thousands)	Weighted Average Maturity (Years)
Federal Agency Coupon Securities	\$ 69,416	0.83
Corporate Bond	510	0.00
Municipal Bonds	1,013	0.02
Washington State Investment Pool	96,726	0.01
Clark County Investment Pool	52,956	0.01
Total Fair Value	<u>\$ 220,621</u>	
Portfolio Weighted Average Maturity		0.87

* 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, 2011 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 2011, the City's portfolio had the following concentration of securities in it: 2.3% of Federal Home Loan Bank, 16.5% of Federal National Mortgage Association, 4.5% of Federal Farm Credit Bank, and 8.2% 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, 2011 is as follows:

	Restated Beginning Balance 01/01/11	Increases	Decreases	Ending Balance 12/31/11
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 56,847,056	\$ 4,036,628	\$ 485,828	\$ 60,397,856
Intangible - Easements	9,621,252	44,910	2,405,262	7,260,900
Construction in progress	26,534,717	24,455,741	8,209,625	42,780,833
Total capital assets, not being depreciated	93,003,025	28,537,279	11,100,715	110,439,589
Capital assets, being depreciated/depleted:				
Cemetery land	1,101,047	-	-	1,101,047
Buildings	115,076,666	2,150,553	-	117,227,219
Machinery and equipment	45,082,601	4,769,836	2,427,242	47,425,195
Infrastructure	527,333,302	7,631,165	-	534,964,467
Intangible	6,697,864	-	-	6,697,864
Total capital assets being depreciated/depleted	695,291,480	14,551,554	2,427,242	707,415,792
Less accumulated depreciation for:				
Cemetery land	700,509	16,631	-	717,140
Buildings	23,477,940	2,979,958	-	26,457,898
Machinery and equipment	32,118,674	3,492,850	1,875,619	33,735,905
Infrastructure	145,075,897	14,440,112	-	159,516,009
Intangible	6,586,447	69,235	-	6,655,682
Total accumulated depreciation	207,959,467	20,998,786	1,875,619	227,082,634
Total capital assets, being depreciated, net	487,332,013	(6,447,232)	551,623	480,333,158
Governmental activities capital assets, net	\$ 580,335,038	\$ 22,090,047	\$ 11,652,338	\$ 590,772,747
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 29,020,675	\$ 214,704	\$ -	\$ 29,235,379
Intangible - Easements	982,263	609,416	-	1,591,679
Construction in progress	8,066,932	3,991,621	1,856,572	10,201,981
Total capital assets, not being depreciated	38,069,870	4,815,741	1,856,572	41,029,039
Capital assets, being depreciated:				
Buildings and system	38,111,771	1,076,071	-	39,187,842
Infrastructure	490,598,524	7,991,522	-	498,590,046
Machinery and equipment	24,185,362	465,908	76,760	24,574,510
Intangible	9,175,273	-	-	9,175,273
Total capital assets, being depreciated	562,070,930	9,533,501	76,760	571,527,671
Less accumulated depreciation for:				
Buildings and system	16,352,833	1,306,537	-	17,659,370
Infrastructure	180,550,065	10,932,701	-	191,482,766
Machinery and equipment	19,046,532	1,158,457	76,760	20,128,229
Intangible	6,979,285	1,182,221	-	8,161,506
Total accumulated depreciation	222,928,715	14,579,916	76,760	237,431,872
Total capital assets, being depreciated, net	339,142,215	(5,046,415)	-	334,095,799
Business-type activities capital assets, net	\$ 377,212,085	\$ (230,674)	\$ 1,856,572	\$ 375,124,838

The beginning balance of the Governmental and Business activities were restated as described in Note V.I Prior Period Adjustments. The beginning governmental Buildings at December 31, 2010 were reported at \$116,113,406 and restated at January 1, 2011 to \$115,076,666. The beginning governmental accumulated depreciation for Buildings at December 31, 2010 was reported at \$23,477,524 and restated at \$23,477,940 at January 1, 2011. The beginning business Intangible-Easements was reported at \$925,702 at December 31, 2010 and restated to \$982,263 at January 1, 2011. The beginning business Construction in progress was reported at \$8,300,147 at December 31, 2010 and restated to \$8,066,932 at January 1, 2011.

Capital assets totaling \$44,000 were reclassified to Capital Assets held for resale.

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	\$	505,910
Security of persons & property		1,800,953
Transportation, including depreciation of general infrastructure assets		13,225,567
Physical Environment		17,259
Economic Environment		422,509
Culture and recreation		2,918,846
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets		2,107,742

Total depreciation expense — Governmental Activities	\$	<u>20,998,786</u>
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Business-type Activities:

Water/Sewer	\$	13,118,064
Airpark		219,707
Building Inspection		253,579
Sanitation		10,216
Parking		957,104
Tennis Center		21,246

Total depreciation expense — Business-type Activities	\$	<u>14,579,916</u>
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CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

Component Units

A summary of capital asset activity for component units for the year ended December 31, 2011 is as follows:

	Restated Beginning Balance 01/01/11	Increases	Decreases	Ending Balance 12/31/11
Vancouver Downtown Redevelopment Authority				
<i>Business-type activities:</i>				
Capital assets, being depreciated:				
Buildings and system	\$ 51,605,004	\$ -	\$ -	\$ 51,605,004
Machinery and equipment	6,012,678	252,548	-	6,265,226
Total capital assets, being depreciated	<u>57,617,682</u>	<u>252,548</u>	<u>-</u>	<u>57,870,230</u>
Less accumulated depreciation for:				
Buildings and system	6,880,667	1,290,125	-	8,170,792
Machinery and equipment	5,799,753	85,163	-	5,884,916
Total accumulated depreciation	<u>12,680,420</u>	<u>1,375,288</u>	<u>-</u>	<u>14,055,708</u>
Business-type activities capital assets, net	<u>\$ 49,833,928</u>	<u>\$ (1,122,740)</u>	<u>\$ -</u>	<u>\$ 43,814,522</u>

Vancouver Public Facilities District

Business-type activities:

Capital assets, not being depreciated:

Land and improvements	\$ 3,603,691	\$ -	\$ -	\$ 3,603,691
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The beginning balance of the Vancouver Downtown Redevelopment Authority (DRA) and the Vancouver Public Facilities District (PFD) were restated as described in Note V.I Prior Period Adjustments.

For DRA, the beginning buildings was reported as \$57,255,004 at December 31, 2010, and restated at January 1, 2011, as \$ 51,605,004. Machinery and equipment was reported as \$362,678 on December 31, 2010, and restated to \$6,012,678 on January 1, 2011. Accumulated depreciation for buildings was reported on December 31, 2010, as \$7,634,001 and restated to \$6,880,667 on January 1, 2011. Accumulated depreciation for machinery was reported as \$149,753 on December 31, 2010, and restated to \$5,799,753 on January 1, 2011.

Finally, the beginning balance of the Vancouver Public Facilities District Land was restated from \$3,228,691 on December 31, 2010, to \$3,603,691 on January 1, 2011.

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. An advance from the General Fund to the Parking Services Fund for \$800,000 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 \$96,010 and an Agency Fund receivable to the General Fund of \$5 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, 2011:

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Governmental Activities		
General Fund	\$ 21,415	\$ 545,751
Transportation Capital	176,857	-
Non-Major Governmental Funds	<u>1,784,357</u>	<u>599,675</u>
Subtotal Governmental Activities	1,982,629	1,145,426
Internal Service Funds	<u>10</u>	<u>150,489</u>
Governmental Activities	<u><u>1,982,639</u></u>	<u><u>1,295,915</u></u>
Business Activities		
Water/Sewer	208,106	-
Parking Services	5	-
Non-Major Business Type Activities	<u>222</u>	<u>895,057</u>
Subtotal Business Activities	<u>208,333</u>	<u>895,057</u>
Total Government Wide	<u><u>\$ 2,190,972</u></u>	<u><u>\$ 2,190,972</u></u>

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	<u>General Fund</u>	<u>Fire</u>	<u>Transp Capital</u>	<u>Non-Major Govt Funds</u>	<u>Water Sewer</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>
General Fund Consolidated	\$ -	\$ 1,720	\$ -	\$ 103,023	\$ 66,400	\$ 52,299	\$ 223,442
Fire	21,917,324	-	-	-	-	-	21,917,324
Transp Capital	300,000	-	-	6,527,165	99,724	-	6,926,889
Non-Major Govt Funds	22,091,159	453,064	19,315	9,238,810	400,452	5,792	32,208,592
Water/Sewer	133,311	1,350,000	-	332,458	-	8,672	1,824,441
Parking Services	1,245,540	-	-	-	-	-	1,245,540
Enterprise Funds	211,265	-	-	-	21,167	-	232,432
Internal Service Funds	-	-	-	-	-	390,354	390,354
Agency	-	-	-	-	-	-	-
Total	<u>\$ 45,898,599</u>	<u>\$ 1,804,784</u>	<u>\$ 19,315</u>	<u>\$ 16,201,456</u>	<u>\$ 587,743</u>	<u>\$ 457,117</u>	<u>\$ 64,969,014</u>

There were no significant transfers made during 2011 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)	\$ 1,372,475	\$ -
Revenues not applied (General Fund)	-	734,090
Revenues not applied (Capital Project Fund)	-	145,000
Revenues not applied (Consolidated Fire Fund)	-	1,798,418
Special assessments not yet due (Debt Service Fund)	40,510	-
Totals	<u>\$ 1,412,985</u>	<u>\$ 2,677,508</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, 2011, the costs for such leases were \$2,514,011 and \$1,080,509 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, 2011:

	Governmental Activities	Business-type Activities
2012	\$ 103,319	\$ 147,317
2013	84,187	4,800
2014	86,503	4,800
2015	88,881	4,800
2016	91,326	2,800
2017-2021	495,710	-
2022-2026	567,722	-
2027-2031	650,197	-
2032-2035	421,908	-
	<u>\$ 2,589,753</u>	<u>\$ 164,517</u>

2. City as Lessor

The City is the lessor for some non-cancelable operating leases for property located at 415 W 6th Street in Vancouver, WA. Expiration dates range between 2013 and 2015.

The following is a schedule of the minimum future rental income required under these leases. They all are considered governmental activities.

2012 \$	772,656
2013	726,528
2014	680,400
2015	350,764

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 \$10,515,000 were issued. The proceeds from the sale of the Bonds will be used to partially fund the improvements for the Waterfront Access Project which includes building tunnels, railroad realignment and street improvements in order to restore the direct connection of the community to the Columbia River waterfront. Bond proceeds will also be used to pay the costs of issuance of the Bonds.

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>
2001 LTGO Bond	Governmental Activities & Refunding	\$ 8,495	8/1/2001	9/1/2015	4.25%-5%	\$ -
2002 LTGO Bond	Governmental Activities & Refunding	39,365	10/23/2002	12/1/2025	2%-5.25%	30,210
2003 LTGO Bond	Governmental Activities	18,520	6/3/2003	12/1/2029	2%-5%	15,975
2005 LTGO Bond	Governmental Activities & Refunding	18,090	7/15/2005	12/1/2026	3%-5%	14,860
2006 LTGO Bond	Governmental Activities	14,785	10/11/2006	12/1/2025	3.75%-5%	12,405
2008 LTGO Bond	Governmental Activities	14,570	6/30/2008	12/1/2027	3.5%-5%	11,980
2009 LTGO Bond	Governmental Activities	12,970	6/1/2009	12/1/2028	3.5%-5%	11,755
2010 LTGO Bond	Governmental Activities	13,410	12/1/2010	12/1/2035	2.0%-5.125%	13,390
2011 LTGO Bond	Governmental Activities	10,515	6/1/2011	12/1/2035	2.0%-5.125%	10,515
<u>Total General Obligation Bonds</u>		<u>\$ 150,720</u>				<u>\$ 121,090</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:

	<u>Governmental Activities</u>			<u>Business Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012	\$ 6,957	\$ 4,888	\$ 11,845	\$ 938	\$ 693	\$ 1,631
2013	7,221	4,632	11,854	979	646	1,625
2014	7,520	4,334	11,854	1,035	595	1,630
2015	7,842	4,012	11,855	1,088	540	1,628
2016	7,284	3,653	10,937	1,136	483	1,619
2017-2021	28,168	13,589	41,757	4,622	1,664	6,286
2022-2026	24,560	7,630	32,190	4,390	517	4,907
2027-2031	12,195	2,595	14,790	-	-	-
2032-2035	5,155	635	5,790	-	-	-
	<u>\$ 106,903</u>	<u>\$ 45,969</u>	<u>\$ 152,872</u>	<u>\$ 14,187</u>	<u>\$ 5,138</u>	<u>\$ 19,325</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, 2011 the remaining non-voted and voted remaining capacity for indebtedness was \$103,678,289 and \$137,042,242 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%	\$ -
2006 PWTF	Governmental-Type Activities	2,200	11/30/2006	7/1/2026	1%	1,747
Section 108 HUD Loan	Governmental-Type Activities	3,840	7/7/2010	8/1/2015	3-month LIBOR plus 20 bp	3,917
Dept of Ecology Revolving Fund Loan	Business-Type Activities	350	1/11/2010	12/1/2034	2.9%	356
		<u>\$ 7,653</u>				<u>\$ 6,020</u>

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

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 116	\$ 39	\$ 155	\$ -	\$ -	\$ -
2013	116	83	200	-	-	-
2014	116	158	274	18	10	28
2015	4,033	132	4,165	18	10	28
2016	116	6	123	18	9	27
2017-2021	582	23	606	89	39	128
2022-2026	582	9	591	89	26	115
2027-2031	-	-	-	89	13	102
2032-2033	-	-	-	36	2	37
	<u>\$ 5,664</u>	<u>\$ 450</u>	<u>\$ 6,114</u>	<u>\$ 356</u>	<u>\$ 108</u>	<u>\$ 464</u>

The Section 108 Loan was approved for a total of \$6.8 million, however through the 12/31/11 only \$3,917,000 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, 2011, only \$356,033 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, 2011.

At December 31, 2011, the City had \$5,139 available in debt service fund balance. Several other funds are responsible for payment of the GO bonded debt. Through the budget appropriation process, arrangements are made for transfers from those funds to the debt service funds prior to payment of the debt.

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	8/31/2016	7.65%	\$ 12
<i>Total Assessment Debt</i>	<u>\$ 213</u>				<u>\$ 12</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:

<u>Governmental Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012-2016 \$	12	\$ 2	\$ 14.5
Total \$	<u>12</u>	<u>\$ 2</u>	<u>\$ 14.5</u>

The Local Improvement District Debt Service Fund and the Local Improvement District Guaranty Debt Service Fund have \$3,547 and \$1,591 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%	\$ 6,455
2004 Water Sewer Refunding	26,250	2/26/2004	6/1/2020	2%-5%	22,625
2005 Water Sewer Refunding	42,520	4/4/2005	6/1/2018	3%-5.5%	28,920
2008 Water Sewer Refunding	20,230	6/3/2008	6/1/2016	3.25%-5%	13,785
<i>Total Revenue Bonds</i>	<u>\$ 124,155</u>				<u>\$ 71,785</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>
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	10,045	1,369	11,414
2017-2020	21,300	1,875	23,175
	<u>\$ 71,785</u>	<u>\$ 13,577</u>	<u>\$ 85,362</u>

The reserve and redemption accounts of the Water/Sewer enterprise funds have \$3,963,398 available to service the revenue debt, plus the city has purchased surety dollars in addition to meet debt service reserve requirements.

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 2.1 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.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

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	2011	\$ 1	\$ 3,199	\$ (3,200)	\$ -

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, 2011, the recorded liability for sick and vacation time amounted to \$9,782,145 with \$8,003,868 recorded in governmental activities and \$1,778,278 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, 2011, the amount of credits that may be applied against future impact fees is \$9,565,701. 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):

	Beginning Balance 1/1/11	Additions	Reductions	Ending Balance 12/31/11	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 102,545	\$ 10,515	\$ 6,157	\$ 106,903	\$ 6,957
Less deferred amounts					
For issuance premiums	4,086	396	355	4,127	88
For issuance discounts	(27)	4	-	(23)	(3)
On refunding	(1,911)	261	-	(1,650)	(261)
Total bonds payable	104,693	11,176	6,512	109,357	6,781
Special assessment debt with governmental commitment	15	-	3	12	3
Government loans	5,704	77	117	5,664	116
Claims and judgements	4,778	2,773	2,482	5,069	515
Net OPEB Obligation (See Note V.G for details)	2,777	2,685	1,621	3,841	-
Compensated absences	7,538	6,031	5,571	7,998	6,399
Impact Fee Credit	8,447	1,515	396	9,566	1,393
Governmental activity long term liabilities	<u>\$ 133,952</u>	<u>\$ 24,257</u>	<u>\$ 16,702</u>	<u>\$ 141,507</u>	<u>\$ 15,207</u>
Business-type activities					
Bonds payable					
General obligation bonds	\$ 15,090	\$ -	\$ 2,777	\$ 12,313	\$ 938
Revenue bonds	81,940	-	10,155	71,785	10,645
Less deferred amounts					
For issuance premiums (discounts)	4,625	6	567	4,064	561
On refunding	(4,285)	524	-	(3,761)	(525)
Total bonds payable	97,370	530	13,499	84,401	11,619
Government loans	430	-	92	338	-
Compensated absences	1,721	1,377	1,320	1,778	1,423
Business-type activity long term liabilities	<u>\$ 99,521</u>	<u>\$ 1,907</u>	<u>\$ 14,911</u>	<u>\$ 86,517</u>	<u>\$ 13,042</u>

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 \$308,554 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. The General Fund provides funding for the payment of benefits related to OPEB,

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, 2011 is \$64,500,000.

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, 2011, \$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 and 2003B Revenue bond debt service requirements to maturity are as follows:

Revenue Bonds			
	Principal	Interest	Total Requirements
2012 \$	645,000	\$ 3,510,088	\$ 4,155,088
2013	750,000	3,481,250	4,231,250
2014	865,000	3,446,931	4,311,931
2015	1,040,000	3,401,250	4,441,250
2016	1,085,000	3,344,113	4,429,113
2017-2021	8,255,000	15,580,163	23,835,163
2022-2026	12,970,000	12,849,513	25,819,513
2027-2031	19,360,000	8,379,675	27,739,675
2032-2034	21,950,000	1,910,663	23,860,663
\$	<u>66,920,000</u>	<u>\$ 55,903,646</u>	<u>\$ 122,823,646</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):

	Beginning Balance 1/1/11	Additions	Reductions	Ending Balance 12/31/11	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 67,470	\$ -	\$ 550	\$ 66,920	\$ 645
Less deferred amounts					
For issuance premiums (discounts)	356	19	35	340	15
Due to other governments	3,761	902	122	4,541	-
Total bonds payable	71,587	921	707	71,801	660
Subordinate bond interest	415	196	-	611	-
Subordinate management fee	322	295	-	617	-
Component units long term liabilities	\$ 72,324	\$ 1,412	\$ 707	\$ 73,029	\$ 660

G. FUND BALANCE REPORTING

This year, the City of Vancouver implemented GASB Statement no 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this statement is to improve the usefulness and understandability of governmental fund balance information. It provides more clearly defined categories to make the nature and extent of constraints placed on a government's fund balance more transparent. It also clarifies the existing fund type definitions to improve the comparability of governmental fund financial statements and help users better understand the purpose for which governments have chosen to use particular funds for financial reporting.

Categories of fund balance:

Non-spendable – Amounts that cannot be spent either due to the physical form or as a result of a legal or contractual obligation (such as the corpus of an endowment fund).

Restricted – Amounts constrained due to specific purposes by either a third party (such as grantors, bondholders, and creditors) or by law through constitutional provision or enabling legislation.

Committed- Amounts constrained to specific purposes by formal action (adoption of an ordinance) by the government's highest level of decision-making authority (City Council). Committed amounts do not lapse nor can they be used for any other purpose unless the government takes the same level of action (adoption of another ordinance) to remove it.

Assigned- Amounts constrained by the City's expressed intent to use the resources for specific purposes. With the exception of the General Fund, this is the residual fund balance of all governmental funds with positive fund balance.

Unassigned – Amounts that are residual classification for the General Fund only.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fund balances by classification for the year ended December 31, 2011 are as follows:

Fund Balance Classifications:	General Fund	Consolidated Fire Fund	Transportation Capital	Non-major Governmental Funds	Total Governmental Funds
Nonspendable					
Long Term Notes Receivable	\$ 800,000	\$ -	\$ 331,572	\$ 4,401,936	\$ 5,533,508
Inventory					-
Capital assets held for resale	228,400	-	-	5,529,135	5,757,535
	<u>1,028,400</u>	<u>-</u>	<u>331,572</u>	<u>9,931,071</u>	<u>11,291,043</u>
Restricted					
Grants received in advance	415,377	-	-	-	415,377
Capital purposes	-	-	3,485,512	48,477,488	51,963,000
Economic development	-	-	-	300,096	300,096
Security	-	10,610,287	-	1,014,265	11,624,552
Debt Service	-	-	-	5,139	5,139
Culture and recreation	-	-	-	37,247	37,247
	<u>415,377</u>	<u>10,610,287</u>	<u>3,485,512</u>	<u>49,834,235</u>	<u>64,345,411</u>
Committed					
Capital purposes	889,198	-	3,820,354	1,217,591	5,927,143
Economic development	-	-	-	292,674	292,674
Cemetery	-	-	-	441,099	441,099
Transportation Operations	-	-	-	6,723,856	6,723,856
	<u>889,198</u>	<u>-</u>	<u>3,820,354</u>	<u>8,675,220</u>	<u>13,384,772</u>
Assigned					
Capital purposes	-	-	-	93,764	93,764
Economic development	-	-	-	3,011,347	3,011,347
Security	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,105,111</u>	<u>3,105,111</u>
Unassigned	<u>34,528,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,528,923</u>
Total	<u>\$ 36,861,898</u>	<u>\$ 10,610,287</u>	<u>\$ 7,637,438</u>	<u>\$ 71,545,637</u>	<u>\$ 126,655,260</u>

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

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 2011, the City contributed \$ 627,851 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, 2011. 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 \$82,245,430.

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:

Schedule of Guaranteed Revenue

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

The tax revenues have exceeded the guaranteed revenue amounts every year.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

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 2011, no payment was needed.

Schedule of Guaranteed Reserves

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

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 2012-2016, the maximum amount is \$200,000, and from 2017 through termination, the maximum is \$150,000.

However, since the County reduced the rental rates for the Exhibition Hall to such an extent in July of 2008, this commitment no longer applies, per terms of the interlocal agreement.

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.

3. Commitment to Hilton Hotel, with respect to the Subordinate and Supersubordinate Management Fees

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. Also, during the sixth full year of operation, a supersubordinate management fee for its services. These fees will be paid subject to the availability of amounts in the Supersubordinate Management Fee Fund. Since there was no available balance in either funds during 2009, 2010, or 2011, the amount of \$617,694 has been accrued, and is also shown in the Component Units summary of long term debt changes in Note IV.F.4.

4. Commitment to the IRS, with respect to Arbitrage

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, 2011, the City has no arbitrage rebate liability.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

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 2010 values. In 2010, the Agency had an increase in net assets totaling \$1,854,234. The City's share of 2010 operations was a gain of \$741,694 over 2009 balances for a total equity interest of \$1,364,785 at the end of 2010. 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, no settlement has exceeded the City's insurance limits.

General liability and Property

The self-insurance cost for liability claims and claims administration through December 31, 2011, is \$1,215,975 with 64 new claims filed for 2011. 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 \$4,576. 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 \$296,125. 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 \$12,690 and inland marine coverage for the equipment fleet at an annual cost of \$45,221. The deductible for fleet physical damage is 5% subject to \$10,000 minimum.

Property claim costs in 2011 were \$211,217, with 31 new first party property and vehicle claims reported in 2011. The City carries fire damage insurance (buildings and business personal property), earth movement, equipment breakdown, valuable papers, computer virus, accounts receivable and flood insurance coverage at an annual cost of \$355,000 for all City buildings and contents. Policy coverage for property damage is up to \$400 million with adjustable deductibles based on specific event types. This represents replacement cost for City buildings and contents.

Worker's compensation

The cost for Workers' Compensation claims and claims administration was \$1,073,560 in 2011, with 87 new claims processed. Reportable claims costs for 2011 are \$257,623 with 47 open claims. The City is self-insured through the fund for workers' compensation; however, an excess coverage policy is carried at an annual premium cost of \$83,450. 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 \$5,069,318 at December 31, 2011.

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 March 31, 2011. These are actuarial

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

estimated amounts reflecting expected losses; actual losses may vary slightly. Changes in the fund's claims liability amount in 2011, 2010, and 2009 are as follows:

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2011	\$ 4,777,835	\$ 2,773,416	\$ 2,481,933	\$ 5,069,318
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

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 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 2011, the City's regular tax levy was \$2.896 per \$1,000 on a total taxable 2011 assessed valuation of \$13,884,845,470 for a total regular levy of \$39,445,229.

Outstanding property taxes at December 31, 2011 amount to \$1,372,475. 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.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

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* and No. 50, *Pension Disclosures, an Amendment of GASB Statements no. 25 and 27*.

1. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) Plans 1, 2, and 3

Plan Description:

The legislature established PERS in 1947. 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 members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 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. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than 5 years to live.

PERS Plan 1 AND Plan 2 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.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement 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 monthly benefit is two percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement 1 prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a 2 month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation 3 benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member 4 with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the 5 allowance amount is two percent of the AFC for each year of service reduced by two percent for each year that the 6 member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to 7 reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 based upon years of service 8 times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members 9 may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price 10 Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is two percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies 22 according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS 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 monthly benefit that is one percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon contributions and the results of investment activities.

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 Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is two percent of the AFC per year of service. For Plan 3, the monthly benefit amount is one percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Non-vested	<u>51,005</u>
Total	<u>262,285</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 officials 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. 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, 2011, were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	7.25%**	7.25%**	7.25%***
Employee	6.00%****	4.64%****	*****

* 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 Plan3.

*** 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>
2011 \$	26,343	\$ 1,876,386	\$ 322,831
2010	30,084	1,707,495	282,769
2009	56,343	2,442,534	384,463

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. LAW ENFORCEMENT OFFICERS' & FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF) Plans 1 and 2

Plan Description:

The Legislature established LEOFF in 1970. 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, 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).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

LEOFF Plan 2 members are vested after the completion of 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 two percent of the Fper year of service. (FAS is based on the highest consecutive 60 months). Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	9,647
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	782
Active Plan Members Vested	13,420
Active Plan Members Nonvested	<u>3,656</u>
Total	<u>27,505</u>

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2011, 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%.

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>
2011	\$22	\$ 1,695,890
2010	549	1,661,149
2009	668	1,766,847

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.

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2011, the Firefighters Pension fund had an investment portfolio with fair value of \$1,099,887, which was invested in U.S. Governmental Agencies, a Corporate Bond, and in Municipal Bonds 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 \$5.6 million. Investments in the City's internal investment pool are invested in the Washington State Treasurer Local Government Investment Pool (LGIP), 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, US Agencies and in Municipal Bonds. All investments are valued at fair value. The Police Pension fund reported no investments at December 31, 2011, but did have \$939,564 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.

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 December 31, 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, 2011, the Police Pension Funds and the Firefighters Pension Fund reported net assets reserved for payment of future claims of \$966,138 and \$6,776,982, respectively.

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

	Police Pension	Fire Pension
Amortized of Unfunded Actuarial Liability (UAAL)	\$ 162,780	\$ 99,269
Interest to December 31, 2011	6,511	3,971
Actuarial Required Contribution (ARC) 12/31/09	169,291	103,240
Interest on Net Pension Obligation (NPO)	(44,818)	(116,514)
Adjustment to Net Pension Obligation	(79,274)	(206,090)
Annual Pension Cost (APC)	203,747	192,816
Employer Contributions	432,936	845,054
Increase (Decrease) in NPO	(229,189)	(652,238)
Net Pension Obligation (Asset) January 1, 2011	(1,120,449)	(2,912,862)
Net Pension Obligation (Asset) December 31, 2011	\$ (1,349,638)	\$ (3,565,100)

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.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

Three Year Trend Information

Police Pension Fund:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution as a Percentage of APC</u>	<u>Net Pension Obligation (Asset)</u>
December 31, 2011	\$ 203,747	212%	\$ (1,349,638)
December 31, 2010	319,050	151%	(1,120,449)
December 31, 2009	315,436	120%	(958,418)

Firefighters Pension Fund:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution as a Percentage of APC</u>	<u>Net Pension Obligation (Asset)</u>
December 31, 2011	\$ 317,935	438%	\$ (3,565,100)
December 31, 2010	336,546	213%	(2,912,862)
December 31, 2009	317,935	260%	(2,534,247)

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:

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities (AAL)</u>	<u>Unfunded Actuarial Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
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:

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities (AAL)</u>	<u>Unfunded Actuarial Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
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.

CITY OF VANCOUVER

NOTES TO THE BASIC 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
	30 Year closed period	30 Year closed period as
Amortization Method	as of 1/1/2001	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.

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 can be found in the Fiduciary Fund Section of these 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, 130 retirees meet those eligibility requirements. This is considered a closed group with no new members. There were no active employees who had not retired as of December 31, 2011.

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 2011 were \$1,620,758.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

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	\$ 1,080,668	\$ 1,660,869
Interest on net OPEB obligation	37,939	73,137
Adjustment to annual required contribution	(57,062)	(109,999)
Annual OPEB cost	1,061,545	1,624,007
Contributions made	(590,312)	(1,030,446)
Increase in net OPEB obligation	471,233	593,561
Net OPEB obligation - beginning of year	948,486	1,828,416
Net OPEB obligation - end of year	\$ 1,419,719	\$ 2,421,977

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 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, 2011	\$ 1,061,545	56%	\$ 1,419,719
	December 31, 2010	886,133	63%	948,486
	December 31, 2009	892,278	66%	618,081
Fire	December 31, 2011	\$ 1,624,007	63%	\$ 2,421,977
	December 31, 2010	1,340,109	73%	1,828,416
	December 31, 2009	1,350,932	62%	1,468,869

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	-	16,244	16,244	0%	634	2562%

CITY OF VANCOUVER

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2011 is twenty-five 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, 2011 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 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 is 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 \$357,000 over the next 17 years, with a current portion of \$21,000. This estimate is based on prior year actual costs, and is subject to changes in price, technology or changes in applicable laws and regulations.

CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS

I. PRIOR PERIOD ADJUSTMENTS

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

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

Capital asset corrections	<u>\$ (1,037,156)</u>
---------------------------	-----------------------

Government-wide : Governmental Funds

	General Fund	Non-Major Governmental Funds	Internal Service Funds	Total
Capital asset held for resale	\$ 228,400	\$ -	\$ -	\$ 228,400
City guarantee for prior periods	-	(1,742,864)		(1,742,864)
Impact fee	-	40,565		40,565
Assumption of notes for first time buyers	-	1,371,678	-	1,371,678
Inventory previously expensed	-	-	283,031	283,031
	<u>\$ 228,400</u>	<u>\$ (330,621)</u>	<u>\$ 283,031</u>	<u>\$ 180,810</u>

Combined Government Wide Prior Period Adjustments	<u><u>\$ (856,346)</u></u>
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Government-wide : Business Type Activities

	Water Sewer Fund	Total
Asset capitalization and depreciation corrections	<u>\$ (176,654)</u>	<u>\$ (176,654)</u>

Component Units

	Downtown Redevelopment Authority	Vancouver Public Facilities District	Total
Capital asset corrections	\$ (4,896,667)	\$ 375,000	\$ (4,521,667)
City guarantee for prior periods	1,742,864		1,742,864
	<u>\$ (3,153,803)</u>	<u>\$ 375,000</u>	<u>\$ (2,778,803)</u>

J. SUBSEQUENT EVENTS

On January 12, 2012, the city issued \$15,945,000 in Limited Tax General Obligation (LTGO) Refunding bonds to partially refund the 2003 LTGO Bonds that were issued to finance the Firstenburg Community Center. The refunding generated approximately \$790,000 in debt service savings over the life of the bond issue. Debt service is paid by Real Estate Excise Tax collections dedicated to parks.

CITY OF VANCOUVER

Required Supplementary Information

Police and Fire Pension Funds

December 31, 2011

GASB Statement No. 25 and 27

Schedule of Funding Progress

(in thousands)

Six year trend Information

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	1/1/2011	\$ 774	\$ 3,074	\$ 2,300	25%	\$ -	N/A
	1/1/2009	569	4,784	4,215	12%	149	2829%
	1/1/2007	498	3,973	3,475	13%	171	2032%
	1/1/2005	344	3,781	3,437	9%	169	2034%
	1/1/2003	468	3,760	3,292	12%	157	2097%
	1/1/2001	568	5,271	4,703	11%	*	N/A
Fireman's Pension Fund	1/1/2011	\$ 6,491	\$ 7,895	\$ 1,404	82%	\$ 472	297%
	1/1/2009	6,225	10,043	3,818	62%	659	579%
	1/1/2007	5,458	9,505	4,047	57%	634	638%
	1/1/2005	5,620	9,224	3,604	61%	822	438%
	1/1/2003	5,993	9,233	3,240	65%	765	424%
	1/1/2001	5,108	10,313	5,205	50%	*	N/A

* Information unavailable

GASB Statement No. 25

Schedule of Employer Contributions #

Six year trend Information

Retirement System	Fiscal Year Ending	Actual **Employer Contribution	Police Auction Income / Fire Insurance Premiums	Annual Required Contribution (ARC)	Percentage of ARC Contributed
Police Relief and Pension Fund	12/31/2011	\$ 431,680	\$ 1,256	\$ 169,291	175%
	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%
Fireman's Pension Fund	12/31/2011	\$ 684,858	\$ 160,196	\$ 103,240	819%
	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%

** 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, 2011

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	1/1/2011	\$ -	\$ 17,272	\$ 17,272	0%	\$ -	N/A
	1/1/2009	-	14,518	14,518	0%	150	9679%
	1/1/2007	-	9,734	9,734	0%	178	5469%
Fireman's Pension Fund	1/1/2011	\$ -	\$ 26,545	\$ 26,545	0%	\$ 472	5624%
	1/1/2009	-	21,587	21,587	0%	662	3261%
	1/1/2007	-	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	1/1/2011	1/1/2011
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, 2011

Table 20

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures
Page 1 of 3					
Department of Agriculture:					
<i>Passed through Office of Superintendent of Public Instruction:</i>					
Child and Adult Care Food Program	10.558	06-07-0504		\$ 10,696	
Simplified Summer Food Program	10.559	S03-06810		69,867	
<i>Passed through Department of Natural Resources:</i>					
Cooperative Forestry Assistance	10.664	IAA-10-340/K244-08-DG-014		4,400	
Cooperative Forestry Assistance	10.664	IAA-11-291/K244-09-DG-010		10,000	
Total CFDA 10.664				14,400	
Total Department of Agriculture:				94,963	\$ 94,963
Department of Housing and Urban Development:					
Community Development Block Grant/Entitlement	14.218	B-11-MC-53-0013	\$ 277,501		
Community Development Block Grant/Entitlement	14.218	B-10-MC-53-0013	930,282		
Community Development Block Grant/Entitlement	14.218	B-09-MC-53-0013	178,782		
Community Development Block Grant/Entitlement	14.218	B-08-MC-53-0013	39,377		
Community Development Block Grant/Entitlement	14.218	B-07-MC-53-0013	31		
Community Development Block Grant/Entitlement	14.218	Program Income	133,159		
Total CFDA 14.218			1,559,132		
<i>Passed through Department of Commerce:</i>					
CDBG/State's Program & Non-Entitlement Grants in Hawaii	14.228	08-F6401-024		102,566	
HOME Investment Partnerships Program	14.239	M-09-MC-53-0208	40,383		
HOME Investment Partnerships Program	14.239	M-10-MC-53-0208	296,064		
HOME Investment Partnerships Program	14.239	M-11-MC-53-0208	57,582		
Total CFDA 14.239			394,029		
CDBG/Brownfields Economic Development Initiative	14.246	B-06-BD-53-0011	11,861		
CDBG/Section 108 Loan Guarantees	14.248	B-06-MC-53-0013	80,000		
Total Department of Housing and Urban Development:				2,045,022	102,566 2,147,588
Department of Interior:					
Cultural Resources Management	15.946	H9430080012	67,914		
<i>Passed through Department of Archaeology and Historic Preservation:</i>					
Historic Preservation Fund Grants-In-Aid	15.904	FY11-61011-007		9,303	
Total Department of Interior:				67,914	9,303 77,217
Department of Justice:					
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2005-WE-AX-0028	64,947		
Bulletproof Vest Partnership Program	16.607	09047999	27,883		
Public Safety Partnership & Community Policing Grants	16.710	2010-CS-WX-0015	35,828		
Congressionally Recommended Awards	16.753	2009-D1-BX-0217	8,345		
<i>Passed through Clark County:</i>					
Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0097		8,890	
<i>Passed through Clark County:</i>					
Violence Against Women Formula Grant	16.588	F-10-31103-007		9,483	
<i>Passed through Clark County:</i>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0227		17,999	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0198		2,732	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Program Income		1,150	
<i>Passed through Department of Commerce:</i>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	F10-34021-048		46,538	
Total CFDA 16.738				68,419	
Total Department of Justice:				137,003	86,792 223,795
Department of Transportation:					
Airport Improvement Program	20.106	3-53-0139-008	52,558		
<i>Passed through Washington State Department of Transportation:</i>					
Highway Planning and Construction	20.205	STPD-TSCP-HLP-09WA9003)		1,543,100	
Highway Planning and Construction	20.205	POMVIP-000S(230)		129,333	
Highway Planning and Construction	20.205	STPUL-4221(004)		9,613	
Highway Planning and Construction	20.205	CM-4401(006)		6,815	
Highway Planning and Construction	20.205	STPH-4345(002)		397,508	
Highway Planning and Construction	20.205	CM-1350(007)		18,862	
Highway Planning and Construction	20.205	CM-4242(019)		864	
Highway Planning and Construction	20.205	CM-1350(011)		53,207	

CITY OF VANCOUVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Table 20

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures
Page 2 of 3					
Highway Planning and Construction	20.205	CM-4371(012)		109,715	
Highway Planning and Construction	20.205	CM-9906(025)		21,481	
Highway Planning and Construction	20.205	SRTS-4330(001)		4,052	
Highway Planning and Construction	20.205	STPD-4242(024)		299,949	
Highway Planning and Construction	20.205	HPP-4254(004)		666,529	
Highway Planning and Construction	20.205	STPUL-4421(003)		707,067	
Highway Planning and Construction	20.205	CM-4451(012)		162,318	
Highway Planning and Construction	20.205	STPUL-4266(002)		11,129	
Highway Planning and Construction	20.205	STPUL-1350(017)		108,500	
Highway Planning and Construction	20.205	HSIP-4330(002)		270,447	
Highway Planning and Construction	20.205	CM-1350(013)		45,400	
Total CFDA 20.205				4,565,889	
<i>Passed through Washington Association of Sheriffs & Police Chiefs:</i>					
State and Community Highway Safety	20.600	Traffic Safety Equipment Grant		5,157	
<i>Passed through State of Washington Traffic Safety Commission:</i>					
State and Community Highway Safety	20.600	Traffic Safety Corridor Project		6,634	
<i>Passed through State of Washington Traffic Safety Commission:</i>					
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	DUI Emphasis		5,744	
Total Department of Transportation:			52,558	4,583,424	4,635,982
Environmental Protection Agency:					
<i>Passed through Department of Ecology</i>					
Nonpoint Source Implementation Grant	66.460	C9-00044906-0		11,168	
Total Environmental Protection Agency:				11,168	11,168
Department of Health and Human Services:					
<i>Passed through University of Washington:</i>					
Public Health Emergency Preparedness	93.069	Vancouver Fire Prevention Service Agreement		14,708	
<i>Passed through Oregon Health & Science University:</i>					
Occupational Safety and Health Program	93.262	AHPSM0020VPD		1,887	
Total Department of Health and Human Services:				16,595	16,595
Department of Homeland Security:					
<i>Passed through Washington State Military Department:</i>					
Interoperable Emergency Communications Grant Program	97.001	E10-022		680	
<i>Passed through Clark County:</i>					
Urban Area Security Initiative	97.008	UA08-0151		9,007	
Urban Area Security Initiative	97.008	UA08-0171		3,933	
Urban Area Security Initiative	97.008	UA08-0179		7,546	
Urban Area Security Initiative	97.008	UA08-0168		11,799	
Urban Area Security Initiative	97.008	UA09-0024		1,000	
Urban Area Security Initiative	97.008	UA07-0211		32,371	
Urban Area Security Initiative	97.008	UA08-0067		116,731	
Urban Area Security Initiative	97.008	UA08-0179		35,604	
Total CFDA 97.008				217,991	
<i>Passed through Washington State Military Department:</i>					
Disaster Grants - Public Assistance	97.036	1825-DR-WA		100	
<i>Passed through Washington State Region 4 Homeland Security:</i>					
Homeland Security Grant Program	97.067	2009 FFY Clark County Citizen Corps # K694		2,935	
Homeland Security Grant Program	97.067	E10-190		16,397	
Total CFDA 97.067				19,332	
<i>Passed through Washington State Military Department:</i>					
Buffer Zone Protection Program (BZPP)	97.078	E11-274		94,263	
Buffer Zone Protection Program (BZPP)	97.078	E11-276		66,240	
Total CFDA 97.078				160,503	
Assistance to Firefighters Grant	97.044	EMW-2010-FH-00862	323,608		
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2008-FF-00494	25,207		
Total Department of Homeland Security:			348,815	398,606	747,421
Department of Energy:					
ARRA - Energy Efficiency and Conservation Block Grant					
	81.128	DE-SC0003385	1,133,861		
<i>Passed through Department of Commerce</i>					
ARRA - Energy Efficiency and Conservation Block Grant	81.128	F10-52110-013		67,376	
ARRA - Energy Efficiency and Conservation Block Grant	81.128	F10-52110-063		38,699	
<i>Passed through Clark County</i>					
ARRA - Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000856		7,343	
Total Department of Energy:			1,133,861	113,418	1,247,279

CITY OF VANCOUVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Table 20

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures
Page 3 of 3					
Department of Housing and Urban Development:					
ARRA - CDBG ARRA Entitlement Grants (CDBG-R)	14.253	B-09-MY-53-0013	50,136		
ARRA - Homelessness Prevention & Rapid Re-Housing Program	14.257	S-09-MY-53-0004	179,188		
Total Department of Housing and Urban Development:			229,324		229,324
Department of Justice, Office of Community Oriented Policing Services (COPS)					
ARRA - Public Safety Partnership & Community Policing Grants	16.710	2009-RJ-WX-0086	77,737		
Total Department of Justice, Office of Community Oriented Policing Services (COPS)			77,737		77,737
Department of Justice:					
ARRA - FY09 Recovery Act Byrne Competitive Grant	16.808	2009-SC-B9-0139	780,067		
<i>Passed through Clark County</i>					
ARRA - Recovery Act-Edward Byrne Memorial JAG	16.804	2009-SB-B9-1974		71,534	
ARRA - Recovery Act-Edward Byrne Memorial JAG	16.804	Program Income		1,602	
Total CFDA	16.804			73,136	
Total Department of Justice:			780,067	73,136	853,203

TOTAL FEDERAL EXPENDITURES

\$ 10,362,272

Schedule of Federal Awards

This schedule contains information about expenditures of federal grant awards to help the reader understand the contributions the City receives from the Federal Government.

Schedule of Expenditures of Federal Awards (SEFA)

Table 20

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 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 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.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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Deputy Chief of Staff
Chief Policy Advisor
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