



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Vancouver

Clark County

For the period January 1, 2014 through December 31, 2014

Published July 23, 2015

Report No. 1014700





Washington State Auditor's Office

July 23, 2015

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,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Federal Summary	4
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	16
About The State Auditor’s Office.....	88

FEDERAL SUMMARY

**City of Vancouver
Clark County
January 1, 2014 through December 31, 2014**

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 unmodified 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.

Our report includes a reference to other auditors who audited the financial statements of the Vancouver Hotel and Convention Center Project, which is included as part of the Vancouver Downtown Redevelopment Authority discretely presented component unit, as described in our report on the City's financial statements. The financial statements of the Vancouver Hotel and Convention Center Project were not audited in accordance with *Government Auditing Standards*.

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 unmodified 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>
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders
16.710	ARRA - Public Safety Partnership and Community Policing Grants
20.205	Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

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 BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City of Vancouver
Clark County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Vancouver
Vancouver, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 19, 2015.

Our report includes a reference to other auditors who audited the financial statements of the Vancouver Hotel and Convention Center Project, which is included as part of the Vancouver Downtown Redevelopment Authority discretely presented component unit, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of other auditors. The financial statements of the Vancouver Hotel and Convention Center Project were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Vancouver Hotel and Convention Center.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed

in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

June 19, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**City of Vancouver
Clark County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Vancouver
Vancouver, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

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, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

July 16, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Vancouver Clark County January 1, 2014 through December 31, 2014

Mayor and City Council
City of Vancouver
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Vancouver Hotel and Convention Center Project, which is included in the City's financial information as part of the Downtown Redevelopment Authority component unit and which represents 1.1 percent, 4.5 percent, 100 percent and 85.9 percent respectively, of the assets and deferred outflows, net position, operating revenues 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 solely on the reports of 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 from material misstatement. The financial statements of the Vancouver Hotel and Convention Center Project were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our report and the report of the other auditors, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Consolidated Fire and Street funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 25 and the information on police and fire pension trust funds and postemployment benefits other than pensions on pages 82 through 84 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2015 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 internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

July 19, 2015

FINANCIAL SECTION

**City of Vancouver
Clark County
January 1, 2014 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2014

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities – 2014

Statement of Revenue, Expenditures and Changes in Fund Balances Compared to Budget
(GAAP Basis) and Actual – General Fund – 2014

Statement of Revenue, Expenditures and Changes in Fund Balances Compared to Budget
(GAAP Basis) and Actual – Consolidated Fire Fund – 2014

Statement of Revenue, Expenditures and Changes in Fund Balances Compared to Budget
(GAAP Basis) and Actual – Street Fund – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds –
2014

Statement of Cash Flows – Proprietary Funds – 2014

Statement of Net Position – Fiduciary Funds – 2014

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014

Notes to the Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Police and Fire Pension Funds – 2014

Police and Fire OPEB Pension Funds – 2014

Notes to Required Supplementary Information – Police and Fire Pension Funds – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes the Schedule of Expenditure of Federal Awards – 2014

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, 2014. 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, 2014 by \$1 billion.
- Net investment in capital assets accounts for over 75.3% of this amount, with a value of \$803.2 million.
- Of the remaining net position, \$212.2 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- The City's total net position showed an increase of \$36.9 million from current operations in 2014. This included a prior period adjustment of \$14.6 million which is further explained in detail in Note V.I. The government's net capital assets decreased by \$2.6 million during 2014.
- Total program revenues were \$151.7 million in 2014, down by \$20.3 million from 2013, due to decreases in Charges for Services, Fees, and Fines and Forfeitures and in Capital Grants and Contributions revenues. Program expenses were \$236.2 million, up by \$1.8 million from 2013. General revenues and transfers were \$125.9 million, up by \$18.6 million from last year.
- As of December 31, 2014, the City of Vancouver's governmental funds reported combined ending fund balances of \$137.5 million, which was \$12.3 million more than the prior year. About 64.4% of this total amount, or \$88.6 million, is available for spending at the government's discretion. The unassigned fund balance for the General Fund was \$13.9 million at December 31, 2014.
- The City of Vancouver's total bonded debt at December 31, 2014 was \$143.6 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 airpark, solid waste, building inspection, and a tennis center.

The Statement of Net Position presents information on all City of Vancouver's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as 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 expenses impacted net position during 2014. 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 position 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 Street 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, the City presents 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. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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

Proprietary Funds

The City has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water/sewer/drainage utility, solid waste, airport, building inspection, parking, and tennis center 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, mailroom services, facilities replacement 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 Position to the business-type column on the government-wide Statement of Net Position, the total net position 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 "Internal balances" line on the government-wide statement combines the "Due from other funds" (assets) and the "Due to other funds" (liabilities) from the proprietary fund statement in a single line in the asset section of the government-wide statement.

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 Position

As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. The City of Vancouver's net position totals \$1,066,781,241 at December 31, 2014. The following is a condensed and comparative version of the Government-Wide Statement of Net Position.

City of Vancouver's Net Position

	Governmental Activities		Business-type Activities		Total Activities	
	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014
Current and other assets	\$ 197,090,593	\$ 204,151,971	\$ 96,161,565	\$ 100,061,323	\$ 293,252,158	\$ 304,213,294
Capital assets (net of accumulated depreciation)	600,949,262	599,509,374	360,104,906	358,944,646	961,054,168	958,454,020
TOTAL ASSETS	798,039,855	803,661,345	456,266,471	459,005,969	1,254,306,326	1,262,667,314
DEFERRED OUTFLOWS OF RESOURCES	2,143,047	2,383,987	2,539,686	2,005,428	4,682,733	4,389,415
Long-term liabilities	131,999,103	128,124,869	67,769,498	56,776,956	199,768,601	184,901,824.7
Other liabilities	24,204,026	11,629,538	5,140,724	3,744,127	29,344,750	15,373,665
TOTAL LIABILITIES	156,203,129	139,754,407	72,910,222	60,521,082	229,113,351	200,275,489
NET POSITION						
Net investment in capital assets	505,879,927	500,547,745	292,401,612	302,611,189	798,281,539	803,158,934
Restricted	53,828,026	43,879,793	5,574,691	7,554,474	59,402,717	51,434,267
Unrestricted	84,271,820	121,863,388	87,919,632	90,324,652	172,191,452	212,188,040
TOTAL NET POSITION	\$ 643,979,773	\$ 666,290,926	\$ 385,895,935	\$ 400,490,315	\$ 1,029,875,708	\$ 1,066,781,241

The 2014 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 position, 75.3%, reflects its investment in capital, less any related debt still outstanding that was used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending.

Total assets increased in 2014 by \$8.4 million, total deferred outflows decreased by \$293,318 and total liabilities decreased by \$28.8 million resulting in an increase in total net position of \$36.9 million, or 3.6%.

Net position representing resources that are subject to external restrictions on how they may be used are 4.8% of the total. There is \$212.2 million (unrestricted net position) which represents the amount that may be used to meet the City's ongoing obligations.

At December 31, 2014, the City of Vancouver reports positive balances in all three categories of net position, for the government as a whole.

Analysis of Changes in Net Position

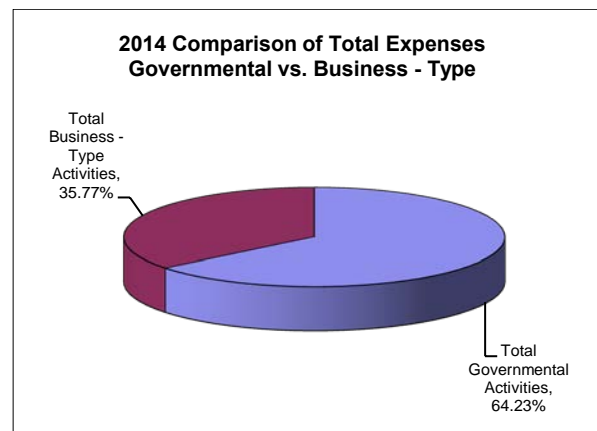
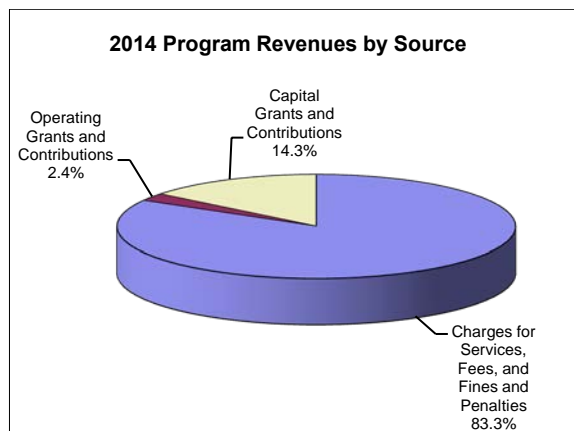
The change in total net position increased in 2014, inclusive of the impact of Prior Period Adjustments, is \$36.9 million. This is split between governmental increase of \$22.3 million and business-type activities increase of \$14.6 million. A condensed version of the Statement of Activities for the 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 2014.

Governmental activities revenue decreased by 8.2% while governmental expenses increased by 1.1%. The major increase in governmental activities revenue is increases from Property Taxes of 2.9%, 7.7% in the Sales and Use Taxes, and 3.5% in Other Taxes due to improvements in local economy. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation plus new constructions. Increase in revenue from taxes was offset by decrease revenue from Charges for Services, Fees, Fines, and Penalties by 6.9%. This decrease is directly related to reduction of revenue generate through the two cost allocation plans. The first plan is for the centralized administrative functions such as finance, human resources and legal services. The second plan is for the Community and Economic Development department that services as the centralized development and permitting function for all areas of the City.

The Business-Type Activity revenue increased by \$96,167 and expenses increased by 37,198. The major increase in Business-Type Activity revenue was from Charges for Services, Fees, and Fines and Forfeitures by 2.3 million that was offset by decreased in Capital Grants and Contribution by 1.1 million and decreased in Miscellaneous by 1.0 million. Changes in Charges for Services and Fees are due to water/storm water and sewer rate increases of 5% and 2.5%, respectively; however, pumping statistics show a decrease in water pumped of 1.4% in 2014. Changes in Capital Grants and Contributions were mainly due to slowdown in residential development activity in the City in 2014.

City of Vancouver
Summary of Changes in Net Position
Comparative 2013-2014

Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Program revenues:						
Charges for Services, Fees, and Fines and Penalties	\$ 38,865,033	\$ 36,173,239	\$ 87,897,109	\$ 90,157,496	\$ 126,762,142	\$ 126,330,735
Operating Grants and Contributions	6,256,533	3,625,007	322,562	392	6,579,095	3,625,399
Capital Grants and Contributions	28,745,286	12,980,672	9,872,909	8,770,421	38,618,195	21,751,093
General Revenues						-
Taxes:						-
Property Taxes Levied for General Purposes	41,990,733	43,205,414	-	-	41,990,733	43,205,414
Sales and Use Taxes	29,059,542	31,298,804	-	-	29,059,542	31,298,804
Utility and Other Taxes	48,025,064	49,688,560	-	-	48,025,064	49,688,560
Unrestricted Investment Earnings	461,982	838,502	315,805	517,826	777,787	1,356,328
Miscellaneous	530,334	295,788	1,051,855	110,272	1,582,189	406,060
Total Revenues	193,934,507	178,105,986	99,460,240	99,556,407	293,394,747	277,662,393
Program Expenses						
Governmental Activities:						
General Government	25,184,616	27,798,930	-	-	25,184,616	27,798,930
Security/Persons & Property	70,510,723	73,921,770	-	-	70,510,723	73,921,770
Physical Environment	514,804	474,056	-	-	514,804	474,056
Transportation	33,011,546	29,204,706	-	-	33,011,546	29,204,706
Health and Human Services	338,591	369,408	-	-	338,591	369,408
Economic Environment	7,132,322	7,657,595	-	-	7,132,322	7,657,595
Culture and Recreation	11,795,705	11,257,569	-	-	11,795,705	11,257,569
Interest on Long-Term Debt	4,505,618	3,962,630	-	-	4,505,618	3,962,630
Business-Type Activities:						
Water Sewer	-	-	75,592,296	75,244,743	75,592,296	75,244,743
Parking	-	-	2,964,225	2,902,381	2,964,225	2,902,381
Airpark	-	-	586,198	631,450	586,198	631,450
Building Inspection	-	-	3,761,558	4,179,595	3,761,558	4,179,595
Sanitation	-	-	2,132,353	2,075,583	2,132,353	2,075,583
Tennis Center	-	-	1,036,368	1,076,444	1,036,368	1,076,444
Total Expenses	152,993,925	154,646,664	86,072,998	86,110,196	239,066,923	240,756,860
Excess (deficiency) of revenues over expenses	40,940,582	23,459,322	13,387,241	13,446,211	54,327,824	36,905,533
Transfers - Governmental	(1,098,756)	(1,148,169)	-	-	(1,098,756)	(1,148,169)
Transfers - Business-Type	-	-	1,098,756	1,148,169	1,098,756	1,148,169
Income (loss) before special & extraordinary items	39,841,826	22,311,153	14,485,997	14,594,380	54,327,824	36,905,533
Extraordinary Items:						
Contract termination	(10,698,996)	-	-	-	(10,698,996)	-
Impairment of capital assets	-	-	(3,681,752)	-	(3,681,752)	-
Total Special Items	(10,698,996)	-	(3,681,752)	-	(14,380,748)	-
Change in Net Position	29,142,830	22,311,153	10,804,245	14,594,380	39,947,076	36,905,533
Net Position- Beginning	627,750,575	659,270,928	375,985,538	385,209,534	1,003,736,113	1,044,480,462
Prior year adjustments	2,377,524	(15,291,155)	(1,580,249)	686,401	797,275	(14,604,754)
Net Position - Ending	\$ 659,270,928	\$ 666,290,926	\$ 385,209,535	\$ 400,490,315	\$ 1,044,480,463	\$ 1,066,781,241

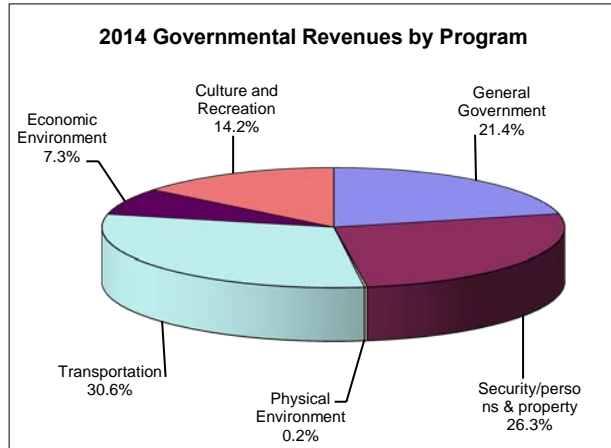
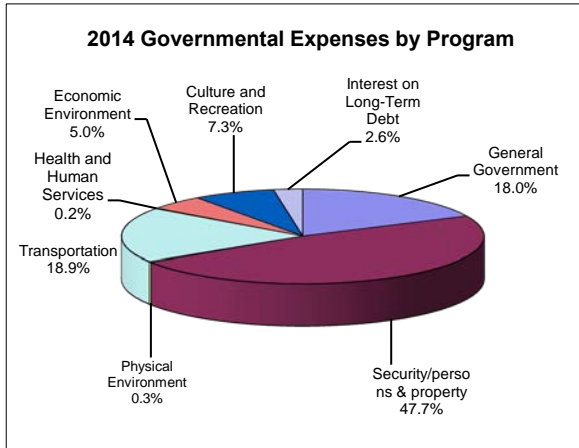


Governmental Activity Analysis

Governmental net position increased by \$22.3 million in 2014 from operations that offset by decrease of \$15.3 million from prior year adjustments. Total of 1.1% increase in net position corresponds to a \$9.2 million decrease in total assets and deferred outflows with \$16.2 million decrease in total liabilities. During 2014, the City's cash balances increased by \$9.8 million, capital assets decreased by \$17.6 million, and receivables and other assets decreased by \$1.6 million.

Governmental revenues decreased from 2013 by \$15.8 million or 8.2% due to moderate decrease in program revenues by \$21.1 million that offset by increase in general revenues by \$5.3 million.

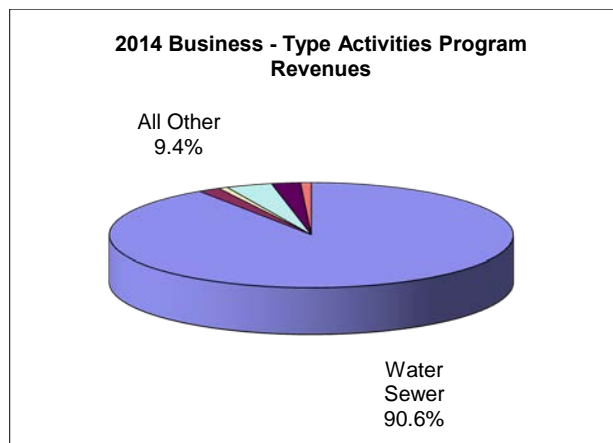
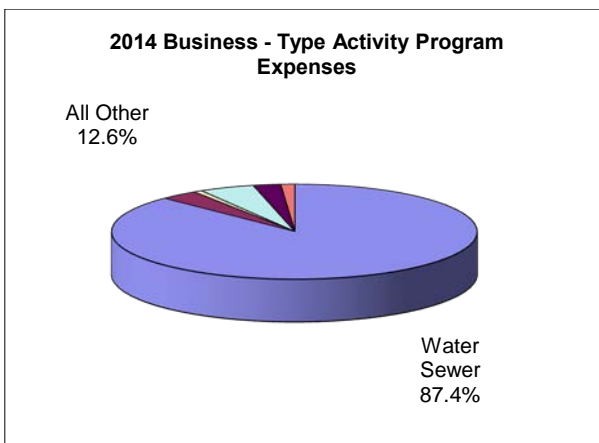
General Government expenses were up by \$2.6 million due to increase expenses in IT support services, Legal and Financial and Management Services. New IT systems were implemented one of which is the business intelligence software that will assist with performance management and reporting. Security/Persons & Property expenses increased by \$3.4 million, the increase were specifically related to the purchase of new radio equipment of \$1.6 million. We purchased over three hundred radios to ensure update communication technology. Culture and Recreation expenses were \$542,988 lower than prior year from the termination of the parks Interlocal Agreement at the end of 2013 between the City and the Clark County for the operations of consolidated Parks and Recreation Department. Transportation expenses decreased by \$3.8 million from 2013, primarily due to a higher level of maintenance on transportation infrastructure. In total, expenses for Governmental activities increased by \$1.7 million.

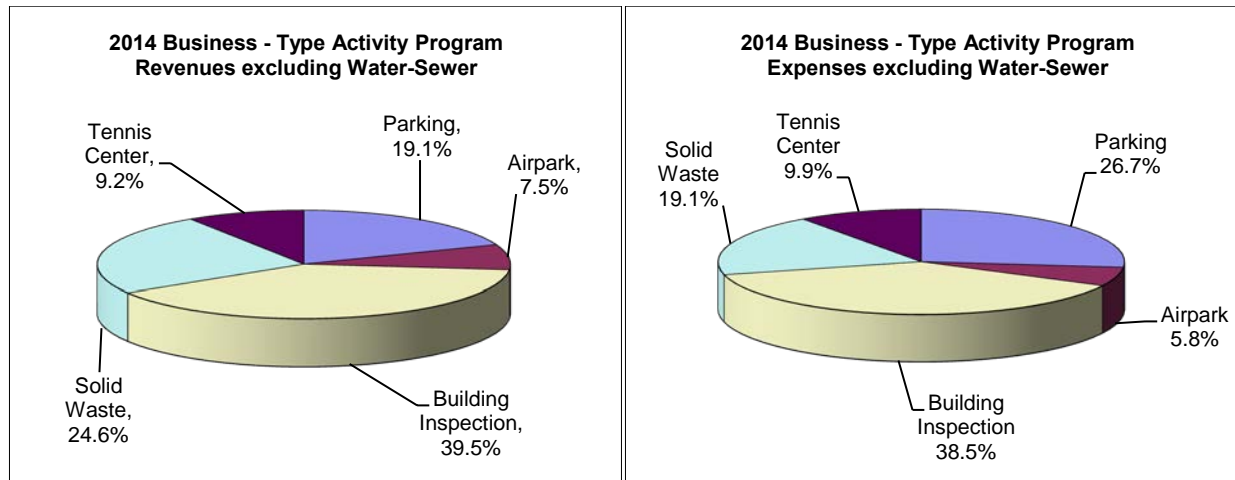


Business-Type Activities Analysis

As depicted in the graphs that follow, 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 \$3.7 million increase in Charges for Services, Fees, Fines and Penalties, a \$1.1 million decrease in Capital Contributions and a \$137,034 increase in operating expenses.

The other business-type activities had moderate gains and losses. Solid Waste activity had a \$199,615 net operating income due to lower market values for recyclable commodities and lower tons to market. Parking activity had a \$726,974 net operating loss. The General Fund support of the Parking activity remained at \$1.2 million. Building Inspection activity had a \$525,869 net decrease, largely led by 25% reduction in commercial and multi-family permits fees started in July 2013 and by adding a further 10% reduction beginning in April of 2014.





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 Street Fund are classified as major funds for the purposes of this report, based on criteria set forth by the Government Accounting Standards Board (GASB).

The General Fund is the primary governmental fund. General Fund revenues were up 2.7% over 2013 due primarily to an increase in Property taxes at \$1.2 million and \$2.2 million in the Sales and Use taxes that reflects the improving local economy. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation plus new constructions. Intergovernmental revenue went down by \$624,050. It reflects grants that the City receives as well as State Shared Revenues and revenues generated through Interlocal Agreement. The slight decrease is due to dissolution of the Interlocal Agreement at the end of 2013 between the City and the County for the operations of the consolidated Parks and Recreation Department. General Fund expenditures accounted for 52.7% of total governmental fund expenditures for 2014. General Fund expenditures increased by approximately 3.9% mainly due to an increase in expenditures for Security/persons & property and General Government. The 2014 expenditures contain the purchase over three hundred new radios and implementation the Oracle-based Business Intelligence software.

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 Statement of Revenues, Expenditures and Statement of Changes in Fund Balances, major funding for the Consolidated Fire Fund is Intergovernmental revenues, Charges for Services, and a transfer from the City's General Fund. The Consolidated Fire Fund in 2014 accounted for 20.6% of the governmental funds expenditures; it decreased by \$1.5 million from 2013 due to purchased Regional Response marine vessel in 2013; the Consolidated Fire Fund fund balance increased by \$2.4 million.

The Street Fund is a special revenue fund established in accordance with State RCW 35A.37.010 for the administration of street-oriented maintenance and construction. Revenues are derived from tax contributions distributed from the General Fund, state shared gasoline tax, an excise tax of ¼ of 1% of property value of transferred property, fines and fees. The total of 10.3% of governmental fund expenditures were attributable to the Street fund in 2014, an increase of \$1.9 million from 2013 due to increase in Capital outlay by 1.4 million for pavement management program which has been funded to 100% of policy level to ensure existing infrastructure is maintained to constrain future maintenance costs. In 2014, the Street Fund fund balance increased by \$67,002.

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 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: six are enterprise funds, and six are internal service funds.

The Water/Sewer Fund is the largest business-type fund in the City, accounting for 94.6% of net position for the enterprise funds at \$378.9 million. Water/Sewer Fund net position increased by \$14.9 million in 2014 mainly due to the increase in utility Charges for Services and decreased bonded indebtedness. This fund encompasses three legally consolidated utilities: water, sewer, and storm water operations.

Water/Sewer, the utility, reported operating income of \$7.8 million in 2014, and its operating revenue increased 5.1% primarily due to water/storm water and sewer rates increase of 5% and 2.5%, respectively. Utility operating expenses increased by \$137,034 from 2013, mainly related to increase costs for Personnel services and Intergovernmental payments. Additionally, accumulated depreciation of utility capital assets increased by \$12.4 million and its bonded indebtedness decreased by \$9.6 million in 2014.

The Parking Services Fund reported an operating loss of \$726,974 in 2014. Operating expenses increased by \$63,660 from 2013 due to an increase in Personnel and Supplies & contracted services and Interfund services. Parking Services changes in net position decreased by \$1.2 million from 2013 due to retirement of Main Place parking garage in 2013. The General Fund support of the Parking Services Fund remained at the \$1.25 million level in 2014. Over time, the fund is anticipated to become self-supporting.

In the non-major business funds, the Airpark and Solid Waste Funds accounted for the majority of the increase in total net position. The Airpark Fund reported \$117,824 in operating income and accounted for \$535,347 of the increase in total net position of the non-major business funds. This increase can be attributed to refund for overpayment of leasehold excise tax of \$408,242 for prior years due to lease exempt per historic site RCW 35.21.755. The Building Inspection Fund reported \$525,869 in operation loss and accounted for \$504,896 of the decrease in total net position of the non-major business funds. Decrease is largely led by 25% reduction in commercial and multi-family permits fees started in July 2013 and by adding a further 10% reduction beginning in April of 2014. At the national level, housing was recovering at moderate levels, led by starts for multi-family units.

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 funds net position increased by \$6.1 million from 2013. A new fund was created in 2013, Facility Replacement Fund, and received \$7.8 million transfer from the General Fund in 2013 and additionally \$1.8 million in 2014 to support the depreciation and replacement of City facilities. Operating loss of all City Internal Service funds totaled \$837,624 due to an operating loss related to the Self-Insured Worker's Comp&Liability Fund as a result of increased claims expense during 2014.

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. During the "great recession" the City undertook numerous measures to operate within the constraints of a weakened global, national and local economy. The City undertook a thorough analysis and review of sound financial policies and in 2012 financial policies were adopted by City Council. These policies are reviewed every two years during the budget development process. The policies ensure that the City maintains a healthy financial foundation into the future. These policies address such items as debt, future capital needs, and adequate reserves to build a stable and sustainable future. From the adoption point forward, the financial position of the City has shown improvement, resulting in the 2013-2014 biennium budget that did not require any reductions in staffing.

The final 2013-14 biennial budget totals \$850.4 million in operating and capital expenditures, including 969 positions. The budget was balanced without the implementation of new taxes or tax increases other than the annual 1% authorized increase to property taxes and inflationary adjustments of utility rates and select fees on city services.

CAPITAL ASSETS 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, 2014, amounts to \$958.5 million (net of accumulated depreciation).

The table that follows is a comparison of the summary information for year-end 2013 and 2014 capital assets. The balance of 2013 capital assets was restated to Prior Period Adjustments.

	Governmental Activities		Business-Type Activities		Total Activities	
	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014
Land	\$ 65,757,733	\$ 71,733,958	\$ 30,520,801	\$ 32,709,463	\$ 96,278,534	\$ 104,443,421
Intangible - Easements	8,068,105	8,089,930	3,883,343	4,676,838	11,951,448	12,766,768
Buildings and systems	86,359,528	83,677,576	18,118,096	16,955,699	104,477,624	100,633,275
Machinery and equipment	13,700,537	16,192,605	2,887,909	2,093,391	16,588,446	18,285,996
Infrastructure	377,443,398	399,153,565	297,553,181	296,139,562	674,996,579	695,293,127
Intangible assets	1,490,108	1,178,908	1,084,766	814,022	2,574,874	1,992,930
Construction in progress	48,129,853	19,482,832	6,056,810	5,555,671	54,186,663	25,038,503
Total	<u>\$ 600,949,262</u>	<u>\$ 599,509,374</u>	<u>\$ 360,104,906</u>	<u>\$ 358,944,646</u>	<u>\$ 961,054,168</u>	<u>\$ 958,454,020</u>

The major changes for assets were in Land, Building and systems, and Construction in progress (CIP) and Infrastructure for both Governmental and Business-Type Activities categories, and changes in Machinery and equipment for Governmental Type Activities. The decrease in CIP for Governmental Activities relates to finishing and capitalized ongoing projects. The significant amount of \$30.9 million related to Vancouver Waterfront Access that was put in services in June 2014. Land increased due to purchasing of 12.39-acre property for SE reservoir from Sharp Microelectronics Technology, Inc., RE Shaffer park property of 10.08 acres, and \$2.3 million of land annexation from Clark County as part of ILA dissolution. The increased in Machinery and equipment is specifically related to the purchase over three hundred radios for Vancouver Police Department.

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, 2014, the City of Vancouver had total bonded debt outstanding of \$143.6 million. Of this amount, \$97.2 million is General Obligation debt, which is backed by the full faith and credit of the government. The remainder of the City's debt of \$40.9 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 2013 and 2014 bonded debt.

The City of Vancouver's total bonded debt decreased by \$17.7 million, the result of scheduled principal payments made throughout 2014. There was no new bonded debt issued during the year. The City's remaining capacity for non-voted debt is approximately \$192.4 million.

City of Vancouver Outstanding Bonded Debt

	(in thousands)					
	Governmental Activities		Business-Type Activities		Total Activities	
	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014
General obligation bonds	\$ 93,479	\$ 85,929	\$ 12,346	\$ 11,266	\$ 105,825	\$ 97,195
Revenue bonds	-	-	49,990	40,895	49,990	40,895
Net Amounts for:						
Issuance premiums (discounts)	3,590	3,492	2,570	1,994	6,160	5,486
Total	<u>\$ 97,069</u>	<u>\$ 89,421</u>	<u>\$ 64,906</u>	<u>\$ 54,155</u>	<u>\$ 161,975</u>	<u>\$ 143,576</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.E of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenue projections through 2018 indicate that revenues are anticipated to continue increasing over the projected time period, driven mostly by the economic stabilization and recent economic growth.

The City's management continues its commitment to seeking out and implementing new cost containment and service delivery options to ensure the most efficient and effective way of service delivery and savings over the long run. The City has implemented Oracle-based Business Intelligence software to continue moving forward with measuring performance of city services. The City agencies have embarked on a process of developing their business plans and priorities at the same time as City Council is developing the vision and strategic plan for the long term.

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 POSITION
December 31, 2014

	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	\$ 167,509,333	\$ 82,088,049	\$ 249,597,382	\$ 95,739	\$ 132,144
Cash with fiscal/escrow agent	-	-	-	8,745,771	-
Restricted assets					
Cash	-	7,517,317	7,517,317	-	-
Accrued interest receivable		12,880	12,880	-	-
Receivables (net of allowance for uncollectible accounts)	21,099,779	9,529,851	30,629,630	1,007,856	443,929
Inventories	464,581	905,331	1,369,912	34,139	-
Capital assets held for resale	272,400	-	272,400	-	-
Prepaid Items	145,902	3,954	149,856	82,452	-
Internal balances	370,138	(370,138)	-	-	-
Investment in joint venture	4,992,034	-	4,992,034	-	-
Due from other governmental units	1,389,582	374,078	1,763,660	-	-
Net pension asset	7,908,223	-	7,908,223	-	-
Capital assets (net of accumulated depreciation)					
Land	71,733,958	32,709,463	104,443,421	-	3,603,691
Easements	8,089,930	4,676,838	12,766,768	-	-
Buildings	83,677,576	16,955,699	100,633,275	39,563,837	-
Machinery and equipment	16,192,605	2,093,391	18,285,996	382,532	-
Infrastructure	399,153,565	296,139,562	695,293,127	-	-
Intangible assets	1,178,908	814,022	1,992,930	-	-
Construction work in progress	19,482,832	5,555,671	25,038,503	1,780,488	-
Total Assets	803,661,346	459,005,968	1,262,667,314	51,692,814	4,179,764
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	2,383,987	2,005,428	4,389,415	1,321,303	-
Total deferred outflows of resources	2,383,987	2,005,428	4,389,415	1,321,303	-
LIABILITIES					
Accounts payable and other current liabilities	10,575,086	3,102,572	13,677,658	1,374,819	562,428
Accrued interest payable	326,787	208,341	535,128	1,297,431	-
Unearned revenue	361,868	153,057	514,925	216,440	-
Custodial accounts	365,797	280,157	645,954	-	-
Noncurrent liabilities:					
Environmental remediation	-	399,000	399,000	-	-
Special assessment debt with governmental commitments due within one year	16,834	-	16,834	-	-
Special assessment debt with governmental commitments due in more than one year	295,000	-	295,000	-	-
Due within one year	24,576,738	12,919,733	37,496,471	-	-
Due in more than one year	103,236,296	43,458,221	146,694,517	69,093,070	-
Total Liabilities	139,754,407	60,521,081	200,275,488	71,981,760	562,428
NET POSITION					
Net investment in capital assets	500,547,745	302,611,189	803,158,934	(18,177,633)	3,603,691
Restricted for:					
Capital purposes	18,228,201	3,884,970	22,113,171	1,427,332	-
Debt service	134,552	3,669,504	3,804,056	2,465,706	-
Grant purposes	5,525,018	-	5,525,018	-	-
Security purposes	17,993,557	-	17,993,557	-	-
Economic purposes	1,947,037	-	1,947,037	-	-
Parks & Recreation purposes	51,428	-	51,428	-	-
Unrestricted	121,863,388	90,324,652	212,188,040	(4,683,048)	13,645
Total Net Position	\$ 666,290,926	\$ 400,490,315	\$ 1,066,781,241	\$ (18,967,643)	\$ 3,617,336

The accompanying notes are an integral part of this financial statement.

CITY OF VANCOUVER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Indirect Expense Allocation	Charges for Services, Fees, Fines and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
						Governmental Activities	Business -type Activities	Total
PRIMARY GOVERNMENT								
Governmental Activities:								
General Government	\$ 27,798,930	\$ (4,806,452)	\$ 6,612,815	65,247	\$ 548,554	\$ (16,514,416)	\$ -	\$ (16,514,416)
Security/ persons & property	72,877,775	1,043,995	11,911,026	1,420,363	-	(60,041,837)	-	(60,041,837)
Physical Environment	460,571	13,485	107,768	-	-	(366,288)	-	(366,288)
Transportation	28,677,540	527,166	5,115,418	219,290	10,825,423	(13,044,575)	-	(13,044,575)
Mental and Physical Health	369,408	-	-	-	-	(369,408)	-	(369,408)
Economic Environment	7,598,814	58,781	890,557	1,603,650	1,383,889	(3,779,499)	-	(3,779,499)
Culture and Recreation	11,220,453	37,116	6,929,203	316,467	222,806	(3,789,093)	-	(3,789,093)
Interest on Long-Term Debt	3,962,630	-	-	-	-	(3,962,630)	-	(3,962,630)
TOTAL GOVERNMENTAL ACTIVITIES	152,966,121	(2,925,909)	31,586,787	3,625,007	12,980,672	(101,867,746)	-	(101,867,746)
Business Type Activities:								
Water/Sewer	73,132,727	2,112,016	80,904,321	-	8,770,421	-	14,429,999	14,429,999
Parking	2,541,880	360,501	1,771,031	-	-	-	(1,131,350)	(1,131,350)
Airpark	590,164	41,286	697,335	-	392	-	66,277	66,277
Building Inspection	3,952,399	227,196	3,653,726	-	-	-	(525,869)	(525,869)
Solid Waste	1,972,522	103,061	2,275,198	-	-	-	199,615	199,615
Tennis Center	994,595	81,849	855,885	-	-	-	(220,559)	(220,559)
TOTAL BUSINESS-TYPE ACTIVITIES	83,184,287	2,925,909	90,157,496	-	8,770,813	-	12,818,113	12,818,113
Total Primary Government	\$ 236,150,408	\$ -	\$ 121,724,283	\$ 3,625,007	\$ 21,751,485	\$ (101,867,746)	\$ 12,818,113	\$ (89,049,633)
Component Units								
Downtown Redevelopment Authority	\$ 15,485,253	\$ -	\$ 14,085,504	\$ -	\$ -	\$ -	\$ (1,399,749)	\$ (1,399,749)
Public Facilities District	1,101,845	-	-	-	-	-	-	(1,101,845)
TOTAL COMPONENT UNITS	\$ 16,587,098	\$ -	\$ 14,085,504	\$ -	\$ -	\$ -	\$ -	\$ (1,399,749)
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 43,205,414	\$ 43,205,414	\$ -	\$ 43,205,414
Sales and Use Taxes					31,298,804	31,298,804	1,971,270	1,101,845
Utility Taxes					37,350,793	37,350,793	-	-
Excise, Lodging and Other Taxes					12,337,768	12,337,768	-	-
Unrestricted Investment Earnings					838,502	838,502	957	175
Gain (loss) on Sale of Capital Assets					(379,606)	(379,606)	-	-
Miscellaneous					675,394	675,394	138,179	813,573
Special Items:								
Gain on extinguishment of debt					-	-	107,812	-
Claims settlement					-	-	86,645	-
Transfers					(1,148,169)	(1,148,169)	-	-
Total General Revenues, Special Items, Extraordinary Item, and Transfers					124,178,899	124,178,899	2,186,684	1,102,020
Change in Net Position					22,311,153	22,311,153	766,935	175
Net Position - Beginning					659,270,928	659,270,928	(19,734,578)	3,643,146
Prior period adjustments					(15,291,155)	(15,291,155)	-	(25,985)
Net Position - Ending					666,290,926	666,290,926	(18,967,643)	3,617,336

The accompanying notes are an integral part of this financial statement.

CITY OF VANCOUVER
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	Major Funds			Other	
	Consolidated			Non-Major	Total
	General Fund	Fire	Street Fund	Governmental Funds	Governmental Funds
ASSETS					
Cash, cash equivalents and pooled investments	\$ 57,063,050	\$ 17,438,697	\$ 7,357,081	\$ 45,187,976	\$ 127,046,804
Receivables (net)					
Taxes/assessments	10,518,119	-	732,326	477,100	11,727,545
Accounts	468,149	64,347	98,561	2,484,310	3,115,367
Interest	101,041	30,059	12,690	77,894	221,684
Notes	-	-	-	5,286,463	5,286,463
Due from other funds	1,297,074	5,834	343	1,835,732	3,138,983
Due from other governmental units	438,293	142,626	-	782,678	1,363,597
Capital assets held for resale	228,400	-	-	-	228,400
Prepaid items	8,195	-	-	37,707	45,902
TOTAL ASSETS	\$ 70,122,321	\$ 17,681,563	\$ 8,201,001	\$ 56,169,860	\$ 152,174,745
LIABILITIES					
Accounts payable	\$ 4,415,003	\$ 232,971	\$ 620,185	\$ 1,374,045	\$ 6,642,204
Due to other funds	600,506	133,859	116,927	1,365,622	2,216,914
Due to other governmental units	47,392	-	-	189,077	236,469
Accrued interest payable	-	-	-	4,060	4,060
Accrued liabilities	1,951,132	1,037,046	120,507	57,754	3,166,439
Revenues collected in advance	297,766	57,007	2,619	881	358,273
Custodial accounts	155,952	490	98,394	110,377	365,213
Unearned revenue	-	-	-	3,595	3,595
Total liabilities	<u>7,467,751</u>	<u>1,461,373</u>	<u>958,632</u>	<u>3,105,411</u>	<u>12,993,167</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	831,995	-	-	-	831,995
Unavailable revenue-special assessments	-	-	-	254,375	254,375
Unavailable revenue-grant funding	245,366	23,607	-	15,352	284,325
Unavailable revenue-capital improvements	-	-	-	263,873	263,873
Total deferred inflows of resources	<u>1,077,361</u>	<u>23,607</u>	<u>-</u>	<u>533,600</u>	<u>1,634,568</u>
FUND BALANCES					
Nonspendable	236,595	-	-	37,707	274,302
Restricted	152,808	16,196,583	-	32,296,563	48,645,954
Committed	43,119,624	-	7,242,369	10,142,688	60,504,681
Assigned	4,156,542	-	-	10,053,891	14,210,433
Unassigned	13,911,641	-	-	-	13,911,641
Total fund balances	<u>61,577,210</u>	<u>16,196,583</u>	<u>7,242,369</u>	<u>52,530,849</u>	<u>137,547,011</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 70,122,322	\$ 17,681,563	\$ 8,201,001	\$ 56,169,860	152,174,746

Amounts reported for governmental activities in the statement of net position 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 593,873,126

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 14,534,825

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 position 41,774,282

Long-term liabilities that are not due and payable in the current period and are not reported in the funds (121,482,319)

Net position of governmental activities \$ 666,290,925

The accompanying notes are an integral part of this financial statement.

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

For the Year ended December 31, 2014

	Major Funds			Other	Total
	General Fund	Consolidated Fire	Street Fund	Non-Major Governmental Funds	Governmental Funds
REVENUES					
Property taxes	\$ 43,344,456	\$ -	\$ -	\$ -	\$ 43,344,456
Sales and use taxes	31,298,804	-	-	-	31,298,804
Other taxes	36,843,825	-	2,403,493	4,142,343	43,389,661
License and permits	862,142	494,538	292,679	2,063,668	3,713,027
Intergovernmental	4,489,989	2,392,657	3,410,953	7,747,556	18,041,155
Charges for services	13,488,685	8,128,356	46,670	3,275,657	24,939,368
Fines and penalties	1,661,362	13,990	-	111,128	1,786,480
Investment earnings	439,219	63,437	30,616	200,369	733,641
Rents and royalties	3,249,652	57,078	375,758	603,780	4,286,268
Contributions/donations	256,585	53,438	-	468,655	778,678
Miscellaneous	136,306	435	-	656,194	792,935
Total revenues	<u>136,071,025</u>	<u>11,203,929</u>	<u>6,560,169</u>	<u>19,269,350</u>	<u>173,104,473</u>
EXPENDITURES					
Current					
General government	25,918,244	-	-	381,768	26,300,012
Security/persons & property	41,738,518	30,847,621	-	81,458	72,667,597
Physical environment	523,485	-	-	13,653	537,138
Transportation	703,331	-	9,973,138	3,466,342	14,142,811
Economic environment	4,352,508	-	-	2,490,451	6,842,959
Mental and physical health	369,408	-	-	-	369,408
Culture and recreation	6,895,250	-	-	344,914	7,240,164
Capital outlay	464,820	785,115	5,792,422	6,463,577	13,505,934
Debt service					
Principal retirement	-	-	-	7,672,630	7,672,630
Interest/fiscal charges	-	-	-	4,251,285	4,251,285
Total expenditures	<u>80,965,564</u>	<u>31,632,736</u>	<u>15,765,560</u>	<u>25,166,078</u>	<u>153,529,938</u>
Excess (deficiency) of revenues over (under) expenditures	55,105,461	(20,428,807)	(9,205,391)	(5,896,728)	19,574,535
OTHER FINANCING SOURCES (USES)					
Capital related debt issued	-	-	-	311,834	311,834
Sale of capital assets	560	14,867	-	(395,033)	(379,606)
Transfers in	550,353	23,113,786	9,987,907	20,845,783	54,497,829
Transfers out	(52,301,011)	(344,590)	(1,070,819)	(8,303,758)	(62,020,178)
Total other financing sources and uses	<u>(51,750,098)</u>	<u>22,784,063</u>	<u>8,917,088</u>	<u>12,458,826</u>	<u>(7,590,121)</u>
Net change in fund balances	<u>3,355,363</u>	<u>2,355,256</u>	<u>(288,303)</u>	<u>6,562,098</u>	<u>11,984,414</u>
FUND BALANCES - BEGINNING	58,501,825	13,773,264	7,175,367	45,802,702	125,253,158
Prior period adjustments	(279,978)	68,063	355,305	166,049	309,439
FUND BALANCES - ENDING	<u>\$ 61,577,210</u>	<u>\$ 16,196,583</u>	<u>\$ 7,242,369</u>	<u>\$ 52,530,849</u>	<u>\$ 137,547,011</u>

The accompanying notes are an integral part of this financial statement.

CITY OF VANCOUVER**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES****For the Year Ended December 31, 2014**

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

Net changes in fund balances - total governmental funds:	\$	11,984,414
--	----	------------

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.	(7,466,809)
--	-------------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) not reported in governmental funds.	6,098,220
--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(574,433)
--	-----------

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 position. 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.	7,360,823
---	-----------

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.	(1,164,893)
---	-------------

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.	6,073,830
---	-----------

Change in Net Position of Governmental Activities	\$	<u><u>22,311,152</u></u>
---	----	--------------------------

The accompanying notes are an integral part of this financial statement.

CITY OF VANCOUVER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2014

	Budget Amounts		Actual	
	Original	Final	Biennium	Variance
	2013-14	2013-14	To- Date	
	Biennium	Biennium	Thru 12/31/14	Thru 12/31/14
REVENUES				
Property tax	\$ 83,036,027	\$ 84,171,962	\$ 85,302,248	\$ (1,130,286)
Sales and use taxes	55,326,783	55,176,783	60,358,346	(5,181,563)
Other taxes	70,586,038	71,301,038	72,746,313	(1,445,275)
License and permits	1,951,664	1,801,664	1,749,711	51,953
Intergovernmental	9,906,709	11,745,442	9,604,028	2,141,414
Charges for services	25,876,802	26,112,228	27,951,035	(1,838,807)
Fines and forfeitures	3,054,280	3,054,280	3,026,474	27,806
Investment earnings	933,282	933,282	759,240	174,042
Rents and royalties	2,048,008	2,048,008	6,312,732	(4,264,724)
Contributions/donations	-	167,036	510,031	(342,995)
Miscellaneous	4,726,671	3,656,919	270,433	3,386,486
Total revenues	<u>257,446,264</u>	<u>260,168,642</u>	<u>268,590,591</u>	<u>(8,421,949)</u>
EXPENDITURES				
Current:				
General government	63,559,858	52,646,977	49,878,829	2,768,148
Security/persons & property	81,927,997	81,814,241	82,098,132	(283,891)
Physical environment	1,651,120	1,225,578	1,007,823	217,755
Transportation	2,090,645	1,707,369	1,447,593	259,776
Economic environment	8,679,759	9,518,727	8,666,300	852,427
Mental and physical health	753,094	753,094	707,999	45,095
Culture and recreation	14,951,367	15,076,545	14,383,212	693,333
Capital outlay	30,000	783,517	703,173	80,344
Total expenditures	<u>173,643,840</u>	<u>163,526,048</u>	<u>158,893,061</u>	<u>4,632,987</u>
Excess (deficiency) of revenues over expenditures	83,802,424	96,642,594	109,697,530	(13,054,936)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	600,000	612	599,388
Transfers in	582,712	1,384,608	883,075	501,533
Transfers out	(83,514,076)	(102,373,360)	(102,152,727)	(220,633)
Total other financing sources (uses)	<u>(82,931,364)</u>	<u>(100,388,752)</u>	<u>(101,269,040)</u>	<u>880,288</u>
Net change in fund balance	<u>871,060</u>	<u>(3,746,158)</u>	<u>8,428,490</u>	<u>(12,174,648)</u>
FUND BALANCES - BEGINNING	50,936,758	50,936,758	50,936,758	-
Prior period adjustments	-	-	2,211,961	(2,211,961)
FUND BALANCES - ENDING	<u>\$ 51,807,818</u>	<u>\$ 47,190,600</u>	<u>\$ 61,577,102</u>	<u>\$ (14,386,609)</u>
Adjustment to generally accepted accounting principles (GAAP) basis:				
Riverwest RDA Fund budgeted as separate fund			108	
Fund Balance GAAP basis:			<u>\$ 61,577,210</u>	

The accompanying notes are an integral part of this financial statement.

CITY OF VANCOUVER
CONSOLIDATED FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2014

	Budget Amounts		Actual Biennium To- Date Thru 12/31/14	Variance Thru 12/31/14
	Original 2013-14 Biennium	Final 2013-14 Biennium		
REVENUES				
Property taxes	\$ -	\$ -	\$ 72,239	\$ (72,239)
License and permits	565,000	565,000	988,184	(423,184)
Intergovernmental	878,860	4,322,190	5,911,569	(1,589,379)
Charges for services	17,600,077	16,885,664	15,938,806	946,858
Fines and forfeits	-	-	16,990	(16,990)
Investment earnings	160,000	160,000	91,454	68,546
Rents and royalties	-	-	111,272	(111,272)
Contributions/donations	-	94,214	140,226	(46,012)
Miscellaneous	387,153	387,153	747	386,406
Total revenues	<u>19,591,090</u>	<u>22,414,221</u>	<u>23,271,487</u>	<u>(857,266)</u>
EXPENDITURES				
Current				
Security/persons & property	60,520,942	62,635,779	61,481,508	1,154,271
Capital outlay	<u>2,848,374</u>	<u>4,718,242</u>	<u>3,257,509</u>	<u>1,460,733</u>
Total expenditures	<u>63,369,316</u>	<u>67,354,021</u>	<u>64,739,017</u>	<u>2,615,004</u>
Excess (deficiency) of revenues over (under) expenditures	(43,778,226)	(44,939,800)	(41,467,530)	(3,472,270)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	32,300	(32,300)
Transfers in	44,836,893	45,678,621	45,695,268	(16,647)
Transfers out	<u>(707,492)</u>	<u>(707,492)</u>	<u>(703,846)</u>	<u>(3,646)</u>
Total other financing sources and uses	<u>44,129,401</u>	<u>44,971,129</u>	<u>45,023,722</u>	<u>(52,593)</u>
Net change in fund balances	<u>351,175</u>	<u>31,329</u>	<u>3,556,192</u>	<u>(3,524,863)</u>
FUND BALANCES - BEGINNING	12,571,553	12,571,553	12,571,553	-
Prior period adjustments	<u>-</u>	<u>-</u>	<u>68,838</u>	<u>(68,838)</u>
FUND BALANCES - ENDING	<u>\$ 12,922,728</u>	<u>\$ 12,602,882</u>	<u>\$ 16,196,583</u>	<u>\$ (3,593,701)</u>

The accompanying notes are an integral part of this financial statement.

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

For the Year Ended December 31, 2014

	Budget Amounts		Actual Biennium To- Date Thru 12/31/14	Variance Thru 12/31/14
	Original 2013-14 Biennium	Final 2013-14 Biennium		
REVENUES				
Property tax	\$ -	\$ -	\$ 103,416	\$ (103,416)
Other taxes	2,650,390	2,650,390	4,577,315	(1,926,925)
License and permits	300,000	300,000	499,357	(199,357)
Intergovernmental	6,878,234	6,878,234	6,807,755	70,479
Charges for services	1,874,919	1,874,919	110,871	1,764,048
Investment earnings	40,000	40,000	40,919	(919)
Rents and royalties	-	-	680,690	(680,690)
Miscellaneous	-	-	2,011	(2,011)
Total revenues	<u>11,743,543</u>	<u>11,743,543</u>	<u>12,822,334</u>	<u>(1,078,791)</u>
EXPENDITURES				
Current:				
Transportation	20,495,278	19,898,469	19,477,484	420,985
Capital outlay	9,421,862	10,013,862	10,165,995	(152,133)
Total expenditures	<u>29,917,140</u>	<u>29,912,331</u>	<u>29,643,479</u>	<u>268,852</u>
Excess (deficiency) of revenues over expenditures	(18,173,597)	(18,168,788)	(16,821,145)	(1,347,643)
OTHER FINANCING SOURCES (USES)				
Transfers in	19,518,929	19,732,796	19,902,794	(169,998)
Transfers out	(1,266,523)	(2,509,287)	(1,730,785)	(778,502)
Total other financing sources (uses)	<u>18,252,406</u>	<u>17,223,509</u>	<u>18,172,009</u>	<u>(948,500)</u>
SPECIAL ITEM				
Net change in fund balance	78,809	(945,279)	1,350,864	(2,296,143)
FUND BALANCES - BEGINNING	5,535,156	5,535,156	5,535,156	-
Prior period adjustments	-	-	356,349	(356,349)
FUND BALANCES - ENDING	<u>\$ 5,613,965</u>	<u>\$ 4,589,877</u>	<u>\$ 7,242,369</u>	<u>\$ (2,652,492)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF VANCOUVER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major Enterprise Funds	Total	Internal Service Funds
	Water/Sewer	Parking Services			
ASSETS					
Current assets					
Cash, cash equivalents and pooled investments	\$ 64,925,393	\$ 2,021,907	\$ 15,140,749	\$ 82,088,049	\$ 40,462,528
Restricted cash, cash equivalents and investments:					
Cash and cash equivalents	7,517,317	-	-	7,517,317	-
Accrued interest receivable	12,880	-	-	12,880	-
Receivables (net)					
Accounts	4,617,839	421,198	207,856	5,246,893	679,086
Interest	111,789	3,481	26,030	141,300	69,633
Due from other funds	57,520	-	2,887	60,407	28,556
Due from other governmental units	224,349	-	149,729	374,078	25,985
Inventory	905,331	-	-	905,331	464,581
Prepaid expenses	-	-	3,954	3,954	100,000
Total current assets	<u>78,372,418</u>	<u>2,446,586</u>	<u>15,531,205</u>	<u>96,350,209</u>	<u>41,830,369</u>
Noncurrent assets					
Contracts receivable	4,141,658	-	-	4,141,658	-
Capital assets					
Land and improvements	31,756,604	468,657	484,202	32,709,463	-
Intangible - Easements	4,676,838	-	-	4,676,838	-
Construction in progress	5,405,728	-	149,943	5,555,671	94,081
Other improvements	518,531,403	49,165	2,369,720	520,950,288	-
Buildings	9,141,662	16,984,573	11,023,736	37,149,971	-
Intangible assets	8,341,534	128,712	1,603,368	10,073,614	-
Machinery and equipment	23,551,634	655,216	340,606	24,547,456	27,696,910
Accumulated depreciation	(258,224,691)	(10,953,332)	(7,540,632)	(276,718,655)	(22,154,744)
Capital assets (net)	<u>343,180,712</u>	<u>7,332,991</u>	<u>8,430,943</u>	<u>358,944,646</u>	<u>5,636,247</u>
Total noncurrent assets	<u>347,322,370</u>	<u>7,332,991</u>	<u>8,430,943</u>	<u>363,086,304</u>	<u>5,636,247</u>
TOTAL ASSETS	<u>425,694,788</u>	<u>9,779,577</u>	<u>23,962,148</u>	<u>459,436,513</u>	<u>47,466,616</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,722,006	249,651	33,771	2,005,428	-
Total deferred outflows of resources	<u>1,722,006</u>	<u>249,651</u>	<u>33,771</u>	<u>2,005,428</u>	<u>-</u>
LIABILITIES					
Current liabilities					
Accounts payable	1,897,858	43,690	260,644	2,202,192	396,641
Claims and judgments payable	-	-	-	-	1,343,167
Environmental remediation	21,000	-	-	21,000	-
Due to other funds	371,762	14,567	44,214	430,543	580,489
Due to other governmental units	84,779	-	-	84,779	-
Accrued interest payable	176,085	28,554	3,702	208,341	-
Accrued employee benefits	-	-	-	-	-
Accrued liabilities	2,069,121	64,810	321,767	2,455,698	339,964
Custodial accounts	217,380	6,149	56,628	280,157	584
Unearned revenues	30,364	7,584	115,109	153,057	-
Bonds, notes and loans payable	10,067,031	815,597	376,010	11,258,638	-
Total current liabilities	<u>14,935,380</u>	<u>980,951</u>	<u>1,178,074</u>	<u>17,094,405</u>	<u>2,660,845</u>
Noncurrent liabilities					
Due to other governmental units	173,419	-	-	173,419	-
Bonds, notes and loan payable	32,634,519	9,745,859	515,594	42,895,972	-
Claims and judgments	-	-	-	-	2,979,833
Environmental remediation	399,000	-	-	399,000	-
Accrued employee benefits	336,004	8,756	44,070	388,830	51,656
Total noncurrent liabilities	<u>33,542,942</u>	<u>9,754,615</u>	<u>559,664</u>	<u>43,857,221</u>	<u>3,031,489</u>
Total liabilities	<u>48,478,322</u>	<u>10,735,566</u>	<u>1,737,738</u>	<u>60,951,626</u>	<u>5,692,334</u>
NET POSITION					
Net investment in capital assets	298,583,737	(3,478,116)	7,505,568	302,611,189	5,636,247
Restricted for capital purposes	3,884,970	-	-	3,884,970	180,000
Restricted for Debt	3,669,504	-	-	3,669,504	-
Unrestricted	72,800,261	2,771,778	14,752,613	90,324,652	35,958,035
TOTAL NET POSITION	<u>\$ 378,938,472</u>	<u>\$ (706,338)</u>	<u>\$ 22,258,181</u>	<u>\$ 400,490,315</u>	<u>\$ 41,774,282</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 427,416,794</u>	<u>\$ 10,029,228</u>	<u>\$ 23,995,919</u>	<u>\$ 461,441,941</u>	<u>\$ 47,466,616</u>

The accompanying notes are an integral part of this financial statement.

CITY OF VANCOUVER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	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	\$ 612,779	\$ -	\$ 1,671	\$ 614,450	\$ 65,269
Charges for services	78,827,420	3,216	6,642,453	85,473,089	23,366,525
Fines and penalties	569,703	327,641	12,600	909,944	-
Rents and royalties	707,696	1,418,557	818,242	2,944,495	5,228,485
Miscellaneous	186,723	21,617	7,178	215,518	862
Total operating revenues	<u>80,904,321</u>	<u>1,771,031</u>	<u>7,482,144</u>	<u>90,157,496</u>	<u>28,661,141</u>
OPERATING EXPENSES					
Personnel services	17,677,461	693,560	3,543,853	21,914,874	3,372,114
Supplies and contractual services	17,940,458	398,093	2,216,186	20,554,737	22,515,308
Interfund services	7,422,315	540,997	1,643,299	9,606,611	1,694,889
Intergovernmental payments	17,585,870	16,354	9,258	17,611,482	132,039
Depreciation	12,430,138	849,001	498,537	13,777,676	1,784,415
Total operating expenses	<u>73,056,242</u>	<u>2,498,005</u>	<u>7,911,133</u>	<u>83,465,380</u>	<u>29,498,765</u>
Operating income (loss)	7,848,079	(726,974)	(428,989)	6,692,116	(837,624)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	446,585	-	71,241	517,826	125,578
State and federal grants	-	-	392	392	-
Interest and fiscal charges	(2,188,501)	(404,376)	(51,939)	(2,644,816)	-
Gain (Loss) on disposal of capital assets	(27,907)	-	-	(27,907)	360,562
Miscellaneous revenue (expense)	91,677	6,569	39,933	138,179	1,000
Total nonoperating revenues (expenses)	<u>(1,678,146)</u>	<u>(397,807)</u>	<u>59,627</u>	<u>(2,016,326)</u>	<u>487,140</u>
Income (loss) before contributions, transfers and special items	6,169,933	(1,124,781)	(369,362)	4,675,790	(350,484)
Capital contributions	8,770,421	-	-	8,770,421	50,134
Transfers in	4,169	1,245,540	189,864	1,439,573	6,501,969
Transfers out	(4,397)	-	(287,007)	(291,404)	(127,789)
Change in net position	<u>14,940,126</u>	<u>120,759</u>	<u>(466,505)</u>	<u>14,594,380</u>	<u>6,073,830</u>
TOTAL NET POSITION - BEGINNING	363,988,058	(848,485)	22,069,961	385,209,534	35,635,411
Prior period adjustments	10,288	21,388	654,725	686,401	65,041
TOTAL NET POSITION - ENDING	<u>\$ 378,938,472</u>	<u>\$ (706,338)</u>	<u>\$ 22,258,181</u>	<u>\$ 400,490,315</u>	<u>\$ 41,774,282</u>

The accompanying notes are an integral part of this financial statement.

CITY OF VANCOUVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

Page 1 of 2

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other		Internal Service Funds
	Water/Sewer	Parking Services	Non-Major Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 80,584,184	\$ 1,772,971	\$ 7,729,049	\$ 90,086,204	\$ 28,718,391
Cash received from other operating activities	186,723	21,617	7,178	215,518	8,525
Cash payments for goods and services	(36,584,423)	(406,043)	(2,403,668)	(39,394,134)	(21,750,078)
Internal activity - between funds	(6,990,093)	(528,084)	(1,809,292)	(9,327,469)	(1,154,814)
Cash payments to employees	(17,811,106)	(697,454)	(3,608,129)	(22,116,689)	(3,473,028)
Net cash provided by operating activities	<u>19,385,285</u>	<u>163,007</u>	<u>(84,862)</u>	<u>19,463,430</u>	<u>2,348,996</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Unrestricted gifts received	91,677	6,569	39,933	138,179	-
Receipt of grant funds	(132,638)	-	310,133	177,495	-
Transfers from other funds	4,169	1,245,540	190,558	1,440,267	6,501,969
Transfers to other funds	(4,397)	-	(287,007)	(291,404)	(127,789)
Net cash provided by noncapital financing activities	<u>(41,189)</u>	<u>1,252,109</u>	<u>253,617</u>	<u>1,464,537</u>	<u>6,374,180</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Increase in receivables	426,537	-	-	426,537	-
Principal paid on capital debt	(9,289,083)	(689,826)	(343,783)	(10,322,692)	-
Interest paid on capital debt	(2,225,100)	(434,870)	(53,405)	(2,713,375)	-
Purchase of capital assets	(8,902,960)	-	(172,511)	(9,075,471)	(1,702,267)
Proceeds from sale of capital assets	484,968	-	-	484,968	377,698
Capital contributions	5,304,435	-	-	5,304,435	1,000
Net cash used by capital and related financing activities	<u>(14,201,203)</u>	<u>(1,124,696)</u>	<u>(569,699)</u>	<u>(15,895,599)</u>	<u>(1,323,569)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings (losses)	-	(530)	71,524	70,994	112,048
Receipt of interest	436,254	-	-	436,254	-
Issuance of notes receivable	(298,302)	-	-	(298,302)	-
Loans made to others	6,327	-	-	6,327	-
Net cash provided by investing activities	<u>144,279</u>	<u>(530)</u>	<u>71,524</u>	<u>215,273</u>	<u>112,048</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>5,287,172</u>	<u>289,890</u>	<u>(329,420)</u>	<u>5,247,642</u>	<u>7,511,655</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>67,155,538</u>	<u>1,732,017</u>	<u>15,470,169</u>	<u>84,357,724</u>	<u>32,950,873</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 72,442,710</u>	<u>\$ 2,021,907</u>	<u>\$ 15,140,749</u>	<u>\$ 89,605,366</u>	<u>\$ 40,462,528</u>

The accompanying notes are an integral part of this financial statement.

CITY OF VANCOUVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

Page 2 of 2

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major Enterprise Funds		Internal Service Funds
	Water/Sewer	Parking Services		Total	
Reconciliation of operating income (loss) to net cash used by operating activities:					
Net operating income (loss)	\$ 7,848,079	\$ (726,974)	\$ (428,989)	\$ 6,692,116	\$ (837,624)
Adjustments to reconcile net operating income (loss) to net cash provided by operations:					
Depreciation expense	12,430,138	849,001	498,537	13,777,676	1,784,415
(Increase) Decrease in receivables	(125,379)	23,489	(118,166)	(220,056)	(35,486)
Increase (Decrease) in deposits	(8,035)	68	(27,294)	(35,261)	-
(Increase) Decrease in inventories	(235,060)	-	-	(235,060)	51,751
Increase (Decrease) in current payables	(823,035)	(7,008)	(190,093)	(1,020,135)	(376,565)
Increase (Decrease) in accrued liabilities	(133,645)	(3,894)	(64,276)	(201,815)	(100,914)
(Increase) Decrease in receivables from other funds	176,178	694	15,823	192,695	156,149
Increase (Decrease) in payables due to other funds	256,044	12,913	(165,993)	102,964	537,799
Increase (Decrease) in claims and judgments payable	-	-	-	-	1,169,471
Receipt of non-operating revenues	-	14,718	-	14,718	-
Receipt of rent	-	-	395,589	395,589	-
Total adjustments	11,537,206	889,981	344,128	12,771,315	3,186,620
Net cash provided by operating activities	\$ 19,385,285	\$ 163,007	\$ (84,862)	\$ 19,463,430	\$ 2,348,996
Noncash investing, financing and capital activities					
Capital assets donated	\$ 3,465,986	\$ -	\$ -	\$ 3,465,986	\$ 50,134
Net change in fair value of investments	\$ 9,906	\$ 277	\$ 2,068	\$ 12,251	\$ 5,533

The accompanying notes are an integral part of this financial statement.

CITY OF VANCOUVER
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
December 31, 2014

	Pension Trust Funds	Agency Funds
ASSETS		
Cash, cash equivalents and pooled investments	\$ 6,792,543	\$ 1,494,989
Investments: (at fair value)		
Federal Agency Coupon Securities	2,761,104	-
Receivables:		
Taxes/assessments		185,293
Accounts	-	1,130
Interest	38,030	2,569
Due from other governmental units	-	47,392
Prepaid expenses	60,000	-
Property, plant, and equipment (net)	-	679,046
TOTAL ASSETS	9,651,677	2,410,419
LIABILITIES		
Accounts and accrued employee payables	21,056	215,134
Custodial accounts	-	80
Due to other governmental units	-	2,195,205
TOTAL LIABILITIES	21,056	2,410,419
NET POSITION		
Held in trust for Pension and OPEB Benefits	\$ <u>9,630,621</u>	\$ <u>-</u>

The accompanying notes are an integral part of this financial statement.

CITY OF VANCOUVER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiduciary Funds
For The Year Ended December 31, 2014

	Pension Trust Funds
Additions:	
Employer Contributions	
For pension benefits	\$ 1,325,232
For postemployment healthcare benefits	1,510,764
Other Sources	<u>186,831</u>
Total Contributions	<u>3,022,827</u>
Investment Income	
Interest earnings	<u>35,354</u>
Total Investment Income	<u>35,354</u>
Total Additions	3,058,181
Deductions:	
Pension benefits	778,662
Healthcare premium subsidies	1,510,764
Administrative expense	<u>64,384</u>
Total Deductions	<u>2,353,810</u>
Change in fiduciary net position	704,371
Net position - beginning	8,900,922
Prior Period Adjustments	<u>25,328</u>
Net position - ending	<u>\$ 9,630,621</u>

The accompanying notes are an integral part of this financial statement.

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.

On February 27, 2006, the Vancouver City Council passed Ordinance M-3739 creating the City Center Redevelopment Authority (CCRA). CCRA is chartered with facilitating the redevelopment of property thereby promoting economic growth and urban livability within the Vancouver City Center Vision plan area. The CCRA will complement the work of the Downtown Redevelopment Authority (DRA) which is limited by indenture for construction and operation of the Hotel and Convention Center project. The CCRA is an independent legal entity, and its financial activities will be reported as a discretely presented component unit of the City; however, there was no financial information to report for fiscal year ending December 31, 2014.

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 Christine Smith, Accounting Manager, at christine.smith@cityofvancouver.us.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements (i.e., the Statement of Net Position 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.

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 significant resources accounted for in this fund are intergovernmental revenue from Fire District 5, charges for services, licenses and permits and an operating transfer from the City's General Fund

The *Street Fund* is a general government service fund established in accordance pursuant to Revised Code of Washington (RCW) 35A.37.010 for the administration of street-oriented maintenance and construction. Revenues are derived from tax contributions distributed from the General Fund, state shared gasoline tax, an excise tax of 1/4 of 1% of property value of transferred property, fines and fees.

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 internal service funds account for the activities of health insurance for employees, fleet, facilities replacement, mail distribution, liability insurance, workers' compensation insurance, and technology services.

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.

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 POSITION 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 2014. 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, 2014, the City had \$83,702,016 in the Washington State local investment pool and \$26,707,011 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. Internal Balance and Receivables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Interfund loan payable" (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.

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 inflows 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 inflow for special assessments consists 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.

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 \$7,517,317 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.E.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.

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 position.

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. E.2, for more information.

7. Other Accrued Liabilities

These accounts consist of accrued wages and employee related benefits and liabilities.

8. 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, are 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. See Note IV.E for more detail.

9. Unearned revenues

This includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

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.

11. Net position and fund balances

In the financial statements, assets in excess of liabilities are presented in one of two ways depending on the measurement focus of the statement.

On the *Statement of Net Position* for government-wide reporting and for the proprietary funds and on the fiduciary funds' *Statement of Fiduciary Net Position*, net position is segregated into three categories: net investment in capital assets;; restricted net position; and unrestricted net position.

Net investment in capital assets represents total capital assets less accumulated depreciation less debt directly related to capital assets less unspent bond proceeds.

Restricted net position is that component whose use is *not* subject solely to the government's own discretion. Restrictions may be placed on net position by an external third party that provided the resources, by laws or regulations of other governments, by enabling legislation, by endowment agreements, or by the nature of the asset. Unspent bond proceeds for capital projects are used in the calculation of restricted net position.

Unrestricted surplus (deficit) net position represents amounts not included in other categories.

On the *Balance Sheet – Governmental Funds*, assets in excess of liabilities are reported as fund balances and are segregated into separate classifications indicating the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent.

Fund balance is reported as **Nonspendable** when the resources cannot be spent because they are either in a nonspendable form or are legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid items.

Fund balance is reported as **Restricted** when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. When both restricted and

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

Fund balance is reported as **Committed** for amounts that can be used only for specific purposes with constraints imposed by the highest level of decision-making authority. The City Council meets weekly to conduct legislative business that may impose, modify, or rescind fund balance commitments. Once adopted, the limitation imposed by Council's legislative action remains in place until a similar action is taken to remove or revise the limitation.

The City has established policies requiring that governmental funds be created by the City Council and that each fund in the City shall be adopted by ordinance of the City Council. The City has adopted policies that follow the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, paragraphs 13 to 16. Fund balance amounts outside the General Fund, which are neither nonspendable, restricted, nor committed, are reported as **Assigned** fund balance in the governmental balance sheet. The City Council, or its designee, will designate **Assigned** when necessary. The assignment of fund balance in the General Fund may not result in a deficit in unassigned fund balance.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that is not otherwise reported as non-spendable, restricted, or committed within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

When expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used, the City intends to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts. See more detail in Note IV.H.

E. ADOPTION OF NEW GASB PRONOUNCEMENTS

For the fiscal year ended December 31, 2014, the City implemented the following GASB Pronouncements:

GASB Statement No. 67 Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.

Issued in April 2012, this statement makes changes to actuarial methods and financial reporting by pension plans by amending the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plan*, and GASB Statement No. 50, *Pension Disclosures*. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. Though the City operates two single employer defined benefit plan, the plans did not meet criterion that the pension plans assets are to be legally protected from creditors. Therefore, GASB 67 did not apply to these plans. There is no material impact to the City for adopting this standard. The City plans to implement policies and safeguards to allow adoption of this statement in future years.

GASB Statement No. 69 Government Combination and Disposals of Government Operations

Issued in January 2013, this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. There is no material impact to the City for implementing the standard.

GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees

Issued in April 2013, this Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

While the City has one nonexchange financial guarantees as disclosed in Note V.B, as of December 31, 2014, there is no impact on amounts reported on the City of Vancouver's Statement of Net Position or Statement of Activities as a result of the guarantee.

F. FUTURE ADOPTION OF GASB PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at December 31, 2014:

- GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*
- GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*
- GASB Statement No. 72 *Fair Value Measurement and Application*

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.

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 POSITION

The governmental fund balance sheet includes reconciliation between *fund balances—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. 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	\$	85,929,178
Plus: Issuance premium (to be amortized as interest income)		3,491,309
Special assessment debt		311,834
Deferred charge on refunding (to be amortized as interest expense)		(2,383,987)
Accrued interest payable		322,723
Government loans		6,816,647
Net OPEB obligation		7,213,190
Compensated absences for non-Internal Service Funds		7,803,084
Impact fee credits		<u>11,978,340</u>
Net adjustment to reduce fund balance-total government funds to arrive at net position-governmental activities	\$	<u><u>121,482,318</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:

Earned but unavailable revenues	\$	1,634,568
Investments in joint ventures		4,992,034
Net pension asset		<u>7,908,223</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	\$	<u><u>14,534,825</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 reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$	12,418,940
Depreciation expense		<u>(19,885,749)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	<u><u>(7,466,809)</u></u>

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	\$	(139,042)
Earned Special Assessments		154,584
Earned Revenue considered unavailable at fund level		(1,561,670)
Miscellaneous Revenues related to Joint Venture		1,434,056
Contributions related to Impact Fee Credits		<u>(462,361)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	<u><u>(574,433)</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 position. 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	\$	(311,834)
Principal repayments:		
General obligation debt		7,549,832
Governmental loans		116,471
Special assessment debt		<u>6,354</u>
Net adjustment to decrease net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	\$	<u><u>7,360,823</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	\$	(865,582)
Pension and OPEB cost		(106,113)
Accrued interest		95,458
Amortization of deferred amount on refunding		(386,958)
Amortization of bond discounts/premiums		<u>98,302</u>
Net adjustment to increase <i>net changes in fund balances—total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	<u><u>(1,164,893)</u></u>

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 for a biennium, representing the legal expenditure authority. The budget appropriations in the general fund are set at the department 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 during the biennium. 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 2014 is the second year of the 2013-2014 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, the City 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 2013-2014 Biennial Budget.

January-March 2012

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

April-June 2012

- Prepared the preliminary revenue and expenditure forecast for 2013-2018.
- 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 2013-2014 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 2012

- 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 2013-2018 revenue and expenditure forecast.
 - Input from the public on priority of City services and programs.

October-November 2012

- 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 2012.

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

State statutes provide for a mid-biennial review and modification of the biennial budget to allow flexibility for addressing issues unanticipated during the budget process. Modifications to the original adopted budget are proposed by departments and reviewed by 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 City has not had any occurrences of excesses of expenditures over appropriations as of December 31, 2014.

C. DEFICIT NET POSITION/NET FUND BALANCE

At December 31, 2014, the Parking Services fund had a deficit in the fund net position of \$706,338. The Parking Services fund accounts for operations of City owned or operated public parking spaces. Depreciation expense (a non-cash item) for the period ending December 31, 2014 was \$849,000, being the largest contributor the negative fund balance. The City continues to monitor operations in the fund to ensure funds are available to meet current operating needs. The General Fund transfers cash to cover debt service requirements.

At December 31, 2014, Vancouver Downtown Redevelopment Authority (DRA), a component unit of the City, had a deficit in the fund net position of \$18,967,643. 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 position balance is primarily attributed to accumulated depreciation, a non-cash item. Additionally, during the recession the economic environment had a negative impact on the convention and lodging business which is also reflected in the net position change. Deep cost-cutting measures have been put in place. The Board and the management of the DRA as well as the project monitor activities monthly. A series of revenue generating guidelines and on-going expense reductions have been implemented. The fund continues to improve slightly, while still remaining in a deficit position.

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:

<u>Notes</u>	
Investments	\$ 262,051,365
Deposits	6,339,851
Deposits w/fiscal agent, escrow, trust	8,745,771
Total	<u>\$ 277,136,987</u>
<u>Financial Statements</u>	
Cash and cash equivalents	\$ 257,114,697
Cash and cash equivalents – component units	227,883
Cash with fiscal agent/trustee – component units	8,745,771
Fiduciary cash	8,287,532
Fiduciary investments	2,761,104
Total	<u>\$ 277,136,987</u>

1. Deposits

At year-end, the City's carrying amount of deposits was \$6,339,851 and bank balance was \$8,755,631. 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, 2014. 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 one year. 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, 2014 the fair value of the City's investment portfolio was \$262,051,369 of which \$2,761,104 was invested on behalf of the Firemen's Pension Fund, and \$259,290,265 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.

As of December 31, 2014, the City had the following investments:

Investment Type	Fair Value (in thousands)	Weighted Average Maturity (Years)
County Pool	\$ 26,707	0.10
State Pool	83,702	0.31
Federal Agency Coupon Securities	122,661	0.45
Corporate Bond	1,006	0.00
Zero Coupon Bonds	5,887	0.02
Municipal Bonds	22,088	0.08
Total Fair Value	\$ 262,051	
Portfolio Weighted Average Maturity		0.96

* Fair value of pooled investments does not include adjustments made for

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to declines in fair values by keeping the average maturity of its investment portfolio less than 2 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, 2014 are:

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 2014, the City's portfolio had the following concentration of securities in it: 18.7% of Federal Home Loan Bank, 9.3% of Federal National Mortgage Association, 7.6% of Federal Farm Credit Bank, and 13.5% 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.

B. CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2014 is as follows:

	Restated Beginning Balance 01/01/14	Increases	Decreases	Ending Balance 12/31/14
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 65,376,954	\$ 6,976,062	\$ 996,051	\$ 71,356,965
Intangible - Easements	8,068,105	21,825	-	8,089,930
Construction in progress	48,129,853	10,402,105	39,049,126	19,482,832
Total capital assets, not being depreciated	121,574,912	17,399,992	40,045,177	98,929,727
Capital assets, being depreciated/depleted:				
Cemetery land	1,101,047	-	-	1,101,047
Buildings	117,464,170	257,049	-	117,721,219
Machinery and equipment	50,495,772	5,668,866	2,449,105	53,715,533
Infrastructure	565,834,123	37,118,788	-	602,952,911
Intangible	8,338,478	18,461	-	8,356,939
Total capital assets being depreciated/depleted	743,233,590	43,063,164	2,449,105	783,847,649
Less accumulated depreciation for:				
Cemetery land	720,268	3,786	-	724,054
Buildings	31,104,642	2,939,001	-	34,043,643
Machinery and equipment	36,795,235	2,989,095	2,261,402	37,522,928
Infrastructure	188,390,725	15,408,621	-	203,799,346
Intangible	6,848,370	329,661	-	7,178,031
Total accumulated depreciation	263,859,240	21,670,164	2,261,402	283,268,002
Total capital assets, being depreciated, net	479,374,350	21,393,000	187,703	500,579,647
Governmental activities capital assets, net	\$ 600,949,262	\$ 38,792,992	\$ 40,232,880	\$ 599,509,374
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 30,520,801	\$ 2,188,662	\$ -	\$ 32,709,463
Intangible - Easements	3,883,343	793,495	-	4,676,838
Construction in progress	6,056,810	9,041,742	9,542,881	5,555,671
Total capital assets, not being depreciated	40,460,954	12,023,899	9,542,881	42,941,972
Capital assets, being depreciated:				
Buildings and system	36,998,505	151,466	-	37,149,971
Infrastructure	511,105,874	9,844,414	-	520,950,288
Machinery and equipment	24,449,321	140,518	42,383	24,547,456
Intangible	10,073,614	-	-	10,073,614
Total capital assets, being depreciated	582,627,314	10,136,398	42,383	592,721,329
Less accumulated depreciation for:				
Buildings and system	18,880,409	1,313,863	-	20,194,272
Infrastructure	213,552,693	11,258,033	-	224,810,726
Machinery and equipment	21,561,412	935,036	42,383	22,454,065
Intangible	8,988,848	270,744	-	9,259,592
Total accumulated depreciation	262,983,362	13,777,676	42,383	276,718,655
Total capital assets, being depreciated, net	319,643,952	(3,641,278)	-	316,002,674
Business-type activities capital assets, net	\$ 360,104,906	\$ 8,382,621	\$ 9,542,881	\$ 358,944,646

The beginning balances of the Governmental and Business-type activities were restated due to corrections found during the year ending December 31, 2014 that were more appropriately reflected in prior years. Balances were restated per chart below:

	As Previously Reported December 31, 2013	Prior Period Adjustment	As Restated January 1, 2014
<u>Governmental Activities:</u>			
Land	\$ 65,395,154	\$ (18,200)	\$ 65,376,954
Construction in progress	51,700,960	(3,571,107)	48,129,853
Machinery and equipment	50,113,986	381,786	50,495,772
Infrastructure	579,611,362	(13,777,239)	565,834,123
Intangible	8,333,610	4,868	8,338,478
Less accumulated depreciation:		-	
Machinery and equipment	36,399,024	396,211	36,795,235
Infrastructure	189,739,746	(1,349,021)	188,390,725
Intangible	6,846,153	2,217	6,848,370
Net capital Assets subject to adjustment	\$ 522,170,149	\$ (16,029,299)	\$ 506,140,850
<u>Business-type Activities:</u>			
Construction in progress	\$ 6,234,607	\$ (177,797)	\$ 6,056,810

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

Governmental Activities:

General government	\$ 703,534
Security of persons & property	1,908,601
Transportation, including depreciation of general infrastructure assets	14,546,665
Physical Environment	5,463
Economic Environment	804,535
Culture and recreation	1,916,951
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets	1,784,415

Total depreciation expense — Governmental Activities	\$ <u><u>21,670,164</u></u>
--	-----------------------------

Business-type Activities:

Water/Sewer	\$ 12,430,138
Airpark	226,021
Building Inspection	239,981
Sanitation	10,216
Parking	849,001
Tennis Center	22,319

Total depreciation expense — Business-type Activities	\$ <u><u>13,777,676</u></u>
---	-----------------------------

Component Units

A summary of capital asset activity for component units for the year ended December 31, 2014, is as follows:

	Beginning Balance 01/01/14	Increases	Decreases	Ending Balance 12/31/14
Vancouver Downtown Redevelopment Authority				
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,502	\$ 1,778,986	\$ -	\$ 1,780,488
Capital assets, being depreciated:				
Buildings and system	\$ 51,605,004	\$ -	\$ -	\$ 51,605,004
Machinery and equipment	6,654,608	22,702	-	6,677,310
Total capital assets, being depreciated	58,259,612	22,702	-	58,282,314
Less accumulated depreciation for:				
Buildings and system	10,751,042	1,290,125	-	12,041,167
Machinery and equipment	6,149,178	145,600	-	6,294,778
Total accumulated depreciation	16,900,220	1,435,725	-	18,335,945
Total capital assets, being depreciated, net	41,359,392	(1,413,023)	-	39,946,369
Business-type activities capital assets, net	\$ 41,360,894	\$ 365,963	\$ -	\$ 41,726,857
Vancouver Public Facilities District				
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 3,603,691	\$ -	\$ -	\$ 3,603,691

Depreciation expense was charged to the Vancouver Downtown Redevelopment Authority for the year ending December 31, 2014 for \$1,435,725.

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 position. 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.

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. The following table displays Due to and Due from activity outstanding as of December 31, 2014:

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Governmental Activities		
General Fund	\$ 1,297,074	\$ 600,506
Consolidated Fire Funds	5,834	133,859
Street Fund	343	116,927
Non-Major Governmental Funds	<u>1,835,732</u>	<u>1,365,622</u>
Subtotal Governmental Activities	<u>3,138,983</u>	<u>2,216,914</u>
Internal Service Funds	<u>28,556</u>	<u>580,489</u>
Governmental Activities	<u><u>3,167,539</u></u>	<u><u>2,797,403</u></u>
Business Activities		
Water/Sewer	57,520	371,762
Parking Services	-	14,567
Non-Major Business Type Activities	<u>2,887</u>	<u>44,214</u>
Subtotal Business Activities	<u>60,407</u>	<u>430,543</u>
Total Government Wide	<u><u>\$ 3,227,946</u></u>	<u><u>\$ 3,227,946</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	General Fund	Fire	Street Fund	Non-Major Govt Funds	Water Sewer	Non-Major Enterprise Funds	Internal Service Funds	Total
General Fund	\$ -	\$ 3,021		\$ 402,548	\$ 4,397	\$ 140,387	\$ -	\$ 550,353
Consolidated Fire	23,113,786	-	-	-	-	-	-	23,113,786
Street Fund	9,845,456	-	-	-	-	142,451	-	9,987,907
Non-Major Govt Funds	11,404,396	341,569	1,070,819	7,901,211	-	-	127,789	20,845,784
Water/Sewer	-	-	-	-	-	4,169	-	4,169
Parking Services	1,245,540	-	-	-	-	-	-	1,245,540
Enterprise Funds	189,864	-	-	-	-	-	-	189,864
Internal Service Funds	6,501,969	-	-	-	-	-	-	6,501,969
Total	<u>\$ 52,301,011</u>	<u>\$ 344,590</u>	<u>\$ 1,070,819</u>	<u>\$ 8,303,759</u>	<u>\$ 4,397</u>	<u>\$ 287,007</u>	<u>\$ 127,789</u>	<u>\$ 62,439,372</u>

There were no significant transfers made during 2014 that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

D. 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 position. For the year ended December 31, 2014, the costs for such leases were \$1,243,083 and \$592,612 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, 2014

	Governmental Activities	Business-type Activities
2015	\$ 187,742	\$ 4,800
2016	193,155	2,800
2017	198,725	-
2018	204,455	
2019	210,351	
2020-2024	695,381	-
2025-2029	607,507	-
2030-2034	695,762	-
2035-2039	150,840	-
	<u>\$ 3,143,918</u>	<u>\$ 7,600</u>

2. City as Lessor

The City is the lessor for some non-cancelable operating leases for facilities and property located within the City limits. Expiration dates range between 2015 and 2058.

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

	Governmental Activities
2015	\$ 1,347,547
2016	987,355
2017	644,714
2018	286,569
2019	97,729
2020-2024	176,458
2025-2029	112,542
2030-2034	112,541
2035-2039	112,537
2040-2044	112,537
2045-2049	112,697
2050-2054	112,697
2055-2058	90,158
	<u>\$ 4,306,081</u>

E. 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.

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:

Name of Issuance	Purpose	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2002 LTGO Bond	Governmental Activities & Refunding	\$ 39,365	10/23/2002	12/1/2018	2%-5.25%	\$ 11,520
2005 LTGO Bond	Governmental Activities & Refunding	18,090	7/15/2005	12/1/2026	3%-5%	10,275
2006 LTGO Bond	Governmental Activities	14,785	10/11/2006	12/1/2025	3.75%-5%	10,545
2008 LTGO Bond	Governmental Activities	14,570	6/30/2008	12/1/2027	3.5%-5%	10,020
2009 LTGO Bond	Governmental Activities	12,970	6/1/2009	12/1/2028	3.5%-5%	10,195
2010 LTGO Bond	Governmental Activities	13,410	12/1/2010	12/1/2035	2.0%-5.125%	10,340
2011 LTGO Bond	Governmental Activities	10,515	6/1/2011	12/1/2035	2.0%-5.125%	9,625
2012A LTGO Bond	Governmental Activities Refunding	15,945	1/12/2012	12/1/2029	2.0%-3.75%	15,255
2012B&C LTGO Bond	Governmental Activities Refunding	9,515	12/12/2012	12/1/2025	0.61%-2.89%	9,420
Total General Obligation Bonds		\$ 149,165				\$ 97,195

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

	Governmental Activities			Business Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2015	7,872	3,828	11,700	1,133	387	1,520
2016	7,319	3,465	10,785	1,181	329	1,510
2017	6,663	3,112	9,775	922	269	1,191
2018	6,880	2,805	9,685	965	222	1,188
2019	5,455	2,486	7,941	945	173	1,118
2020-2024	24,465	9,377	33,842	5,035	552	5,587
2025-2029	19,880	4,007	23,887	1,085	31	1,116
2030-2034	6,015	1,227	7,242	-	-	-
2035	1,380	67	1,447	-	-	-
	\$ 85,929	\$ 30,373	\$ 116,302	\$ 11,266	\$ 1,964	\$ 13,230

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, 2014 the remaining non-voted and voted remaining capacity for indebtedness was \$192,362,998 and \$158,121,548 respectively.

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
2006 PWTF	Governmental-Type Activities	\$ 2,200	11/30/2006	7/1/2026	1%	\$ 1,398
Section 108 HUD Loan	Governmental-Type Activities	5,419	7/7/2010	8/1/2015	3-month LIBOR plus 20 bp	5,419
Dept of Ecology Revolving Fund Loan	Business-Type Activities	381	1/11/2010	12/31/2017	1.5%	258
		<u>\$ 8,000</u>				<u>\$ 7,075</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
2015	5,535	37	5,572	85	4	88
2016	116	6	123	86	2	88
2017	116	6	122	87	1	88
2018	116	5	122	-	-	-
2019	116	5	121	-	-	-
2020-2024	582	15	597	-	-	-
2025-2026	233	2	235	-	-	-
	<u>\$ 6,817</u>	<u>\$ 75</u>	<u>\$ 6,892</u>	<u>\$ 258</u>	<u>\$ 7</u>	<u>\$ 265</u>

At December 31, 2014, the City had \$0 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 street safety improvements in connection with a train noise quiet zone. 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:

Name of Issuance	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
Assessment Notes Receivable	\$ 312	9/23/2014	9/23/2036	3.45%	\$ 312
Total Assessment Debt	<u>\$ 312</u>				<u>\$ 312</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:

	Principal	Interest	Total Requirements
2015	-	11	11
2016	-	12	12
2017	-	12	12
2018	-	12	12
2019	-	12	12
2020-2024	-	60	60
2025-2029	-	60	60
2030-2034	-	60	60
2035-2036	312	24	336
Total	\$ 312	\$ 263	\$ 575

The Local Improvement District Debt Service Fund and the Local Improvement District Guaranty Debt Service Fund have \$80,906 and \$31,530 respectively, to service the local improvement district bonds.

The first required principal payment for the LID debt is due in 2036. The City, however, is anticipating calling \$17,000 during the fiscal year ending December 31, 2015, if funds become available.

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:

Name of Issuance	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2004 Water Sewer Refunding	26,250	2/26/2004	6/1/2020	2%-5%	17,625
2005 Water Sewer Refunding	42,520	4/4/2005	6/1/2018	3%-5.5%	17,720
2008 Water Sewer Refunding	20,230	6/3/2008	6/1/2016	3.25%-5%	5,550
<i>Total Revenue Bonds</i>	<u>\$ 89,000</u>				<u>\$ 40,895</u>

Business Type Activities:

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

	Principal	Interest	Requirements
2015	9,550	1,868	11,418
2016	10,045	1,369	11,414
2017	6,720	932	7,652
2018	7,090	564	7,654
2019	3,650	283	3,933
2020	3,840	96	3,936
	<u>\$ 40,895</u>	<u>\$ 5,113</u>	<u>\$ 46,008</u>

The reserve and redemption accounts of the Water/Sewer enterprise funds have \$3,676,521 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 3.16

to 1 coverage. There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Advance Refunding

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase US Government securities that were placed in the trust funds. The investments and fixed earnings from the investments were sufficient to fully service the defeased debt until the debt was called or matured. For financial reporting purposes, the debt was removed as a liability from the Governmental Activities column of the Statement of Net Position. All outstanding defeased bonds were called and paid off in 2013, with no further activity in 2014.

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, 2014, the recorded liability for compensated absences amounted to \$10,005,518 with \$8,061,371 recorded in governmental activities and \$1,944,147 recorded in business-type activities. City employees receive personal time off (PTO), vacation and sick leave time at monthly rates established by City ordinance or union agreement. City employees receive personal time off (PTO), vacation and sick leave time at monthly rates established by City ordinance or union agreement. PTO is accrued semi-monthly by employees at an annual rates ranging from 22.5 to 39.5 days depending upon tenure. Vacation is accrued semi-monthly by employees at annual rates ranging from 15 to 35 days depending upon tenure and union agreements. Accumulated PTO and 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 24 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, 2014, the amount of credits that may be applied against future impact fees is \$11,978,340. This is recorded as a governmental activity in the Government-wide 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 1/1/14			Ending Balance 12/31/14	Due Within One Year
Governmental activities	<u>Restated</u>	<u>Additions</u>	<u>Reductions</u>		
Bonds payable:					
General obligation bonds	\$ 93,479	\$ -	\$ 7,550	\$ 85,929	\$ 7,872
Issuance premiums (discounts)	<u>3,590</u>		<u>98</u>	<u>3,492</u>	<u>362</u>
Total GO bonds payable	97,069	-	7,648	89,421	8,234
Special assessment debt with governmental commitment	6	312	6	312	17
Government loans	6,933	-	116	6,817	5,535
Claims and judgements (See Note V.D for details)	3,154	4,200	3,031	4,323	1,343
Net OPEB Obligation (See Note V.G for details)	5,991	2,712	1,490	7,213	-
Compensated absences	7,330	7,255	6,524	8,061	6,449
Impact Fee Credit	<u>11,516</u>	<u>1,895</u>	<u>1,433</u>	<u>11,978</u>	<u>3,016</u>
Governmental activity long term liabilities	<u>\$ 131,999</u>	<u>\$ 16,374</u>	<u>\$ 20,248</u>	<u>\$ 128,125</u>	<u>\$ 24,594</u>
Business-type activities					
Bonds payable					
General obligation bonds	\$ 12,346	\$ -	\$ 1,080	\$ 11,266	\$ 1,133
Revenue bonds	49,990	-	9,095	40,895	9,550
Issuance premiums (discounts)	<u>2,570</u>	<u>-</u>	<u>576</u>	<u>1,994</u>	<u>576</u>
Total bonds payable	64,906	-	10,751	54,155	11,259
Government loans	342		84	258	85
Environmental remediation (See Note V.H for details)	420	21	21	420	21
Compensated absences	<u>2,102</u>	<u>1,524</u>	<u>1,682</u>	<u>1,944</u>	<u>1,555</u>
Business-type activity long term liabilities	<u>\$ 67,770</u>	<u>\$ 1,545</u>	<u>\$ 12,538</u>	<u>\$ 56,777</u>	<u>\$ 12,920</u>

The beginning balances of the governmental activities for unamortized premium (discounts) on general obligation bonds have been restated to match the amortization period to the life of the bonds. The ending balance was report at December 31, 2013, at \$3,335 (in thousands) and has been restated to \$3,590 (in thousands).

The beginning balances of the business-type activities for unamortized premium (discounts) on general obligation bonds have been restated to match the amortization period to the life of the bonds. The ending balance was report at December 31, 2013, at \$2,688 (in thousands) and has been restated to \$2,570 (in thousands).

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 \$258,287 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.

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. The revenue bonds were authorized by resolution 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. In June 2013, the remaining outstanding balance of \$63,105,000 of the 2003 DRA Revenue bonds were refunded by issuing two series of revenue refunding bonds.

\$41,185,000 DRA Conference Center Project Refunding Revenue Bonds were authorized by Resolution No. 2013-05-14-1 by the DRA Board. The Project Revenue Bonds are payable primarily from Project Revenues received by the Authority. In addition, the City has agreed pursuant to the Amended and Restated Payment Agreement, dated June 1, 2013, between the City and the Authority to make payments to the Trustee from any available funds if and to the extent necessary to pay debt service on the 2013 Project Revenue Bonds. The 2013 Amended and Restated Payment Agreement provides that if on the 10th business day prior to each interest payment date or principal payment date, if there is not sufficient money on deposit with the Trustee in the Project Revenue Bonds Debt Service Account as required by the Indenture, the City shall pay to the Trustee, in immediately available funds, on or prior to the 5th business day prior to the debt service date, the amount of any such deficiency; provided that the aggregate amount of such payments by the City to the Trustee in any calendar year shall not exceed the amount with respect to such calendar year listed in Note V.B.1. The contingent payment amounts equal the annual debt service payments on the Project Revenue Bonds. Any payment by the City of the Conditional Payment Amount to pay interest and/or principal on the 2013 Project Revenue Bonds will constitute a loan by the City to the Authority, with interest payable on such amounts at the rate or rates on such 2013 Project Revenue Bonds and the City shall have full rights of subrogation.

The City shall take such action as may be necessary under the Amended and Restated Payment Agreement to include all payments due in its operating budget for each fiscal year commencing on and after the date of execution, and to make all appropriations for such payments at such time and in such manner and amounts as may be necessary in order to make all debt service payments when due.

In addition, \$18,045,000 of DRA Conference Center Project Sales and Lodging Tax Refunding Revenue Bonds were issued in June 2013. These bonds were authorized by Resolution No. 2013-05-14-1 by the DRA Board. The Tax Revenue Bonds are payable primarily from 1) certain proceeds of special sales and use taxes imposed by the Vancouver Public Facilities District (the "City PFD") and the Clark County Public Facilities District (the "County PFD"); 2) certain proceeds of a special lodging tax levied by the City (the "Lodging Tax Revenues"); and 3) certain amounts of certain funds and accounts established under the Indenture. The Sales Taxes imposed by the City PFD will expire March 2026 and the Sales Tax imposed by the County PFD will expire March 2028. Lodging Tax Revenues will continue to be pledged for payment of principal and interest on the Tax Revenue Bonds until the final maturity of this bond series.

DRA Revenue Refunding bonds outstanding at year-end are as follows:

Outstanding DRA Revenue Bond Debt

Name of Issuance	Original Debt in \$1,000	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2013 DRA Conference Center Project Refunding Revenue Bonds	\$ 41,185	6/27/2013	1/1/2044	4.38%	\$ 41,185
2013 DRA Conference Center Project Sales & Lodging Tax Refunding Revenue Bonds	\$ 18,045	6/27/2013	1/1/2034	4.05%	\$ 18,045
<i>Total Revenue Bonds</i>	<u>\$ 59,230</u>				<u>\$ 59,230</u>

In order to make the 2013 refunding economically viable, ACA contributed \$4,000,000 to the Authority, \$1,430,554.61 of which is in consideration of the execution of a Note issued by the Authority to ACA, and the balance of which is in consideration for the elimination of any exposure ACA may have in respect to the Series 2003A Bonds. This Note is subordinate to the Project Revenue and Tax Revenue Bonds. There is a note associated with this contribution. Depending on the cash flows of the project, payments may start on 1/1/2033.

Under an Interlocal agreement with the Clark County 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 two methods. The first is a predetermined tax cap in the 2003A Bond Indenture, which is carried forward to the 2013 Bond Indenture. The tax cap amount 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 (replaced by the 2013 Bond Indenture) distribution requirements. The monies available in the end are split equally between the Authority and the Clark County PFD, and any amounts so distributed to the Clark County PFD will decrease the DRA liability to Clark County PFD after each payment.

DRA 2013 Project Revenue Bonds and the DRA 2013 Tax Revenue Bond debt service requirements to maturity are as follows:

2013 Project Revenue Refunding Bonds				2013 Tax Revenue Refunding Bonds			
	Principal	Interest	Total Requirements		Principal	Interest	Total Requirements
2015 \$	-	\$ 1,797,262	\$ 1,797,262	\$	-	\$ 797,600	\$ 797,600
2016	170,000	1,794,713	1,964,713		730,000	786,650	1,516,650
2017	290,000	1,787,812	2,077,812		795,000	763,775	1,558,775
2018	360,000	1,778,063	2,138,063		860,000	730,350	1,590,350
2019	740,000	1,761,562	2,501,562		945,000	685,225	1,630,225
2012-2024	4,865,000	8,246,987	13,111,987		6,190,000	2,594,025	8,784,025
2025-2029	6,180,000	6,908,562	13,088,562		6,025,000	1,119,775	7,144,775
2030-2034	7,610,000	5,466,294	13,076,294		2,500,000	317,800	2,817,800
2035-2039	9,345,000	3,681,750	13,026,750		-	-	-
2040-2044	11,625,000	1,353,938	12,978,938		-	-	-
	<u>\$ 41,185,000</u>	<u>\$ 34,576,944</u>	<u>\$ 75,761,944</u>		<u>\$ 18,045,000</u>	<u>\$ 7,795,200</u>	<u>\$ 25,840,200</u>

The subordinate note to ACA, as described above, debt service requirements to maturity are estimated as follows:

Other long-term loans and notes payable			
	Principal	Interest	Total Requirements
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	-	-	-
2025-2029	-	-	-
2030-2034 \$	114,501	\$ 102,875	\$ 217,376
2035-2039	400,477	426,280	826,757
2040-2044	915,577	1,163,451	2,079,028
	<u>\$ 1,430,555</u>	<u>\$ 1,692,607</u>	<u>\$ 3,123,161</u>

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 1/1/14	Additions	Reductions	Ending Balance 12/31/14	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 59,230	\$ -	\$ -	\$ 59,230	\$ -
Premiums (discounts)	595	-	30	565	29
Due to other governments	6,266	1,229	544	6,951	-
Total bonds payable	66,091	1,229	574	66,746	29
Other long-term loans and notes	1,431	-	-	1,431	-
Subordinate management fee (see note V.B.3 for more detail)	1,024	-	108	916	-
Component units long term liabilities	\$ 68,546	\$ 1,229	\$ 682	\$ 69,093	\$ 29

F. FUND BALANCE REPORTING

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 enabling legislation) 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 similar enabling legislation) 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.

Fund balances by classification for the year ended December 31, 2014 are as follows:

Fund Balance Classifications:	General Fund	Consolidated Fire Fund	Street Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable					
Inventory/Prepaid	\$ 8,195	\$ -	\$ -	\$ 37,707	\$ 45,902
Capital assets held for resale	228,400	-	-	-	228,400
	<u>236,595</u>	<u>-</u>	<u>-</u>	<u>37,707</u>	<u>274,302</u>
Restricted					
Grants received in advance	152,808	-	-	-	152,808
Capital purposes	-	-	-	22,994,349	22,994,349
Economic development	-	-	-	7,319,248	7,319,248
Security	-	16,196,583	-	1,796,987	17,993,570
Debt Service	-	-	-	134,552	134,552
Culture and recreation	-	-	-	51,428	51,428
	<u>152,808</u>	<u>16,196,583</u>	<u>-</u>	<u>32,296,564</u>	<u>48,645,955</u>
Committed					
Capital purposes	880,545	-	-	8,809,390	9,689,935
Emergency reserves	10,536,997	-	-	-	10,536,997
Revenue Stabilization	3,438,710	-	-	-	3,438,710
Working capital	28,263,372	-	-	-	28,263,372
Economic development	-	-	-	915,429	915,429
Cemetery	-	-	-	417,869	417,869
Transportation Operations	-	-	7,242,369	-	7,242,369
	<u>43,119,624</u>	<u>-</u>	<u>7,242,369</u>	<u>10,142,688</u>	<u>60,504,681</u>
Assigned					
Grants	255,000	-	-	-	255,000
Capital purposes	-	-	-	996,122	996,122
Economic development	-	-	-	9,057,769	9,057,769
Compensated absences	3,901,542	-	-	-	3,901,542
	<u>4,156,542</u>	<u>-</u>	<u>-</u>	<u>10,053,891</u>	<u>14,210,433</u>
Unassigned	<u>13,911,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,911,641</u>
Total	<u>\$ 61,577,210</u>	<u>\$ 16,196,583</u>	<u>\$ 7,242,369</u>	<u>\$ 52,530,850</u>	<u>\$ 137,547,012</u>

Stabilization Arrangements

There are two stabilization arrangements within the City, for which the City is disclosing as committed fund balance within the General Fund: Emergency Reserves and Revenue Stabilization. These reserves were committed by Council Resolution M-3370 and adopted on May 7, 2012.

An Emergency Reserve will be maintained in the General Fund equal to 7% of actual external revenues in the preceding fiscal year in the General Fund, Street and Consolidated Fire Funds. The Emergency Reserve is for unexpected, large-scale events where damage in excess of \$1 million is incurred, and immediate, remedial action must be taken to protect the health and safety of residents (e.g. major flood, earthquake, etc.). In the event these "Emergency Reserve" funds are utilized, the City shall restore the reserve to the full 7% level within a reasonable amount of time as necessitated by the scale of emergency. A clear plan will be developed to refill the reserve and the first significant deposit will occur the following fiscal year after the event.

The City maintains a "Revenue Stabilization" reserve with a goal of reaching 2.5% of the current year's budget in the General fund. This reserve may be used to provide funding to temporarily offset unanticipated fluctuations in on-going revenues or unanticipated events, such as unexpected external mandates, reductions in state shared revenues, etc. The reserve funds will provide time for the City to restructure its operations in a deliberate manner to ensure continuance of critical city activities. If the reserve is spent down, it shall be restored within the following two years. This reserve could be utilized if there is an identified 3-6 month trend of reduced revenues.

NOTE V. OTHER DISCLOSURES

A. RELATED PARTY TRANSACTIONS

In December 2004, 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 2014, the City has recognized \$869,425 in expenditures associated with lodging tax revenues dedicated to the project.

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, 2014. 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 \$60,064,939.

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.

In June 2013, the DRA refinanced the debt associated with the construction of the Vancouver Conference Center. As a part of the refinancing, the City agreed that, if, prior to each Interest Payment Date or Principal Payment Date, the amounts on deposit with the Trustee in the Project Revenue Bonds Debt Service Account and in the Authority Reserve Account are insufficient to pay the principal and interest due on the 2013 Project Revenue Bonds, upon notice of such deficiency from the Trustee, the City shall pay to the Trustee an amount equal to the deficiency; the maximum obligation on that payment date being the debt service amount of the 2013 Project Revenue Bonds due on such date, as described in Note IV.E.

Any payment by the City of this conditional payment amount shall constitute a loan by the City to the DRA, with interest payable on such amounts at the rate or rates on the 2013 Project Revenue bonds.

In 2013, the City made no payments under its contingent payment obligation. The city has no current expectation of having to make any such payments, as it expects project revenues and tax revenues to be sufficient for such purposes.

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.

Under the terms of the interlocal, the amount of the City's pledge is reduced by the amount of any rental reduction the County grants to the amphitheater lessee. In July of 2008, the County reduced the rental rates for the amphitheater to such an extent that this commitment has been reduced to zero.

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 would be paid subject to the availability of amounts in the Subordinate Management Fee Fund. Also, during the sixth full year of operation, the Manager would earn a super-subordinate management fee for its services. These fees would be paid subject to the availability of amounts in the Super-subordinate Management Fee Fund. Hotel operating results prior to the DRA debt refinancing completed in June 2013, were not sufficient to funds these fees.

As part of the refinancing of the DRA debt in June 2013, a new agreement was signed with the Manager of the Vancouver Conference Center (Hilton Hotels) that provides for forgiveness of the above fee amounts over a 10-year period, on a straight-line basis. The forgiveness of these fees is recorded as a Special Item, Forgiveness of Debt on the Statement of Activities. During December 31, 2014, \$107,812 had been forgiven. The outstanding obligation recorded on the Statement of Net Position as of December 31, 2014, is \$916,440.

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, 2014, the City has no arbitrage rebate liability.

C. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

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 "Investment in joint venture" in the government-wide statement of net position. 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 2013 values. In 2013, the Agency had an increase in net position totaling \$3,585,140. The City's share of 2013 operations was a gain of \$1,434,056 for a total equity interest of \$4,992,034 at the end of 2013. 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.

Jointly Governed Organizations

Council for the Homeless

The City, Clark County, and the Vancouver Housing Authority entered into an Intergovernmental Cooperation Act (RCW 39.4) on December 20, 1989, for the establishment of the Council for the Homeless (Council) as a collaborative effort to address issues of homelessness. Each jurisdiction appoints one board member. The remaining 12 members of the Council are selected by the Council's bylaws. Clark County and Vancouver Housing Authority provides annual fiscal support for operations where the City does not; funding, if provided by the City, comes in the form of Council applying for competitive grants as a subrecipient of the City. For the year ending December 31, 2014, the City made subrecipient grant payments to the Council totaling \$42,500. The relationship between the City and the Council does not create an ongoing financial interest or financial responsibility.

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, 2014, is \$705,489 with 79 new claims filed for 2014. 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 \$4,691. 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 \$302,014. 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 \$8,961 and inland marine coverage for the equipment fleet at an annual cost of \$43,603. The deductible for fleet physical damage is 5% subject to \$10,000 minimum.

Property claim costs in 2014 were \$132,285, with 47 new first party property and vehicle claims reported in 2014. 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 \$387,658 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 \$2,193,284 in 2014, with 94 new claims processed. Reportable claims costs for 2014 are \$625,347 with 44 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 \$87,483. The policy has a \$750,000 deductible.

Contributions and reserves

City fund contributions to the Self-Insurance Fund are determined using information from the contributing funds past claims experience and loss exposures. The claims liability reported in the fund totaled \$4,323,000 at December 31, 2014.

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 Bickmore dated April 3, 2015. These are actuarial estimated amounts reflecting expected losses; actual losses may vary slightly. Changes in the fund's claims liability amount in 2014, 2013, and 2012 are as follows:

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2014	\$ 3,153,529	\$ 4,200,529	\$ 3,031,058	\$ 4,323,000
2013	2,983,490	2,944,442	2,774,403	3,153,529
2012	5,069,318	228,678	2,314,506	2,983,490

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 \$.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 2014, the City's regular tax levy was \$3.022 per \$1,000 on a total taxable 2014 assessed valuation of \$14,326,177,779 for a total regular levy of \$43,295,235.

Outstanding property taxes at December 31, 2014 amount to \$998,590. 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 deposited into the General Fund. Transfers are then made into the general obligation debt service funds as required by the bond ordinances. Any shortages due to delinquent property taxes are absorbed by the General Fund.

F. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit 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; or it may be downloaded from the DRS website at www.drs.wa.gov.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members 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 exercised 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 Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

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

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 3 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 prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. 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 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 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, if hired prior to May 1, 2013:

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

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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 by 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, and were hired before May 1, 2013, 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.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 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 members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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 the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent

multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Active Plan Members Non-vested	<u>101,191</u>
Total	<u>368,272</u>

Funding Policy

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

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

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

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% 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 4.92% 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>
2014 \$	22,501	\$ 2,872,253	\$ 413,448
2013	25,296	2,486,249	368,957
2012	31,363	2,155,620	337,306

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

Plan Description:

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members 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 July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF 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 legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) 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 FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the 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 there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit 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 benefit or service retirement benefit.

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

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. 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 disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members

of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

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, 2013:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Active Plan Members Nonvested	<u>1,600</u>
Total	<u>29,640</u>

Funding Policy:

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' Fiscal Year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%

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

** The employer rate for ports and universities is 8.59%.

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>
---------------------	---------------------

2014	\$0	\$1,949,128
2013	0	\$1,798,219
2012	0	1,759,338

3. POLICE OFFICERS AND FIREFIGHTERS' PENSION FUNDS

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

Benefit Provisions

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

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

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

Summary of Significant Accounting Policies

The Police and Fire plans are shown as trust funds in the financial statements of the City. The financial statements are prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City follows GASB Statement No. 50, "Pension Disclosures," which amends GASB statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures" and GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers." As such, we will be reporting funding progress of the pensions, as required. The City plans to implement policies and safeguards in order to implement GASB Statement No. 67 in future years, as described in Note I.E.

As of December 31, 2014, the Firefighters Pension fund had an investment portfolio with fair value of \$2,761,104, 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 \$5,124,319. 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, 2014, but did have \$1,668,224 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 position 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, 2014. 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, 2014, the Police Pension Funds and the Firefighters Pension Fund reported net position reserved for payment of future claims of \$1,681,432 and \$7,949,189, respectively.

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

	Police Pension	Fire Pension
Amortized of Unfunded Actuarial Liability (UAAL)	\$ 87,859	\$ (31,476)
Interest to December 31, 2014	3,295	(1,180)
Actuarial Required Contribution (ARC) 12/31/14	91,154	(32,656)
Interest on Net Pension Obligation (NPO)	(72,672)	(182,031)
Adjustment to Net Pension Obligation	(150,575)	(377,163)
Annual Pension Cost (APC)	169,057	162,476
Employer Contributions	459,814	987,865
Increase (Decrease) in NPO	(290,757)	(825,389)
Net Pension Obligation (Asset) January 1, 2014	(1,937,923)	(4,854,154)
Net Pension Obligation (Asset) December 31, 2014	<u>\$ (2,228,680)</u>	<u>\$ (5,679,543)</u>

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 Position.

Three Year Trend Information

Police Pension Fund:

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (Asset)
December 31, 2014	\$ 169,057	272%	\$ (2,228,680)
December 31, 2013	150,866	318%	(1,937,923)
December 31, 2012	214,112	221%	(1,609,529)

Firefighters Pension Fund:

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (Asset)
December 31, 2014	\$ 162,476	608%	\$ (5,679,543)
December 31, 2013	119,802	722%	(4,854,154)
December 31, 2012	221,638	346%	(4,109,468)

Schedule of Funding Progress

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

Police Pension Fund:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
January 1, 2013	\$ 1,220	\$ 2,398	\$ 1,178	51%	\$ -	N/A
January 1, 2011	774	3,074	2,300	25%	-	N/A
January 1, 2009	569	4,784	4,215	12%	149	2829%

Fire Pension Fund:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
January 1, 2013	\$ 6,978	\$ 6,556	\$ (422)	106%	\$ -	N/A
January 1, 2011	6,491	7,895	1,404	82%	-	N/A
January 1, 2009	6,225	10,043	3,818	62%	-	N/A

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

Actuarial assumptions are shown below:

	Police Pension	Fire Pension
Valuation Date	1/1/2013	1/1/2013
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	18 Years	18 Years
Asset Valuation Method	Fair Value	Fair Value
Actuarial Assumptions		
Investment Rate of Return	3.75%	3.75%
Projected Salary Increases	3.50%	3.50%
Inflation Rate	2.50%	2.50%
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 position and the statement of changes in fiduciary net assets for the police and fire pension plans are disclosed below.

CITY OF VANCOUVER
COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS
December 31, 2014

	Police Pension	Fire Pension
ASSETS		
Cash, cash equivalents and pooled investments	\$ 1,668,224	\$ 5,124,319
Investments (at fair value)		
Federal Agency Coupon S	-	2,761,104
Receivables (net):		
Interest	-	38,030
Prepaid expenses	30,000	30,000
TOTAL ASSETS	\$ 1,698,224	\$ 7,953,453
LIABILITIES		
Accounts and accrued employee payables	\$ 16,792	\$ 4,264
TOTAL LIABILITIES	16,792	4,264
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	\$ 1,681,432	\$ 7,949,189

CITY OF VANCOUVER
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For the Year Ended December 31, 2014

	Police Pension	Fire Pension
ADDITIONS:		
Employer Contributions		
For pension benefits	\$ 493,265	\$ 831,967
For healthcare benefits	586,735	924,029
Other Sources	1,727	185,104
Total Contributions	1,081,727	1,941,100
Investment Income		
Interest earnings	37	35,317
Total Investment Income	37	35,317
Total Additions	1,081,764	1,976,417
DEDUCTIONS:		
Pension benefits	301,472	477,190
Healthcare premium subsidies	586,735	924,029
Administrative expense	35,178	29,206
Total Deductions	923,385	1,430,425
Change in net assets	158,379	545,992
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	1,514,540	7,386,382
Prior Period Adjustment	8,513	16,815
END OF YEAR	\$ 1,681,432	\$ 7,949,189

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, 118 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, 2014.

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 2014 were \$1,489,537.

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	\$ 1,089,685	\$ 1,776,560
Interest on net OPEB obligation	89,557	135,103
Adjustment to annual required contribution	(151,126)	(227,983)
Annual OPEB cost	1,028,116	1,683,680
Contributions made	(580,939)	(908,598)
Increase in net OPEB obligation	447,177	775,082
Net OPEB obligation - beginning of year	2,388,191	3,602,740
Net OPEB obligation - end of year	<u>\$ 2,835,368</u>	<u>\$ 4,377,822</u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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, 2014	\$ 1,028,116	57%	\$ 2,835,368
	December 31, 2013	1,043,865	53%	2,388,191
	December 31, 2012	1,050,073	54%	1,900,544
Fire	December 31, 2014	\$ 1,683,680	54%	\$ 4,377,822
	December 31, 2013	1,706,238	60%	3,602,740
	December 31, 2012	1,608,675	69%	2,916,881

Funding Status and Funding Progress:

The actuarial updates on the funding status are 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, 2013	\$ -	\$ 17,048	\$ 17,048	0%	N/A	N/A
January 1, 2011	-	17,272	17,272	0%	N/A	N/A
January 1, 2009	-	14,518	14,518	0%	N/A	N/A

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, 2013	\$ -	\$ 27,794	\$ 27,794	0%	N/A	N/A
January 1, 2011	-	26,545	26,545	0%	N/A	N/A
January 1, 2009	-	21,587	21,587	0%	N/A	N/A

Actuarial Methods and Assumptions:

The actuarial assumptions used in the January 1, 2013 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, 2013 actuarial valuation, the entry age normal cost method was used. The assumptions included a 3.50% investment rate of return, a medical inflation rate that ranges between 5.4-7.5% over the next 16 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, 2014 is twenty-two 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, 2014 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 \$420,000 over the next 20 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.

I. PRIOR PERIOD ADJUSTMENTS

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

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

Long-term debt corrections, adjust the amortization life of premiums and discounts	\$	363,664
Capital asset corrections		(16,029,299)
	\$	<u>(15,665,635)</u>

Government-wide : Governmental Funds

	General Fund	Consolidated Fire Fund	Street Fund	Non-Major Governmental Funds	Internal Service Funds	Total
Recording of revenue and expenses in correct period	\$ (67,168)	\$ 71,063	\$ 357,305	\$ 182,263	\$ (705)	\$ 542,758
Recording of revenue and expenditure transactions in correct fund	(212,810)	(3,000)	(2,000)	(16,214)	65,746	(168,278)
	<u>\$ (279,978)</u>	<u>\$ 68,063</u>	<u>\$ 355,305</u>	<u>\$ 166,049</u>	<u>\$ 65,041</u>	<u>\$ 374,480</u>

Combined Government Wide Prior Period Adjustments \$ (15,291,155)

Government-wide : Business Type Activities

	Water Sewer Fund	Parking	Non-Major Enterprise Funds	Total
Recording of liabilities, revenue and expenses in correct period	\$ (1,185)	\$ -	\$ 596,680	\$ 595,495
Recording of revenue and expense transactions in correct fund	158,690	-	-	158,690
Long-term debt corrections, adjust the amortization life of premiums and discounts	30,580	21,388	58,045	110,013
Capital asset corrections	(177,797)	-	-	(177,797)
	<u>\$ 10,288</u>	<u>\$ 21,388</u>	<u>\$ 654,725</u>	<u>\$ 686,401</u>

Component Unit - Vancouver Public Facilities District

Revenue Recognition	<u>\$ (25,985)</u>
---------------------	--------------------

J. SUBSEQUENT EVENTS

The City has evaluated events subsequent to the fiscal year-end December 31, 2014, and has identified the following events:

On June 16, 2015, the City issued \$23,100,000 in Series B bonds that refunded 3 issues, plus included \$3,475,000 in par amount of bonds for the West Barracks renovation project. The 2015A Series generated \$1,296,500 in the par amount of bonds. Grand total \$24,396,500 in bonds were issued. Standard & Poor's Ratings Services upgraded and assigned its AA+ rating to the City of Vancouver's 2015 limited-tax general obligation and refunding bonds.

Effective, January 1, 2015, the City of Vancouver become self-insured for its Healthcare program that covers a majority of the employees. The City contracts with a third-party administrator for claims processing.

CITY OF VANCOUVER

Required Supplementary Information

Police and Fire Pension Funds

December 31, 2014

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	1/1/2013	\$ 1,220	\$ 2,398	\$ 1,178	51%	\$ -	N/A
	1/1/2011	774	3,074	2,300	25%	-	N/A
	1/1/2009	569	4,784	4,215	12%	-	N/A
	1/1/2007	498	3,973	3,475	13%	-	N/A
	1/1/2005	344	3,781	3,437	9%	-	N/A
	1/1/2003	468	3,760	3,292	12%	-	N/A
Fireman's Pension Fund	1/1/2013	\$ 6,978	\$ 6,556	\$ (422)	106%	\$ -	N/A
	1/1/2011	6,491	7,895	1,404	82%	-	N/A
	1/1/2009	6,225	10,043	3,818	62%	-	N/A
	1/1/2007	5,458	9,505	4,047	57%	-	N/A
	1/1/2005	5,620	9,224	3,604	61%	-	N/A
	1/1/2003	5,993	9,233	3,240	65%	-	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	12/31/2013	\$ 477,774	\$ 1,486	\$ 91,154	526%
	12/31/2012	471,529	2,474	169,291	280%
	12/31/2011	431,680	1,256	169,291	256%
	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%
Fireman's Pension Fund	12/31/2013	\$ 692,667	\$ 171,821	\$ (32,656)	N/A
	12/31/2012	609,258	156,748	103,240	742%
	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%

** 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.

CITY OF VANCOUVER

Required Supplementary Information
Police and Fire OPEB Pension Funds
December 31, 2014

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	1/1/2013	\$ -	\$ 17,048	\$ 17,048	0%	N/A	N/A
	1/1/2011	-	17,272	17,272	0%	N/A	N/A
	1/1/2009	-	14,518	14,518	0%	N/A	N/A
	1/1/2007	-	9,734	9,734	0%	N/A	N/A
Fireman's Pension Fund	1/1/2013	\$ -	\$ 27,794	\$ 27,794	0%	N/A	N/A
	1/1/2011	-	26,545	26,545	0%	N/A	N/A
	1/1/2009	-	21,587	21,587	0%	N/A	N/A
	1/1/2007	-	16,244	16,244	0%	N/A	N/A

* This is the fourth 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	1/1/2013	1/1/2013
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	18 years	18 years
Asset Valuation method	Fair Value	Fair Value
Actuarial Assumptions:		
Investment rate of return	3.75%	3.75%
Projected Salary Increases	3.50%	3.50%
Includes Inflation at	2.50%	2.50%

*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, 2014

Table 20
Page 1 of 2

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures	Foot- Note Ref.
Department of Commerce:						
Investments for Public Works and Economic Development Facilities	11.300	07-01-06601	\$ 138,472			
Total Department of Commerce:			138,472		138,472	
Department of Environmental Protection Agency:						
Brownfields Training, Research and Technical Assistance Grants	66.814	TR-00J80101-0	105,731			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00J80201-0	107,424			
Total Department of Environmental Protection Agency:			213,155		213,155	
Department of Housing and Urban Development:						
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-53-0013	\$ 3,775			
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-53-0013	308,890			
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-53-0013	520,856			
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-53-0013	239,063			
Community Development Block Grants/Entitlement Grants	14.218	Program Income	156,198			3
Total CFDA 14.218			1,228,782			
Home Investment Partnerships Program	14.239	M-11-MC-53-0208	12,850			
Home Investment Partnerships Program	14.239	M-12-MC-53-0208	139,020			
Home Investment Partnerships Program	14.239	M-13-MC-53-0208	54,646			
Home Investment Partnerships Program	14.239	M-14-MC-53-0208	25,378			
Home Investment Partnerships Program	14.239	Program Income	52,965			3
Total CFDA 14.239			284,859			
Congressional Grants / Neighborhood Initiatives Grants	14.251	B-09-NI-WA-0010	47,769			
Total Department of Housing and Urban Development:			1,561,410		1,561,410	
Department of Justice:						
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2012-WE-AX-0023	113,880			
Public Safety Partnership & Community Policing Grants	16.710	2010-CS-WX-0015	61,447			
Congressionally Recommended Awards	16.753	2009-D1-BX-0217	86,283			
Congressionally Recommended Awards	16.753	2010-DD-BX-0508	11,463			
Total CFDA 16.753			97,746			
<i>Passed through Clark County:</i>						
Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0097		6,270		
Drug Court Discretionary Grant Program	16.585	2012-DC-BX-0010		1,907		
Total CFDA 16.585				8,177		
<i>Passed through Clark County:</i>						
Violence Against Women Formula Grants	16.588	F-13-31103-073		8,648		
<i>Passed through Clark County:</i>						
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2298		63,358		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0405		17,546		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0717		23,443		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0841		303		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Program Income		434		3
Total CFDA 16.738				105,084		
Total Department of Justice:			273,073	121,909	394,982	
Department of Transportation:						
Airport Improvement Program	20.106	3-53-0139-009-2013	374			
Total CFDA 20.106			374			
<i>Passed through Washington State Department of Transportation:</i>						
Highway Planning and Construction	20.205	HSIP-4242(025)		390,247		
Highway Planning and Construction	20.205	STPUL-4221(004)		233,309		
Highway Planning and Construction	20.205	CM-4242(023)		34,931		
Highway Planning and Construction	20.205	CM-4451(013)		11,857		
Highway Planning and Construction	20.205	HSIP-000S(314)		133,706		
Highway Planning and Construction	20.205	HSIP-4280(020)		326,848		
Highway Planning and Construction	20.205	STPE-4228(001)		130,784		
Highway Planning and Construction	20.205	CM-9906(041)		35,175		
Highway Planning and Construction	20.205	TAP-4228(002)		14,993		
Highway Planning and Construction	20.205	STPUL-4421(003)		11,041		
Highway Planning and Construction	20.205	STPUL-4266(002)		477,399		
Highway Planning and Construction	20.205	STPUL-4254(005)		750,221		
Highway Planning and Construction	20.205	CM-1350(021)		58,137		
Highway Planning and Construction	20.205	STPUL-1350(017)		47,910		
Highway Planning and Construction	20.205	CM-1350(022)		71,395		
Highway Planning and Construction	20.205	STPUL-1350(025)		62,302		
Total CFDA 20.205				2,790,255		
<i>Passed through Washington Association of Sheriffs & Police Chiefs:</i>						
State and Community Highway Safety	20.600	Traffic Safety Equipment Grant		940		
<i>Passed through State of Washington Traffic Safety Commission:</i>						
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	DUI Patrol		2,677		
<i>Passed through State of Washington Traffic Safety Commission:</i>						
Occupant Protection Incentive Grants	20.602	Safety Belt Patrol		568		
<i>Passed through Clark Regional Emergency Services Agency:</i>						
Interagency Hazardous Materials Public Sector Training & Planning	20.703	E14-183		6,056		
Total Department of Transportation:			374	2,800,496	2,800,870	

CITY OF VANCOUVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Table 20

Page 2 of 2

Department of Health and Human Services:

Passed through Oregon Health & Science University:
Occupational Safety and Health Program

93.262 AHPSM0020VPD 199

Total Department of Health and Human Services: 199 **199**

Department of Homeland Security:

Passed through Clark County:

Non-Profit Security Program	97.008	UA10-170	5,099	5
Non-Profit Security Program	97.008	UA11-170	73,683	5
Non-Profit Security Program	97.008	UA12-170	179,264	5
Total CFDA 97.008			258,046	

Passed through Cowlitz County Fire District 2:

Port Security Grant Program 97.056 EMW-2011-PU-K00274-S01 18,698

Passed through Merchants Exchange of Portland:

Port Security Grant Program 97.056 2009-PU-T9-K050 428,365

Total CFDA 97.056 447,063

Passed through Clark Regional Emergency Services Agency:

Homeland Security Grant Program	97.067	SHSP FY E13-148	1,498
Homeland Security Grant Program	97.067	E11-108	2,049
Homeland Security Grant Program	97.067	E12-146	21,498
Homeland Security Grant Program	97.067	E12-246	40,939
Total CFDA 97.067			65,984

Assistance to Firefighters Grant 97.044 EMW-2013-FO-02280 42,756

Total Department of Homeland Security: 42,756 771,093 **813,849**

Department of Justice, Office of Community Oriented Policing Services (COPS)

ARRA - Public Safety Partnership & Community Policing Grants 16.710 2009-RJ-WX-0086 484,766 4

Total Department of Justice, Office of Community Oriented Policing Services (COPS) 484,766 **484,766**

TOTAL FEDERAL EXPENDITURES **\$ 6,407,703**

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

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 **PROGRAM INCOME**

Revolving Loan - 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.

Interest Earnings - The City has awards under the Edward Byrne Memorial Justice Assistance Grant Program, where the City receives the full cash award at the beginning of the grant. Interest earned on the unspent portion of the award is considered program revenues (income) and are considered expenditures.

NOTE 4 **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.

NOTE 5 **NONCASH AWARDS - EQUIPMENT**

The City received equipment and supplies that were purchased with federal Homeland Security funds by the City of Portland, Oregon. The amount reported on the schedule is the value of the property on the date it was received by the City and priced by the City of Portland, Oregon.

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.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov