Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Vancouver

Clark County

For the period January 1, 2016 through December 31, 2016

Published August 21, 2017

Report No. 1019604

Office of the Washington State Auditor
Pat McCarthy

August 21, 2017

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,

Pat McCarthy

State Auditor

Olympia, WA

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City of Vancouver
Clark County
January 1, 2016 through December 31, 2016

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Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Our report includes a reference to other auditors who audited the financial statements of the Vancouver Hotel and Convention Center Project, which is included in the City's financial information as part of the Vancouver Downtown Redevelopment Authority 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 its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster Title
14.239	Home Investment Partnerships Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The City qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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, 2016 through December 31, 2016

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, 2016, 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 29, 2017.

Our report includes a reference to other auditors who audited the financial statements of the Vancouver Hotel and Convention Center Project, which is included in the City's financial information as part of the Vancouver Downtown Redevelopment Authority 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 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 Project.

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.

Pat McCarthy

State Auditor

Olympia, WA

June 29, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

City of Vancouver
Clark County
January 1, 2016 through December 31, 2016

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) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

August 2, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Vancouver
Clark County
January 1, 2016 through December 31, 2016

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, 2016, 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 1.8 percent, 4.6 percent, 99.9 percent and 85.8 percent respectively, of the assets and deferred outflows, net position, operating revenues and operating expenses of the aggregated 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 *Governmental 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 audit and the report of 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, 2016, 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 26, information on postemployment benefits other than pensions on page 85, pension plan information on pages 86 through 91, and single employer police and fire pension funds on pages 92 through 96 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This 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 June 29, 2017 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.

Pat McCarthy

State Auditor

Olympia, WA

June 29, 2017

FINANCIAL SECTION

City of Vancouver
Clark County
January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

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, 2016. 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 and deferred outflows exceeded its liabilities and deferred inflows at December 31, 2016, by over $1.1 billion.
- Net investment in capital assets accounts for over 76.4% of the total net position, with a value of $866.4 million.
- Of the remaining net position, $208.8 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 $45.0 million from current operations in 2016. This includes a $48.6 change in net position less prior period adjustments of $3.7 million, which is further explained in detail in Note IV.
- Total program revenues were $177.5 million in 2016, which represents an increase in Charges for Services, Fees, Fines and Forfeitures of $7.7 million and a decrease in Operating and Capital Grants and Contributions of approximately $9.3 million respectively for a net decrease in total program revenues from 2015 of $1.6 million.
- Program expenses were $264.0 million, up $12.9 million from 2015.
- General revenues, special items and transfers were $135.1 million, up by $5.0 million from last year.
- As of December 31, 2016, the City of Vancouver's governmental funds reported combined ending fund balances of $166.7 million, which was $17.0 million more than the prior year. Approximately 69.6% of this total amount, or $116.1 million, is available for spending at the government's discretion. The unassigned fund balance for the General Fund was $9.8 million at December 31, 2016.
- The City of Vancouver's total bonded debt at December 31, 2016, was $110.4 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, deferred inflows, liabilities and deferred outflows, with the difference being 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 2016. 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 four entities as component units in the government-wide financial statements. When there is financial activity to report, three of these entities will be shown in the government-wide financial statements as discretely presented component unit funds. These entities are the Vancouver Downtown Redevelopment Authority (DRA), Vancouver Public Facilities District (PFD) and City Center Redevelopment Authority (CCRA). The fourth component unit, Vancouver Transportation Benefit District (TBD), is treated as a blended component unit presented as a special revenue funds. For additional information, see Note I.A and Note IV.A. The City has also reported its investment in one governmental joint venture: Clark Regional Emergency Services Agency (CRESA); see Note IV.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 utility, airpark, 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 facilities replacement, rolling stock repair and replacement, computer repair and replacement, self-insurance, administrative services, benefits, health insurance benefits and mailroom services.

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 and Parking Services Funds 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 presents certain required supplementary information concerning the City of Vancouver's progress in funding its obligations to the citizenry and its employees. Required supplementary information can be found beginning on page 85 of this report.

The aggregated statements for *nonmajor* governmental and proprietary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 98 - 163 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis 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 $1,134,113,313 at December 31, 2016. 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	
	2015	2016	2015	2016	2015	2016
Current and other assets	$ 233,683,060	$ 252,628,828	$ 109,349,125	$ 114,091,412	$ 343,032,185	$ 366,720,240
Capital assets (net of accumulated depreciation)	608,605,005	613,130,182	361,067,813	360,250,500	969,672,818	973,380,682
TOTAL ASSETS	842,288,065	865,759,010	470,416,938	474,341,912	1,312,705,003	1,340,100,922
DEFERRED OUTFLOWS OF RESOURCES	7,921,208	12,655,126	3,196,305	4,025,222	11,117,513	16,680,348
Long-term liabilities	149,976,672	149,669,045	58,859,452	50,088,434	208,836,124	199,757,479
Other liabilities	10,501,636	16,808,070	5,858,002	5,045,174	16,359,638	21,853,244
TOTAL LIABILITIES	160,478,308	166,477,115	64,717,454	55,133,608	225,195,762	221,610,723
DEFERRED INFLOWS OF RESOURCES	7,482,064	767,159	2,016,863	290,075	9,498,927	1,057,234
NET POSITION						
Net investment in capital assets	510,481,006	536,394,326	319,491,178	330,000,983	829,972,184	866,395,309
Restricted	47,881,854	48,397,041	9,208,424	10,499,864	57,090,278	58,896,905
Unrestricted	123,886,041	126,378,495	78,179,324	82,442,604	202,065,365	208,821,099
TOTAL NET POSITION	$ 682,248,901	$ 711,169,862	$ 406,878,926	$ 422,943,451	$ 1,089,127,827	$ 1,134,113,313

During 2016, the City's total assets increased $27.4 million and deferred outflows of resources increased $5.6 million, while total liabilities decreased $3.6 million and deferred inflows of resources decreased $8.4 million, primarily related to the continued impacts of the GASB 68 implementation effective December 31, 2015. The net result is an increase in total net position of $45.0 million, or 4.1%.

Of the City's total assets, cash and restricted cash balances increased by $19.5 million and $1.2 million respectively; receivables increased $1.9 million, capital assets increased $3.7 million, and other assets increased $1.1 million from 2015.

The largest portion of the City's net position, 76.4%, 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. Net position representing resources that are subject to external restrictions on how they may be used is 5.2% of the total, and net position that is unrestricted represents the remaining 18.4%.

At December 31, 2016, the City of Vancouver reports positive balances in all three categories of net position, for the government as a whole.

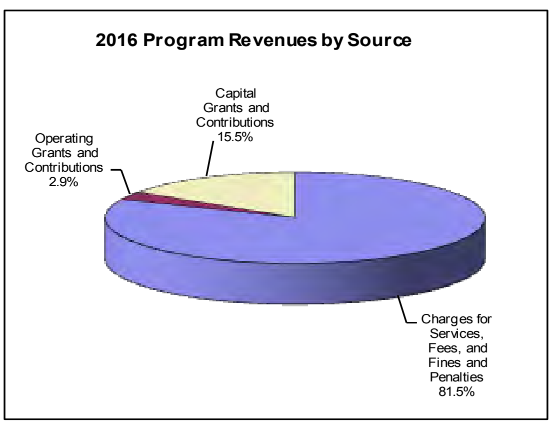
Analysis of Changes in Net Position

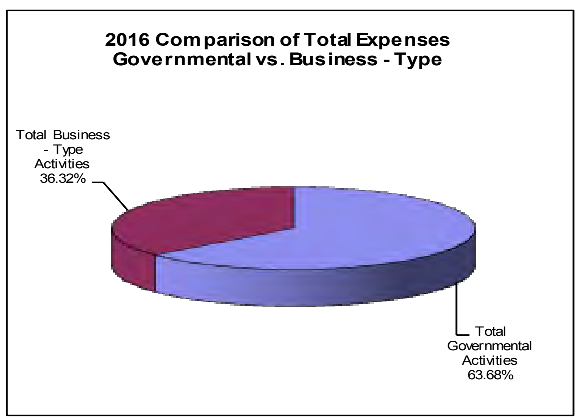
Total net position increased in 2016 by $45.0 million, inclusive of the impact of Prior Period Adjustments. This is split between governmental increase of $28.9 million and business-type activities increase of $16.1 million. The Statement of Activities depicts the relationship of revenues and expenses for the City's governmental activities and proprietary funds. A condensed and comparative version of the Statement of Activities is shown in the table on the next page.

Summary of Changes in Net Position

Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
Program revenues:	2015	2016	2015	2016	2015	2016
Charges for Services, Fees, and Fines and Forfeitures	$ 40,531,170	$ 45,645,162	$ 96,581,357	$ 99,125,136	$ 137,112,527	$ 144,770,298
Operating Grants and Contributions	4,712,432	5,100,251	233,327	58,712	4,945,759	5,158,963
Capital Grants and Contributions	22,186,271	12,356,046	14,908,828	15,239,725	37,095,099	27,595,771
General Revenues						
Property Taxes Levied for General Purposes	44,153,447	44,748,153	-	-	44,153,447	44,748,153
Sales and Use Taxes	35,034,377	36,737,708	-	-	35,034,377	36,737,708
Utility, Excise, Lodging and Other Taxes	45,986,317	50,635,405	-	-	45,986,317	50,635,405
Unrestricted Investment Earnings	1,031,093	1,153,032	643,874	621,849	1,674,967	1,774,881
Miscellaneous	534,788	943,395	2,693,829	266,296	3,228,617	1,209,691
Total Revenues	194,169,895	197,319,152	115,061,215	115,311,718	309,231,110	312,630,870
Program Expenses						
Governmental Activities:						
General Government	19,324,434	22,021,008	-	-	19,324,434	22,021,008
Security/Persons & Property	78,427,360	87,571,127	-	-	78,427,360	87,571,127
Physical Environment	666,994	569,307	-	-	666,994	569,307
Transportation	34,932,209	32,490,781	-	-	34,932,209	32,490,781
Mental and Physical Health	375,169	405,415	-	-	375,169	405,415
Economic Environment	8,954,033	9,867,567	-	-	8,954,033	9,867,567
Culture and Recreation	9,989,019	11,454,546	-	-	9,989,019	11,454,546
Interest on Long-Term Debt	3,541,843	3,736,146	-	-	3,541,843	3,736,146
Business-Type Activities:						
Water Sew er	-	-	82,686,843	83,501,555	82,686,843	83,501,555
Parking	-	-	2,974,384	2,988,359	2,974,384	2,988,359
Airpark	-	-	649,954	846,241	649,954	846,241
Building Inspection	-	-	5,173,784	5,203,294	5,173,784	5,203,294
Solid Waste	-	-	2,278,530	2,251,120	2,278,530	2,251,120
Tennis Center	-	-	1,103,242	1,083,235	1,103,242	1,083,235
Total Expenses	156,211,061	168,115,898	94,866,737	95,873,804	251,077,798	263,989,702
Excess (deficiency) of revenues over expenses	37,958,834	29,203,254	20,194,478	19,437,914	58,153,312	48,641,168
Transfers - Governmental	(1,442,505)	(1,343,588)	-	-	(1,442,505)	(1,343,588)
Transfers - Business-Type	-	-	1,442,505	1,343,588	1,442,505	1,343,588
Change in Net Position	36,516,329	27,859,666	21,636,983	20,781,502	58,153,312	48,641,168
Net Position- Beginning	666,290,926	682,248,901	400,490,315	406,878,926	1,066,781,241	1,089,127,827
Prior year adjustments	(3,172,946)	1,061,295	(1,430,591)	(4,716,977)	(4,603,537)	(3,655,682)
Change in accounting principles	(17,385,408)	-	(13,817,781)	-	(31,203,189)	-
Net Position - Ending	$ 682,248,901	$ 711,169,862	$ 406,878,926	$ 422,943,451	$1,089,127,827	$1,134,113,313

The graphs that follow this table illustrate the sources of revenue and the balance of governmental vs. business type expenses for 2016.





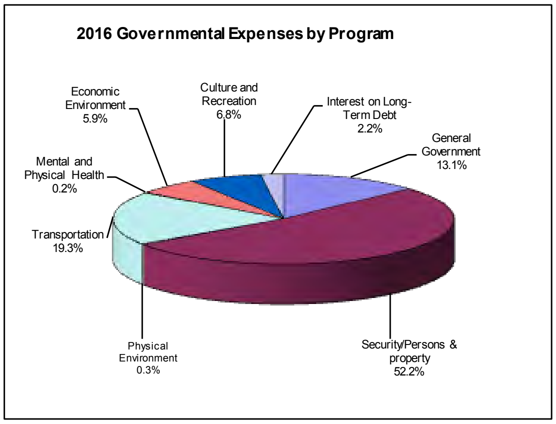
Governmental Activity Analysis

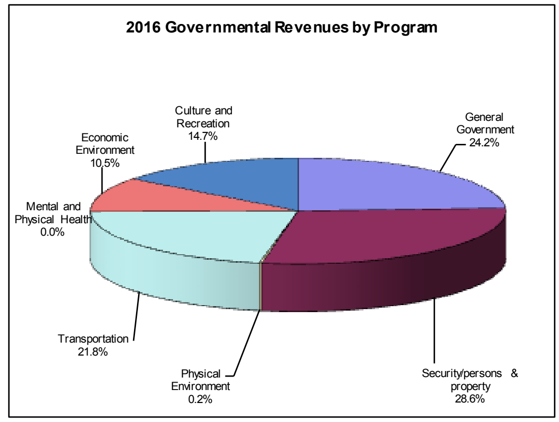
Governmental net position increased by $27.9 million in 2016 from operations. This was further increased by prior year adjustments of $1.1 million.

Revenues from Charges for Services, Fees, and Fines and Forfeitures increased from 2015 by $5.1 million, or 12.6% and revenues from taxes increased by $6.9 million, or 16.3%. A continued improving local economy combined with a 1.5% utility tax increase is the driving force behind these increases. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation plus new constructions. Total governmental activities revenues increased $3.1 million, or 1.6% based on an offsetting decrease of $9.8 million, or 44.3% in revenues associated with capital grants and contributions received by the City in 2016 over 2015.

Governmental activities expenses increased in total by $11.9 million, or 7.6%. The major influencing factors of this increase are as follows:

- Security/Persons and Property expense increased due to personnel costs, specifically the addition of approximately 19 new positions in mid to late 2016 to initiate and support the transition of police records management from Clark County to the City. Once the transition is complete, the City will no longer pay Clark County for records management support.
- General Government increases were based on an increase in recorded third party liability claims.
- Culture and Recreation realized an increase in expenses associated with deferred operational maintenance activities.





Business-Type Activities Analysis

Business-type net position increased by $20.8 million in 2016 from operations slightly offset from prior year adjustments of $4.7 million.

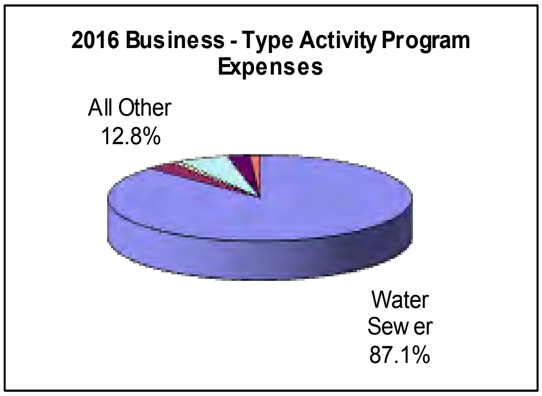
The Business-Type Activity revenue and expenses in total increased slightly by $251 thousand and $1.0 million, respectively. The main factors contributing to these modest increases are as follows:

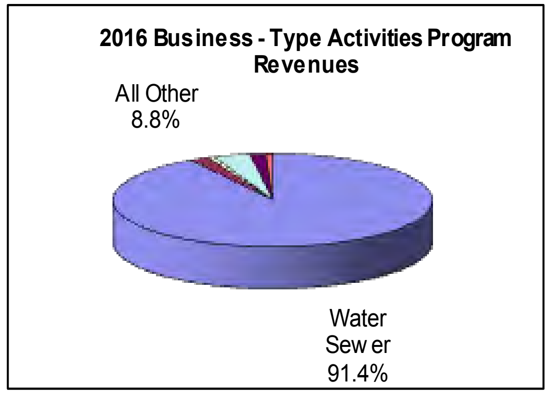
- Charges for Services, Fees, and Fines and Forfeitures increased by $2.5 million in 2016 over 2015 based on the following contributing factors:
  - Increase in water and sewer rates by an average of 7.0% and 4.0% respectively in 2016 over 2015.
  - Increased revenues associated with long term parking, further demonstrating that the economy is continuing to strengthen as well as benefits of the extended City of Vancouver parking boundaries increased long term parking capacity by 160 on-street permit parking stalls.
  - Increase in parking fines associated with a fully staffed Parking Enforcement Officer crew and an ability to focus on enforcement efforts as well as City staff being granted authorization by City Council to fine for expired tabs and prolonged parking, effective August 2016, which resulted in an increase in parking fines.
- Miscellaneous revenues decreased by $2.4 million from 2015 primarily because 2015 reported a one-time gain on the sale of the Operations Center. Without regard to the one-time gain, 2016 miscellaneous revenues are consistent with prior year.
- Water/Sewer expenses increased by $815 thousand from 2015 as a result of increase taxes on utilities both at the state and local level.

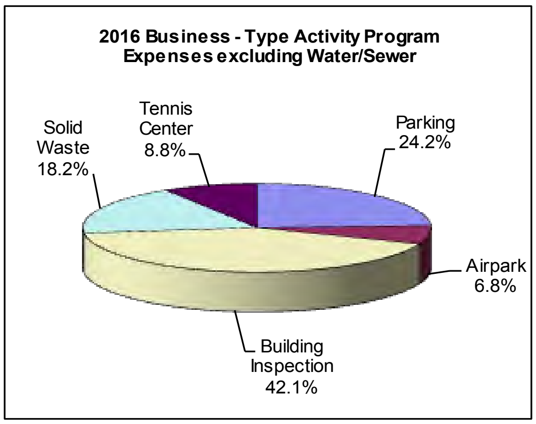
As depicted in the graphs that follow, the Water/Sewer activity is the largest business-type activity in the City. As a result, the financial position of the City's business-type activities is strongly influenced by the Water/Sewer activity. This year, Water/Sewer had a $2.6 million increase in operating revenue and a $1.3 million increase in operating expenses.

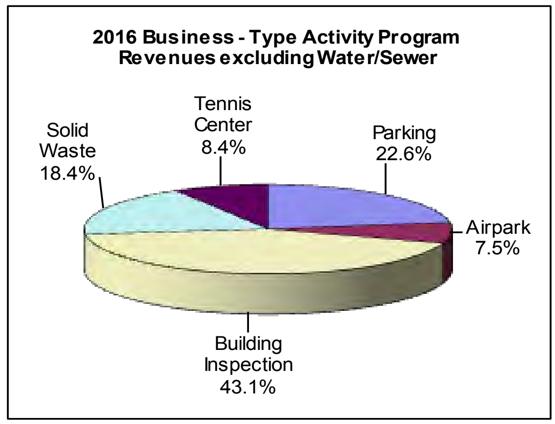
The other business-type activities had moderate gains and losses as follows:

- Solid Waste had a $443 thousand net operating loss which is slightly less than the $561 thousand operating loss reported in 2015. The operating loss in Solid Waste decreased in 2016 over 2015 primarily based on an increase in contracted franchise fees.
- Parking activity had a $419 thousand net operating loss which is slightly less than the $575 thousand operating loss reported in 2015. The General Fund support of Parking was consistent with 2015 at $1.2 million. The operating loss in Parking decreased in 2016 over 2015 primarily based on the increase in revenues associated with long term parking permits and increased ability to issue fines.
- Building Inspection activity had an operating loss of $977 thousand which is an increase from the $576 thousand reported loss in 2015. The main driver behind this increase in loss is the reduction in charges for services revenues while expenses remained stable.









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 4.7% over 2015 due primarily to an increase in Sales and Use taxes and Other Taxes for $1.7 million and $2.6 million, respectively. The increase associated with Sales and Use taxes is based on an increase in sales construction and sales activity, a direct result of an improving economy. The increase in other taxes of $2.6 million is primarily due to an increase in taxes paid to the general fund from utilities operating within the city limits.

General Fund expenditures accounted for 47.0% of total governmental fund expenditures for 2016, and increased by only $1.6 million or 2.0%. The General Fund's beginning fund balance reported in 2016 was restated by an increase, based on the elimination of an Internal Service Fund that no longer met the requirements to be an Internal Service Fund. Ending fund balance of the General Fund increased by $8.2 million inclusive of the $9.5 million increase related to absorbing the Internal Service Fund and a $1.1 million prior period adjustment.

The Consolidated Fire Fund is a special revenue fund that encompasses both the operations and the equipment for the City's fire departments and Clark County Fire Protection District No. 5. Services provided by this fund include firefighting, 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 Charges for Services and a transfer from the City's General Fund. The Consolidated Fire Fund in 2016 accounted for 21.3% of the governmental funds expenditures; an increase of $2.6 million from 2015 due to increased personnel costs in regular salaries and leave pay-outs as well as an increase in interfund activity specifically with the Administrative Service Fund. The fund balance decreased by $1.8 million, in line with budgeted activity, because expenses were greater than revenues and transfers in.

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 have historically been 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 and rents and royalties. In 2016, after the City spent a great deal of time finding a long-term solution to the street infrastructure funding, an intensive community engagement process took place resulting in a new revenue package to fund enhancements in the service level. The total of 9.4% of governmental fund expenditures was attributable to the Street fund in 2016, a slight decrease from 2015 in capital outlay with a small offset to increased transportation costs.

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 fourteen business-type funds: six are enterprise funds, and eight are internal service funds.

The Water/Sewer Fund is the largest business-type fund in the City, accounting for 96.0% of net position for the enterprise funds at $405.9 million. This fund encompasses three legally consolidated utilities: water, sewer, and drainage operations.

The Water/Sewer Fund net position increased by $17.1 million in 2016, which was offset by a $4.7 million prior period adjustment.

This fund also reported operating income of $7.1 million in 2016, an increase over 2015 of $1.3 million; its operating revenue increase of 3.0% over 2015 is primarily due an increase in water and sewer rates of approximately 7% and 4% respectively. The Water/Sewer fund experienced an increase in operating expenses of $1.3 million or 1.6% from 2015 related to an increase in taxes.

Additionally, Water/Sewer total net capital assets remained at approximately $346.8 million and its bonded indebtedness decreased by $10.5 million in 2016.

The Parking Services Fund reported an operating loss of $419 thousand in 2016. Operating revenues increased by $208,932 due to increased purchases of long term parking permits, based on increase City parking services area, as well as an increase in parking related fines. Operating expenses increased by $53,241 or 2% which is 35% less than expenses increased in 2015 over 2014. The 2016 increases in operating expenditures are the result of increases in both personnel services and supplies and contractual services which were offset by a decrease in interfund services. The General Fund support of the Parking Services Fund was $1.2 million in 2016, consistent with support provided in 2015. Over time, the fund is anticipated to become self-supporting. Parking permit rates were increased by an average of 37.4% in 2017 to support this goal. The Parking Services fund continues to report a negative net position; however, it is important to note that the negative net position decreased from $826,186 to $345,991 which is $480,195 towards a positive net position.

The non-major business-type funds present an operating loss of $1.8 million, with all funds making up this balance operating at a loss in 2016. The Building Inspection Fund and Solid Waste Fund had the most significant operating losses which also accounts for the majority of the decrease in total net position. The Building Inspection Fund reported a $976,557 operating loss with decreased revenues of 7.4% associated with a revised cost recovery calculation and slightly increased operating expenses of 0.6% being the drivers of the increased operating loss. The Solid Waste fund presented an operating loss of $442,706 which as a result of both slightly increased charges for services revenues and slightly decreased operating expenses realized in 2016 is more optimistic than the $560,914 loss reported in 2015. The non-major business-type funds represent $2.8 million of the Net Pension Liability in 2016.

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 as reported in 2016 realized a net position increase of $6.4 million. The beginning balance of the Internal Service Funds reported in 2016 was restated based on a change in Internal Service Fund activities that no longer met requirements to be reported as such. The beginning net position of the Internal Service Funds was reduced by $9.5 million in the 2016 financials. Additional details on this can be found in Note IV K. In total Internal Service funds reported a modest operating income of $1.6 million. The Internal Service Funds proportionate share of the Pension Liability is $6.6 million at the end of 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City continues to address 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 following:

- 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.
- 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 has had relative financial stability from 2011 through 2016 fiscal year end with continued stability noted reinforced through the 2017-2018 Budget. There were no service level or staffing reductions taken during this period of time and none are forecasted in the current biennium. The City was also able to absorb positions in Fire and Police that were funded with grant dollars. A total of 13 FTEs in Fire and 19 FTEs in Police were retained with the General Fund dollars on a permanent basis over the last three years. Effective in January of 2016, six additional police officer positions were approved. Five additional positions were approved for Street/right of way maintenance and one position was approved for parks maintenance to start up irrigation systems in a number of city parks.

The City undertook a thorough analysis and review of sound financial policies and in 2012; updated financial policies were adopted by City Council. These polices 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 and guide creation of City budgets.

The final 2015-2016 biennial budget totals $1.0 billion in operating and capital expenditures, including 975 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, 2016, amounts to $973.4 million (net of accumulated depreciation).

The table that follows is a comparison of the summary information for year-end 2015 and 2016 capital assets. The 2015 capital asset balances of the Business-Type Activities have been restated in the table below as well as the notes to the financial statement, but were reported as prior period adjustments on the government wide statement of activities. These restatements are not reported in the comparative statement of Net Position shown earlier in this analysis. The 2015 total business-type capital assets that were reported in 2015 at $361,067,813 are still currently shown in the comparative statement of net position.

Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total Activities	
	2015	2016	2015	2016	2015	2016
Land	$ 82,548,079	$ 84,246,111	$ 33,775,092	$ 33,903,845	$ 116,323,171	$ 118,149,956
Intangible - Easements	8,126,333	8,254,012	5,651,804	6,969,890	13,778,137	15,223,902
Buildings and systems	82,083,830	78,853,130	15,233,294	13,964,723	97,317,124	92,817,853
Machinery and equipment	15,687,104	14,866,692	2,372,855	1,979,630	18,059,959	16,846,322
Infrastructure	402,139,424	396,319,444	288,915,986	290,586,322	691,055,410	686,905,766
Intangible assets	936,389	694,539	545,000	675,481	1,481,389	1,370,020
Construction in progress	17,083,846	29,896,254	10,918,100	12,170,609	28,001,946	42,066,863
Total	$ 608,605,005	$ 613,130,182	$ 357,412,131	$ 360,250,500	$ 966,017,136	$ 973,380,682

Total City's net capital assets increased by less than 1.0%, with the most significant changes being in Construction in progress (CIP) for both Governmental and Business-Type Activities. The $14.0 million increase in CIP balances in 2016 from 2015 are offset by decreases in Buildings and Systems, Machinery and Equipment and Infrastructure decreases associated with annual depreciation. The increase in Construction In Progress (CIP) balance is primarily related to the following significant projects occurring throughout 2016:

- Waterfront Park projects including the Trail and Grant Street Pier for $6.2 million.
- West Barracks Building Upgrades which includes upgrading the Infantry Building, the Dental Surgeon Building, the Quartermaster Building and the Artillery Barracks for a total increase in CIP of $5.3 million.

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

Long-Term Debt

At December 31, 2016, the City of Vancouver had total bonded debt outstanding of $110.4 million. Of this amount, $82.9 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 $21.3 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 2015 and 2016 bonded debt. The City of Vancouver's total bonded debt decreased by $19.3 million, the result of scheduled principal payments made throughout 2016. In 2016, the City issued $7,810,000 of LTGO & Refunding bonds, which provided resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on $7,860,000 of refunded debt.

City of Vancouver Outstanding Bonded Debt
(in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2015	2016	2015	2016	2015	2016
General obligation bonds	$ 81,538	$ 73,924	$ 10,133	$ 8,952	$ 91,671	$ 82,876
Revenue bonds	-	-	31,345	21,300	31,345	21,300
Net Amounts for:						
Issuance premiums (discounts)	5,349	5,360	1,418	901	6,767	6,261
Total	$ 86,887	$ 79,284	$ 42,896	$ 31,153	$ 129,783	$ 110,437

The City of Vancouver maintains an "Aa2"/"AA+" issuer rating from Moody's/Standard and Poor's (S & P) rating services, respectively. The City's LTGO bonds are rated Aa3/AA+. Additional information on the City's long-term debt can be found in Note III.E of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenue projections for 2017 indicate that revenues are anticipated to continue increasing over the projected time period, driven mostly by the economic stabilization. Some tempering in the rate of growth of sales tax is anticipated in 2017. The City has enjoyed several years of stability and was able to set aside funding for several high priority capital projects, such as the Waterfront Park and two replacement Fire Stations.

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 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 City of Vancouver over the long term.

The City has had a very successful year in finding a long-term solution to the street infrastructure funding. An intensive community engagement process took place during 2015 resulting in a recommendation to Council on the desired service level in city street maintenance and a new revenue package to fund the enhancements in the service level. As the result of the process, a number of new funding sources and revenue increases was approved that would ultimately improve the City's roads from "fair" to "good" over the next 20-year period. A similar process took place in 2016 in relation to the service and staffing levels in Police. The outcome of this process was community support for additional staffing in Police, adding a total of 62 positions between 2016 and 2020. The staffing increase was funded by increases in the Utility tax revenue, and business license surcharge.

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, 2016

	Primary Government			Component Units	
ASSETS	Governmental Activities	Business-type Activities	Total Primary Government	Vancouver Downtown Redevelopment Authority	Vancouver Public Facilities District
Cash and cash equivalents	$ 203,775,878	$ 92,953,503	$ 296,729,381	$ 96,342	$ 117,401
Cash with fiscal/escrow agent	-	-	-	10,941,678	-
Restricted assets					
Cash	-	10,466,669	10,466,669	-	-
Accrued interest receivable	-	15,330	15,330	-	-
Receivables (net of allowance for uncollectible accounts)	20,907,913	10,829,900	31,737,813	1,437,741	242,646
Inventories	719,020	899,523	1,618,543	32,957	-
Capital assets held for resale	272,400	-	272,400	-	-
Prepaid Items	107,593	-	107,593	159,519	-
Internal balances	1,073,513	(1,073,513)	-	-	-
Investment in joint venture	10,767,734	-	10,767,734	-	-
Due from other governmental units	2,584,192	-	2,584,192	-	291,685
Net pension asset	12,420,585	-	12,420,585	-	-
Capital assets (net of accumulated depreciation)					
Land	84,246,111	33,903,845	118,149,956	-	3,603,691
Easements	8,254,012	6,969,890	15,223,902	-	-
Buildings	78,853,130	13,964,723	92,817,853	38,111,030	-
Machinery and equipment	14,866,692	1,979,630	16,846,322	2,441,227	-
Infrastructure	396,319,444	290,586,322	686,905,766	-	-
Intangible assets	694,539	675,481	1,370,020	-	-
Construction work in progress	29,896,254	12,170,609	42,066,863	84,129	-
Total Assets	865,759,010	474,341,912	1,340,100,922	53,304,623	4,255,423
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	2,646,094	990,969	3,637,063	1,182,219	-
Amounts related to pension	10,009,032	3,034,253	13,043,285	-	-
Total deferred outflows of resources	12,655,126	4,025,222	16,680,348	1,182,219	-
LIABILITIES					
Accounts payable and other current liabilities	14,873,494	4,461,702	19,335,196	1,271,154	638,150
Accrued interest payable	262,969	115,123	378,092	1,283,931	-
Unearned revenue	445,354	174,579	619,933	280,840	-
Custodial accounts	1,226,253	293,770	1,520,023	-	-
Noncurrent liabilities:					
Environmental remediation	-	399,000	399,000	-	-
Special assessment debt with governmental commitments due within one year	40,000	-	40,000	-	-
Special assessment debt with governmental commitments due in more than one year	70,000	-	70,000	-	-
Net pension liability	23,591,131	16,226,044	39,817,175	-	-
Due within one year	18,821,408	10,252,674	29,074,082	1,274,000	-
Due in more than one year	107,146,506	23,210,716	130,357,222	67,464,162	-
Total Liabilities	166,477,115	55,133,608	221,610,723	71,574,087	638,150
DEFERRED INFLOWS OF RESOURCES					
Amounts related to pension	767,159	290,075	1,057,234	-	-
Total deferred inflows of resources	767,159	290,075	1,057,234	-	-
NET POSITION					
Net investment in capital assets	536,394,326	330,000,983	866,395,309	(18,448,581)	3,603,691
Restricted for:					
Capital purposes	19,359,881	7,371,118	26,730,999	484,699	-
Debt service	2,439,015	3,128,746	5,567,761	2,904,947	-
Grant purposes	5,207,923	-	5,207,923	-	-
Security purposes	17,188,189	-	17,188,189	-	-
Economic purposes	4,165,316	-	4,165,316	-	-
Parks & Recreation purposes	36,717	-	36,717	-	-
Unrestricted	126,378,495	82,442,604	208,821,099	(2,028,310)	13,582
Total Net Position	$ 711,169,862	$ 422,943,451	$ 1,134,113,313	$ (17,087,245)	$ 3,617,273

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

CITY OF VANCOUVER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services, Fees, Fines and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	Total	Vancouver Downtown Redevelopment Authority	Vancouver Public Facilities District
PRIMARY GOVERNMENT									
Governmental Activities:									
General Government	$ 22,021,008	$ 14,098,238	$ 761,215	$ 409,830	$ (6,751,725)	$ -	$ (6,751,725)	$ -	$ -
Security/ persons & property	87,571,127	15,970,069	2,079,135	7,902	(69,514,021)	-	(69,514,021)	-	-
Physical Environment	569,307	107,691	-	-	(461,616)	-	(461,616)	-	-
Transportation	32,490,781	8,081,748	189,777	5,510,032	(18,709,224)	-	(18,709,224)	-	-
Mental and Physical Health	405,415	-	-	-	(405,415)	-	(405,415)	-	-
Economic Environment	9,867,567	2,766,977	1,782,804	2,080,444	(3,237,342)	-	(3,237,342)	-	-
Culture and Recreation	11,454,546	4,620,439	287,320	4,347,838	(2,198,949)	-	(2,198,949)	-	-
Interest on Long-Term Debt	3,736,146	-	-	-	(3,736,146)	-	(3,736,146)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	168,115,898	45,645,162	5,100,251	12,356,046	(105,014,439)	-	(105,014,439)	-	-
Business Type Activities:									
Water/Sewer	83,501,555	89,361,042	58,712	15,192,381	-	21,110,580	21,110,580	-	-
Parking	2,988,359	2,214,042	-	-	-	(774,317)	(774,317)	-	-
Airpark	846,241	692,636	-	47,344	-	(106,261)	(106,261)	-	-
Building Inspection	5,203,294	4,226,737	-	-	-	(976,557)	(976,557)	-	-
Solid Waste	2,251,120	1,808,414	-	-	-	(442,706)	(442,706)	-	-
Tennis Center	1,083,235	822,265	-	-	-	(260,970)	(260,970)	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	95,873,804	99,125,136	58,712	15,239,725	-	18,549,769	18,549,769	-	-
Total Primary Government	$ 263,989,702	$ 144,770,298	$ 5,158,963	$ 27,595,771	$ (105,014,439)	$ 18,549,769	$ (86,464,670)	$ -	$ -
Component Units									
Downtown Redevelopment Authority	$ 17,409,865	$ 16,999,239	$ -	$ -	$ -	$ -	$ -	$ (410,626)	$ -
Public Facilities District	1,336,730	-	9,504	-	-	-	-	-	(1,327,226)
TOTAL COMPONENT UNITS	$ 18,746,595	$ 16,999,239	$ 9,504	$ -	$ -	$ -	$ -	$ (410,626)	$ (1,327,226)
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					$ 44,748,153	$ -	$ 44,748,153	$ -	$ -
Sales and Use Taxes					36,737,708	-	36,737,708	2,486,291	1,327,226
Utility Taxes					39,432,274	-	39,432,274	-	-
Excise, Lodging and Other Taxes					11,203,131	-	11,203,131	-	-
Unrestricted Investment Earnings (loss)					1,153,032	621,849	1,774,881	13,735	(123)
Gain (loss) on Sale of Capital Assets					83,948	31,412	115,360	3,240	-
Miscellaneous					859,447	234,884	1,094,331	21,421	-
Special Items:									
Gain on extinguishment of debt					-	-	-	107,813	-
Extraordinary Item:									
Bankruptcy settlement					-	-	-	32,331	-
Transfers					(1,343,588)	1,343,588	-	-	-
Total General Revenues, Special Items, Extraordinary Items and Transfers					132,874,105	2,231,733	135,105,838	2,664,831	1,327,103
Change in Net Position					27,859,666	20,781,502	48,641,168	2,254,205	(123)
Net Position - Beginning					682,248,901	406,878,926	1,089,127,827	(19,341,450)	3,617,396
Prior period adjustments					1,061,295	(4,716,977)	(3,655,682)	-	-
Net Position - Ending					$ 711,169,862	$ 422,943,451	$ 1,134,113,313	$ (17,087,245)	$ 3,617,273

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

CITY OF VANCOUVER
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	Major Funds			Other Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Consolidated Fire	Street Fund		
ASSETS					
Cash and cash equivalents	$ 64,924,974	$ 16,619,533	$ 10,887,768	$ 68,605,410	$ 161,037,685
Receivables (net)					
Taxes/assessments	11,424,288	-	1,051,413	1,046,947	13,522,648
Accounts	764,259	74,901	72,421	406,636	1,318,217
Interest	98,535	24,462	16,020	100,906	239,923
Notes	-	-	-	5,065,112	5,065,112
Due from other funds	1,395,212	4,512	732	1,869,179	3,269,635
Due from other governmental units	167,226	34,264	-	2,382,702	2,584,192
Capital assets held for resale	228,400	-	-	-	228,400
Prepaid items	-	-	-	7,593	7,593
TOTAL ASSETS	$ 79,002,894	$ 16,757,672	$ 12,028,354	$ 79,484,485	$ 187,273,405
LIABILITIES					
Accounts payable	$ 4,969,895	$ 314,881	$ 148,707	$ 3,102,604	$ 8,536,087
Due to other funds	3,495,924	274	32,937	328,093	3,857,228
Due to other governmental units	13,130	-	-	246,032	259,162
Accrued interest payable	141	-	-	-	141
Accrued liabilities	3,529,764	1,267,113	168,583	74,528	5,039,988
Revenues collected in advance	308,933	58,367	2,753	1,486	371,539
Custodial accounts	425,699	3,051	343,662	449,767	1,222,179
Unearned revenue	-	-	14,584	59,231	73,815
Total liabilities	12,743,486	1,643,686	711,226	4,261,741	19,360,139
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	585,331	-	-	-	585,331
Unavailable revenue-special assessments	-	-	-	116,129	116,129
Unavailable revenue-grants and other	446,883	60,798	-	-	507,681
Total deferred inflows of resources	1,032,214	60,798	-	116,129	1,209,141
FUND BALANCES					
Nonspendable	228,400	-	-	7,593	235,993
Restricted	76,535	15,053,188	-	35,280,290	50,410,013
Committed	20,850,443	-	11,317,128	9,042,159	41,209,730
Assigned	34,261,088	-	-	30,776,573	65,037,661
Unassigned	9,810,728	-	-	-	9,810,728
Total fund balances	65,227,194	15,053,188	11,317,128	75,106,615	166,704,125
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 79,002,894	$ 16,757,672	$ 12,028,354	$ 79,484,485	187,273,405

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

CITY OF VANCOUVER
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT WIDE STATEMENT OF NET POSITION
December 31, 2016

Fund Balance - Total Governmental Funds	**$ 166,704,125**
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	605,881,383
Capital Assets Held for Resale used in governmental activities that are not financial resources and therefore are not reported in the funds	44,000
Long-term liabilities that are not due and payable in the current period and are not reported in the funds	
Bonds Payable	(73,924,246)
Plus: Issuance (Premium)/Discount (to be amortized as interest income)	(5,359,260)
Special assessment debt	(110,000)
Accrued interest payable	(262,828)
Government loans	(4,364,706)
Compensated absences for non-Internal Service Funds	(7,456,829)
Impact fee credits	(18,488,771)
Net OPEB obligation	(9,901,702)
Net Pension Liability Mulit-Employer Plan	(16,575,688)
Net Pension Liability - Single Employer Plan	(371,569)
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in	
Deferred amounts eliminated for government-wide	1,209,141
Investments in joint ventures	10,767,734
Net Pension Assets Multi-Employer Plan	10,304,481
Net pension Asset - Single Employer Plan	2,116,104
Deferred outflows/(inflows) required to be recognized on government-wide	
Deferred outflows - unamortized loss on refunding (to be amortized as interest expense)	2,646,094
Deferred outflows - related to pensions	8,766,636
Deferred inflows - related to pensions	(648,385)
Internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of	40,194,148
Total net position of governmental activities	**$ 711,169,862**

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

CITY OF VANCOUVER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year ended December 31, 2016

	Major Funds			Other Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Consolidated Fire	Street Fund		
REVENUES					
Property taxes	$ 44,917,701	$ -	$ -	$ -	$ 44,917,701
Sales and use taxes	36,737,708	-	-	-	36,737,708
Other taxes	40,115,661	-	3,570,349	6,976,914	50,662,924
License and permits	1,212,496	558,879	411,543	3,082,675	5,265,593
Intergovernmental	4,822,492	17,045	3,848,129	8,321,108	17,008,774
Charges for services	11,108,801	9,535,045	577,110	3,410,814	24,631,770
Fines and penalties	1,450,529	16,025	-	75,855	1,542,409
Investment earnings	413,933	118,132	30,304	342,785	905,154
Rents and royalties	3,566,102	57,655	344,334	364,566	4,332,657
Contributions/donations	271,462	41,500	-	547,832	860,794
Miscellaneous	204,121	6,306	-	649,020	859,447
Total revenues	144,821,006	10,350,587	8,781,769	23,771,569	187,724,931
EXPENDITURES					
Current					
General government	19,915,894	-	-	1,760,187	21,676,081
Security/persons & property	47,707,204	36,723,210	-	711,476	85,141,890
Physical environment	568,895	-	-	(7,586)	561,309
Transportation	128,597	-	12,367,675	2,565,648	15,061,920
Economic environment	4,888,278	-	-	4,356,125	9,244,403
Mental and physical health	405,415	-	-	-	405,415
Culture and recreation	8,929,689	-	-	1,045,260	9,974,949
Capital outlay	300,864	792,542	4,287,240	17,513,111	22,893,757
Debt service					
Principal retirement	-	-	-	7,959,511	7,959,511
Interest/fiscal charges	55,083	-	-	3,549,445	3,604,528
Total expenditures	82,899,919	37,515,752	16,654,915	39,453,177	176,523,763
Excess (deficiency) of revenues over (under) expenditures	61,921,087	(27,165,165)	(7,873,146)	(15,681,608)	11,201,168
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	40,028	28,402	-	39,908	108,338
Refunding bond issued	-	-	-	7,810,000	7,810,000
Payment to refunded bond escrow account	-	-	-	(8,683,733)	(8,683,733)
Premium on debt issued	-	-	-	990,662	990,662
Transfers in	624,512	25,891,246	12,887,589	36,982,444	76,385,791
Transfers out	(64,963,020)	(536,450)	(1,008,513)	(14,838,392)	(81,346,375)
Total other financing sources and uses	(64,298,480)	25,383,198	11,879,076	22,300,889	(4,735,317)
Net change in fund balances	(2,377,393)	(1,781,967)	4,005,930	6,619,281	6,465,851
FUND BALANCES - BEGINNING (RESTATED)	66,543,292	16,835,155	7,311,198	68,487,334	159,176,979
Prior period adjustments	1,061,295	-	-	-	1,061,295
FUND BALANCES - ENDING	$ 65,227,194	$ 15,053,188	$ 11,317,128	$ 75,106,615	$ 166,704,125

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

CITY OF VANCOUVER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNEMENT WIDE STATEMENT OF ACTIVITIES
For the Year ended December 31, 2016

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

Net Change in fund balances - total governmental funds		$ 6,465,851
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.		
Capital Outlay	21,982,825	
Depreciation Expense	(22,128,232)	(145,407)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) not reported in governmental funds.		3,666,496
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Earned taxes	(169,548)	
Earned special assessments	(27,519)	
Earned revenue considered available at fund level	(238,843)	
Contributions related to impact fee credits	(1,478,573)	
Contributions related to pension	1,336,283	
Miscellaneous revenues related to joint venture	4,609,054	4,030,854
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.		
Defeasance of bonds - refunding	7,860,000	
Issuance of bonds	(7,810,000)	
Amount deferred on issuance of debt	570,867	
Premiums recognized on issuance of debt	(990,662)	
Remove premiums on old debt	252,866	
Discounts recognized on issuance of debt	-	
General obligation debt payments	7,564,040	
Governmental loan payments	335,471	
Special assessment debt payments	60,000	7,842,582
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(137,703)	
OPEB Cost	(1,256,591)	
Pension - single employer plan	1,480,336	
Pension Cost - multiple employer plan	(391,736)	
Accrued Interest	38,660	
Amortization of deferred amount on refunding	(897,728)	
Amortization of discounts/premiums	727,451	(437,311)
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.		6,436,601
Changes in Net Position of Governmental Activities		$ 27,859,666

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

CITY OF VANCOUVER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Biennium ended December 31, 2016

	Budget Amounts		Actual	
	Original 2015-16 Biennium	Final 2015-16 Biennium	Biennium To- Date Thru 12/31/16	Variance Thru 12/31/16
REVENUES				
Property tax	$ 88,821,650	$ 88,821,650	$ 89,148,264	$ (326,614)
Sales and use taxes	61,924,045	64,824,045	71,772,085	(6,948,040)
Other taxes	75,187,928	77,750,894	77,598,893	152,001
License and permits	1,845,602	1,851,602	2,315,039	(463,437)
Intergovernmental	6,702,851	9,685,028	9,839,020	(153,992)
Charges for services	18,215,177	19,292,412	20,210,670	(918,258)
Fines and forfeitures	3,189,454	3,189,454	2,898,446	291,008
Investment earnings	969,457	969,457	854,945	114,512
Rents and royalties	6,254,613	6,956,074	7,140,927	(184,853)
Contributions/donations	-	317,556	586,743	(269,187)
Miscellaneous	1,218,618	1,248,618	396,616	852,002
Total revenues	264,329,395	274,906,789	282,761,648	(7,854,859)
EXPENDITURES				
Current:				
General government	39,716,577	42,583,810	37,762,026	4,821,784
Security/persons & property	92,076,730	93,146,293	91,706,640	1,439,653
Physical environment	1,168,392	1,188,392	1,159,548	28,844
Transportation	280,800	366,888	261,364	105,524
Economic environment	11,026,167	11,310,926	10,253,137	1,057,789
Mental and physical health	752,630	752,630	780,584	(27,954)
Culture and recreation	17,539,924	17,931,653	17,328,732	602,921
Capital outlay	75,201	5,727,913	4,535,606	1,192,307
Debt service:				
Principal retirement	-	1	-	1
Interest/fiscal charges	-	55,085	55,083	2
Total expenditures	162,636,421	173,063,591	163,842,720	9,220,871
Excess (deficiency) of revenues over expenditures	101,692,974	101,843,198	118,918,928	(17,075,730)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	280,000	40,028	239,972
Transfers in	1,198,096	2,438,806	1,369,829	1,068,977
Transfers out	(103,668,038)	(121,707,978)	(122,929,312)	1,221,334
Total other financing sources (uses)	(102,469,942)	(118,989,172)	(121,519,455)	2,530,283
Net change in fund balance	(776,968)	(17,145,974)	(2,600,527)	(14,545,447)
FUND BALANCES - BEGINNING (RESTATED)	71,198,901	71,198,901	71,198,901	-
Prior period adjustments	-	-	784,862	(784,862)
FUND BALANCES - ENDING	$ 70,421,933	$ 54,052,927	$ 69,383,236	$ (15,330,309)
Adjustment to generally accepted accounting principles (GAAP) basis:				
Riverwest RDA Fund budgeted as separate fund			2	
School District Impact Fees budgeted as separate fund			(671)	
SW Washington Regional SWAT Team budgeted as separate fund			19,340	
Facilities Asset Management budgeted as separate fund			(4,174,713)	
Fund Balance GAAP basis:			$ 65,227,194	

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

CITY OF VANCOUVER
CONSOLIDATED FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Biennium ended December 31, 2016

	Budget Amounts		Actual	
	Original 2015-16 Biennium	Final 2015-16 Biennium	Biennium To- Date Thru 12/31/16	Variance Thru 12/31/16
REVENUES				
License and permits	$ 1,022,241	$ 1,125,027	$ 1,131,090	$ (6,063)
Intergovernmental	-	74,879	60,374	14,505
Charges for services	18,746,715	18,788,844	18,940,959	(152,115)
Fines and forfeits	9,869	9,869	32,963	(23,094)
Investment earnings	64,147	64,147	194,011	(129,864)
Rents and royalties	111,100	108,386	115,310	(6,924)
Contributions/donations	-	16,000	91,952	(75,952)
Miscellaneous	-	-	6,325	(6,325)
Total revenues	19,954,072	20,187,152	20,572,984	(385,832)
EXPENDITURES				
Current				
Security/persons & property	68,506,115	71,413,770	70,797,578	616,192
Capital outlay	2,130,386	3,739,218	1,683,440	2,055,778
Total expenditures	70,636,501	75,152,988	72,481,018	2,671,970
Excess (deficiency) of revenues over (under) expenditures	(50,682,429)	(54,965,836)	(51,908,034)	(3,057,802)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	26,428	(26,428)
Transfers in	(51,772,182)	51,946,421	51,815,105	131,316
Transfers out	(1,079,512)	(1,083,920)	(1,076,894)	(7,026)
Total other financing sources and uses	(52,851,694)	50,862,501	50,764,639	97,862
Net change in fund balances	(103,534,123)	(4,103,335)	(1,143,395)	(2,959,940)
FUND BALANCES - BEGINNING	16,196,583	16,196,583	16,196,583	-
FUND BALANCES - ENDING	$ (87,337,540)	$ 12,093,248	$ 15,053,188	$ (2,959,940)

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

CITY OF VANCOUVER
STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Biennium ended December 31, 2016

	Budget Amounts		Actual	
	Original 2015-16 Biennium	Final 2015-16 Biennium	Biennium To- Date Thru 12/31/16	Variance Thru 12/31/16
REVENUES				
Other taxes	$ 4,433,150	$ 4,433,150	$ 6,816,881	$ (2,383,731)
License and permits	400,000	400,000	789,940	(389,940)
Intergovernmental	7,051,394	7,294,453	7,405,728	(111,275)
Charges for services	345,488	405,488	1,072,591	(667,103)
Investment earnings	-	-	68,906	(68,906)
Rents and royalties	1,434,808	1,434,808	842,734	592,074
Miscellaneous	-	-	2,599	(2,599)
Total revenues	13,664,840	13,967,899	16,999,379	(3,031,480)
EXPENDITURES				
Current:				
Transportation	25,311,899	25,749,125	24,185,677	1,563,448
Capital outlay	9,866,584	10,909,763	10,763,812	145,951
Total expenditures	35,178,483	36,658,888	34,949,489	1,709,399
Excess (deficiency) of revenues over expenditures	(21,513,643)	(22,690,989)	(17,950,110)	(4,740,879)
OTHER FINANCING SOURCES (USES)				
Transfers in	23,571,856	24,651,856	24,719,144	(67,288)
Transfers out	(1,929,439)	(2,804,825)	(2,694,275)	(110,550)
Total other financing sources (uses)	21,642,417	21,847,031	22,024,869	(177,838)
Net change in fund balance	128,774	(843,958)	4,074,759	(4,918,717)
FUND BALANCES - BEGINNING	7,242,369	7,242,369	7,242,369	-
FUND BALANCES - ENDING	$ 7,371,143	$ 6,398,411	$ 11,317,128	$ (4,918,717)

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

CITY OF VANCOUVER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major Enterprise Funds		
	Water/Sewer	Parking Services		Total	Internal Service Funds
ASSETS					
Current assets					
Cash and cash equivalents	$ 77,539,305	$ 2,741,363	$ 12,672,835	$ 92,953,503	$ 42,738,193
Restricted cash, cash equivalents and investments:					
Cash and cash equivalents	10,466,669	-	-	10,466,669	-
Accrued interest receivable	15,330	-	-	15,330	-
Receivables (net)					
Accounts	5,300,005	473,127	371,476	6,144,608	699,240
Interest	113,974	4,029	18,600	136,603	62,776
Due from other funds	279,610	2,234	-	281,844	1,663,360
Due from other governmental units	738,222	-	47,344	785,566	-
Inventory	899,523	-	-	899,523	719,020
Prepaid expenses	-	-	-	-	100,000
Total current assets	95,352,638	3,220,753	13,110,255	111,683,646	45,982,589
Noncurrent assets					
Contracts receivable	3,763,123	-	-	3,763,123	-
Capital assets					
Land and improvements	32,950,986	468,657	484,202	33,903,845	-
Intangible - Easements	6,969,890	-	-	6,969,890	-
Construction in progress	11,995,607	-	175,002	12,170,609	1,356,090
Other improvements	535,419,556	49,165	2,538,678	538,007,399	-
Buildings	7,382,206	16,984,573	10,950,913	35,317,692	-
Intangible assets	8,724,832	128,712	1,603,368	10,456,912	-
Machinery and equipment	24,856,649	872,070	324,322	26,053,041	31,130,091
Accumulated depreciation	(281,516,884)	(12,651,503)	(8,460,501)	(302,628,888)	(25,237,382)
Capital assets (net)	346,782,842	5,851,674	7,615,984	360,250,500	7,248,799
Total noncurrent assets	350,545,965	5,851,674	7,615,984	364,013,623	7,248,799
TOTAL ASSETS	445,898,603	9,072,427	20,726,239	475,697,269	53,231,388
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	918,582	68,112	4,275	990,969	-
Amounts related to pension	2,418,398	90,682	525,173	3,034,253	1,242,396
Total deferred outflows of resources	3,336,980	158,794	529,448	4,025,222	1,242,396
LIABILITIES					
Current liabilities					
Accounts payable	3,111,553	90,748	247,924	3,450,225	607,145
Claims and judgments payable	-	-	-	-	1,622,725
Environmental remediation	21,000	-	-	21,000	-
Due to other funds	1,349,501	865	4,991	1,355,357	2,254
Due to other governmental units	87,359	-	-	87,359	-
Accrued interest payable	92,689	21,854	580	115,123	-
Accrued liabilities	2,507,541	62,106	423,544	2,993,191	1,338,674
Custodial accounts	226,275	4,966	62,529	293,770	4,074
Unearned revenues	44,822	9,284	120,473	174,579	-
Bonds, notes and loans payable	7,237,031	860,000	65,570	8,162,601	-
Total current liabilities	14,677,771	1,049,823	925,611	16,653,205	3,574,872
Noncurrent liabilities					
Bonds, notes and loan payable	14,891,333	8,030,261	68,932	22,990,526	-
Claims and judgments	-	-	-	-	3,841,275
Environmental remediation	399,000	-	-	399,000	-
Accrued employee benefits	188,269	3,522	28,399	220,190	100,841
Net pension liability	12,932,668	484,937	2,808,439	16,226,044	6,643,874
Total noncurrent liabilities	28,411,270	8,518,720	2,905,770	39,835,760	10,585,990
Total liabilities	43,089,041	9,568,543	3,831,381	56,488,965	14,160,862
DEFERRED INFLOWS OF RESOURCES					
Amounts related to pension	231,199	8,669	50,207	290,075	118,774
Total deferred inflows of resources	231,199	8,669	50,207	290,075	118,774
NET POSITION					
Net investment in capital assets	325,485,701	(2,970,475)	7,485,757	330,000,983	7,248,799
Restricted for capital purposes	7,371,118	-	-	7,371,118	210,000
Restricted for debt	3,128,746	-	-	3,128,746	-
Unrestricted	69,929,778	2,624,484	9,888,342	82,442,604	32,735,349
TOTAL NET POSITION	$ 405,915,343	$ (345,991)	$ 17,374,099	$ 422,943,451	$ 40,194,148

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

CITY OF VANCOUVER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major Enterprise Funds		
	Water/Sewer	Parking Services		Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 87,954,996	$ 4,524	$ 6,720,513	$ 94,680,033	$ 37,738,845
Fines and penalties	681,867	433,939	7,400	1,123,206	-
Rents and royalties	670,114	1,734,500	814,689	3,219,303	5,485,184
Miscellaneous	54,065	41,079	7,450	102,594	7,679
Total operating revenues	89,361,042	2,214,042	7,550,052	99,125,136	43,231,708
OPERATING EXPENSES					
Personnel services	19,702,082	762,959	4,251,298	24,716,339	10,487,379
Supplies and contractual services	17,294,503	461,786	2,719,406	20,475,695	25,899,352
Interfund services	11,594,732	528,218	1,777,167	13,900,117	2,778,947
Intergovernmental payments	21,142,409	29,202	115,910	21,287,521	182,840
Depreciation	12,503,059	850,893	502,297	13,856,249	2,288,848
Total operating expenses	82,236,785	2,633,058	9,366,078	94,235,921	41,637,366
Operating income (loss)	7,124,257	(419,016)	(1,816,026)	4,889,215	1,594,342
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	551,285	8,972	61,592	621,849	245,101
State and federal grants	928,716	-	47,344	976,060	-
Interest and fiscal charges	(1,264,770)	(355,301)	(17,812)	(1,637,883)	-
Gain (Loss) on disposal of capital assets	31,412	-	-	31,412	196,016
Miscellaneous revenue (expense)	78,798	-	156,086	234,884	-
Total nonoperating revenues (expenses)	325,441	(346,329)	247,210	226,322	441,117
Income (loss) before contributions and transfers	7,449,698	(765,345)	(1,568,816)	5,115,537	2,035,459
Capital contributions	14,322,377	-	-	14,322,377	784,146
Transfers in	5,966	1,245,540	339,949	1,591,455	3,719,256
Transfers out	(8,526)	-	(239,341)	(247,867)	(102,260)
Change in net position	21,769,515	480,195	(1,468,208)	20,781,502	6,436,601
TOTAL NET POSITION - BEGINNING (RESTATED)	388,862,805	(826,186)	18,842,307	406,878,926	33,757,547
Prior period adjustments	(4,716,977)	-	-	(4,716,977)	-
TOTAL NET POSITION - ENDING	$ 405,915,343	$ (345,991)	$ 17,374,099	$ 422,943,451	$ 40,194,148

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

CITY OF VANCOUVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other		
	Water/Sewer	Parking Services	Non-Major Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 88,904,096	$ 2,121,390	$ 7,362,623	$ 98,388,109	$ 41,715,929
Cash received from other operating activities	54,065	41,079	7,450	102,594	7,679
Cash payments for goods and services	(40,739,179)	(430,835)	(2,858,115)	(44,028,129)	(26,305,073)
Internal activity - between funds	(10,552,262)	(527,353)	(1,781,200)	(12,860,815)	(2,882,820)
Cash payments to employees	(19,565,906)	(753,370)	(4,214,326)	(24,533,602)	(10,480,956)
Net cash provided by operating activities	18,100,814	450,911	(1,483,568)	17,068,157	2,054,759
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Unrestricted gifts received	78,798	-	156,086	234,884	-
Receipt of grant funds	296,895	-	-	296,895	-
Transfers from other funds	5,966	1,245,540	339,949	1,591,455	3,719,256
Transfers to other funds	(8,526)	-	(239,341)	(247,867)	(102,260)
Net cash provided by noncapital financing activities	373,133	1,245,540	256,694	1,875,367	3,616,996
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital debt	(10,131,059)	(820,000)	(360,960)	(11,312,019)	-
Interest paid on capital debt	(1,371,511)	(303,572)	(25,913)	(1,700,996)	-
Purchase of capital assets	(9,705,632)	(216,854)	(176,240)	(10,098,726)	(2,513,195)
Receipt from interfund capital transactions	3,443,844	-	-	3,443,844	-
Proceeds from sale of capital assets	31,452	-	-	31,452	200,424
Capital contributions	8,430,812	-	-	8,430,812	-
Net cash used by capital and related financing activities	(9,302,094)	(1,340,426)	(563,113)	(11,205,633)	(2,312,771)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings (losses)	442,664	7,244	56,910	506,818	220,184
Interest received on interfund loans	55,083	-	-	55,083	-
Net cash provided by investing activities	497,747	7,244	56,910	561,901	220,184
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,669,600	363,269	(1,733,077)	8,299,792	3,579,168
CASH AND CASH EQUIVALENTS - BEGINNING (RESTATED)	78,336,374	2,378,094	14,405,912	95,120,380	39,159,025
CASH AND CASH EQUIVALENTS - ENDING	$ 88,005,974	$ 2,741,363	$ 12,672,835	$ 103,420,172	$ 42,738,193
Cash and cash equivalents	$ 77,539,305	$ 2,741,363	$ 12,672,835	$ 92,953,503	$ 42,738,193
Restricted cash and cash equivalents	10,466,669	-	-	10,466,669	-
CASH AND CASH EQUIVALENTS - ENDING	$ 88,005,974	$ 2,741,363	$ 12,672,835	$ 103,420,172	$ 42,738,193

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

CITY OF VANCOUVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major Enterprise Funds	Total	Internal Service Funds
	Water/Sewer	Parking Services			
Reconciliation of operating income (loss) to net cash used by operating activities:					
Net operating income (loss)	$ 7,124,257	$ (419,016)	$ (1,816,026)	$ 4,889,215	$ 1,594,342
Adjustments to reconcile net operating income (loss) to net cash provided by operations:					
Depreciation expense	12,503,059	850,893	502,297	13,856,249	2,288,848
(Increase) Decrease in receivables	(416,450)	(51,421)	(175,691)	(643,562)	(31,265)
Increase (Decrease) in deposits	24,679	(152)	(1,989)	22,538	-
(Increase) Decrease in inventories	65,181	-	-	65,181	(241,336)
Increase (Decrease) in current payables	-	63,879	(22,864)	41,015	(285,202)
Increase (Decrease) in accrued liabilities	(1,364,047)	(1,324)	(3,065)	(1,368,436)	48,603
(Increase) Decrease in receivables from other funds	214,254	(2,234)	3,141	215,161	(1,476,835)
Increase (Decrease) in payables due to other funds	1,042,470	865	(9,408)	1,033,927	(103,873)
Increase (Decrease) in claims and judgments payable	-	-	-	-	295,000
Increase (Decrease) in pension liability	(31,294)	9,421	40,037	18,164	(33,523)
Prior period adjustment	(1,061,295)	-	-	(1,061,295)	-
Total adjustments	10,976,557	869,927	332,458	12,178,942	460,417
Net cash provided by operating activities	$ 18,100,814	$ 450,911	$ (1,483,568)	$ 17,068,157	$ 2,054,759
Noncash investing, financing and capital activities					
Capital assets donated	$ 6,071,402	$ -	$ -	$ 6,071,402	$ 784,146
Net change in fair value of investments	$ (118,501)	$ (6,638)	$ (30,646)	$ (155,785)	$ (96,369)
Capital assets financed with accounts payable	$ 524,531	$ -	$ -	$ 524,531	$ -

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

CITY OF VANCOUVER
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
December 31, 2016

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 7,098,848	$ 1,140,307
Certificates of Deposit	1,027,495	-
Corporate Bond	3,008,680	-
Receivables:		
Accounts	-	187,215
Interest	14,071	1,675
Due from other governmental units	637	-
Prepaid expenses	60,000	-
TOTAL ASSETS	11,209,731	1,329,197
LIABILITIES		
Accounts and accrued employee payables	1,252	63,978
Due to other governmental units	-	1,265,219
TOTAL LIABILITIES	1,252	1,329,197
NET POSITION		
Held in trust for Pension and OPEB Benefits	$ 11,208,479	$ -

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

CITY OF VANCOUVER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiduciary Funds
For The Year Ended December 31, 2016

		Pension Trust Funds
Additions:		
Employer Contributions		
For pension benefits	$	1,408,613
For postemployment healthcare benefits		1,427,383
Other Sources		194,139
Total Contributions		3,030,135
Investment Income		
Interest earnings		46,052
Total Investment Income		46,052
Total Additions		3,076,187
Deductions:		
Pension benefits		847,295
Healthcare premium subsidies		1,427,383
Administrative expense		115,569
Total Deductions		2,390,247
Change in fiduciary net position		685,940
Net position - beginning		10,522,539
Net position - ending	$	11,208,479

The notes to this financial statement are an integral part of this 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, 2015.

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 separate columns 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, 2016.

On November 2, 2015, the Vancouver City Council passed Ordinance M-4139 creating the Vancouver Transportation Benefit District (TBD). Through an Interlocal agreement, funds generated from a vehicle registration fee will be passed to the City and used for transportation improvements that construct, reconstruct, preserve, maintain and operate the existing transportation infrastructure of the City of Vancouver consistent with the Revised Code of Washington (RCW) 36.73. The TBD is an independent legal entity but its financial activity will be presented as a blended component unit.

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 fire departments and Clark County Fire Protection District No.5 service area. The significant resources accounted for in this fund are intergovernmental revenue from Fire District No. 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 ¼ 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 acts as the collection and disbursing agent for the PEG Capital Support Fund.

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 2016. 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.

For the most part, 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 State pool is the same as the amortized value of the pool shares. As of December 31, 2016, the City had $93,988,234 in the Washington State local investment pool and $530,323 in the Clark County Local Government Investment Pool. The reported value of the County pool is the same as the fair value of the pool. Funds held by the City in both pools were 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 III.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.

The City receives federal grant funding from the Department of Housing and Urban Development (HUD). The City utilizes these grant funds in part to operate a loans program in support of low income residents within the City of Vancouver. Loans and respective loan agreements are established with both low income individuals and sub-recipient agencies. The loans receivables balance is $5,065,112 at December 31, 2016. The majority of these loans are issued with deferred repayment conditions with certain criterion and time commitments triggering immediate repayment of the original loan.

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 consist of $10,481,999 which is in part cash and investments held for debt service and related interest receivable. Specific debt service reserve requirements are described in Note III.E.1.

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 acquisition 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 governerment-wide, proprietary and fiduciary fund financial statements. The City also reports a liability for sick leave accrual earned by certain employees. See Note III. 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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Unearned revenues

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

11. 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.

12. Net position and fund balances

In the financial statements, assets and deferred outflows in excess of liabilities and deferred inflows 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 plus deferred outflows of unamortized amounts on refunding 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 III.F.

E. ADOPTION OF NEW GASB PRONOUNCEMENTS

For the fiscal year ended December 31, 2016, the City implemented the following GASB Pronouncements:

GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68
Issued in June 2016, the objective of this Statement is to address pensions not addressed by GASB 68 and to further amend specific provisions within GASB 67 and 68. There is no material impact to the City for the adoption of this standard.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
Issued in June 2015, the objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). There is no material impact to the City for the adoption of this standard.

GASB Statement No. 77, *Tax Abatement Disclosures*
Issued in August 2015, this Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. See more detail in Note IV.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
Issued in December 2015, the objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. There is no material impact to the City for the adoption of this standard.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*
Issued in March 2016, this Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information. There is no material impact to the City for adoption of this standard.

F. FUTURE ADOPTION OF GASB PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at December 31, 2016:

- GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 83, *Certain Asset Retirement Obligations*

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. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City prepares a biennial budget for all funds in accordance with the Revised Code of Washington (RCW) chapter 35.33. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, with the exception of proprietary funds which includes an appropriation for capital outlays and principal payments but does not include appropriations for depreciation expense and pension liability adjustments. 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 function 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 2016 is the second year of the 2015-2016 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 2015-2016 Biennial Budget.

January-March 2014

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

April-June 2014

- Prepared the preliminary revenue and expenditure forecast for 2015-2020.
- Identified the direction of the budget process and outlined specific guidelines for departmental submission.
- The budget direction anticipated stability in the immediate future, but potential shortfalls developing in later years of the forecast.

July-September 2014

- 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 2015-2020 revenue and expenditure forecast.
  - Input from the public on priority of City services and programs.

October-November 2014

- 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 3, 2014.

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, 2016.

C. DEFICIT NET POSITION/NET FUND BALANCE

At December 31, 2016, the Parking Services fund had a deficit in the fund net position of $345,991. 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, 2016, was $850,893, continues to be 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, 2016, Vancouver Downtown Redevelopment Authority (DRA), a component unit of the City, had a deficit in the fund net position of $17,087,245. 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 now for many years. 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.

At December 31, 2016, the Self-Insurance Workers Compensation & Liability had a deficit in the fund net position of $2,202,955. Self-Insurance Workers Compensation & Liability fund accounts for operations of insured and uninsured claims in four areas of risk that include general liability, workers' compensation, unemployment and property. This fund continues to experience expenses that exceed revenues which results in drawing down the net position. This fund first experienced a deficit in 2015 and this deficit increased in 2016. The City is aware of this of trend and has budgeted for rate increases throughout 2017 and 2018. The City expects this funds deficit will decrease over the next few years and will return to a positive net position by 2019.

NOTE III. 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.",* and in accordance with GASB Statement 72, "*Fair Value Measurement and Application"*.

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. Investments in the State and Clark County Investment Pool are classified as cash equivalents on the financial statements. Any changes in fair value of investments are recognized as an increase or decrease to investment assets and income.

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

Notes		
Investments	$	313,656,750
Deposits		6,028,373
Deposits w/fiscal agent, escrow, trust		10,941,678
Total	$	330,626,801
Financial Statements		
Cash and cash equivalents	$	307,196,050
Cash and cash equivalents – component units		213,743
Cash with fiscal agent/trustee – component units		10,941,678
Fiduciary cash		8,239,155
Fiduciary investments		4,036,175
Total	$	330,626,801

1. Deposits

At year-end, the City's carrying amount of deposits was $6,087,881 and bank balance was $9,579,932. 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, 2016. 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 May 31, 2016, the State of Washington Public Deposit Protection Commission Act of 1969 was amended adopting Resolution 2016-1. This resolution was enacted to ease collateral requirements on uninsured public deposits held by Well Capitalized public depositaries. This resolution states that well capitalized public depositories may collateralize uninsured public deposits at no less than fifty percent. Public depositories pledging less than one hundred percent collateral on uninsured public deposits shall have their maximum liability increased to twenty-five percent. As a note, Public depositaries not categorized as Well Capitalized pursuant to the Federal Deposit Insurance Act are required to continue to fully collateralize uninsured public deposits.

2. Investments

The City maintains an Internal Investment Pool. The Pool has an average maturity of approximately twelve months. Some funds are invested for the benefit of the respective fund. Remaining monies are aggregated in a residual account, and invested in the pool for the benefit of all funds. As required by state law, all investments of the City funds are obligations of the U.S. Government, U.S. agency issues, the State Treasurer's Investment Pool, or the Clark County Investment Pool. Regulatory oversight is performed by the CFO, the Treasurer, and the Treasury accountant. At the times when City funds are invested in the State Treasurer's Investment Pool or the Clark County Investment pool, the only limitation on withdrawal is a 24 hour notice for withdrawal of amounts. For the State Treasurer's Investment Pool the notice is required for amounts in excess of $10 million. However the County has no dollar threshold. Because we are a government, at this point, we do not need any other type of regulatory oversight.

As of December 31, 2016, the fair value of the City's investment portfolio was $313,656,749 of which $4,036,175 was invested on behalf of the Firemen's Pension Fund, and $309,620,574 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. The fair value of the investment portfolio is obtained through the City's third-party safekeeping custodian, US Bank Corporate Trust Services, who obtains pricing on Federal Agencies and Corporate Bonds through ICE Intercontinental Exchange Quotes, and uses Standard & Poor's for pricing Municipal Bonds.

The Washington State Investment Pool operates within the parameters outlined in GASB 79, and qualifies to report investments at amortized cost. The City measures and records its other investments using the fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered value hierarchy, as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Securities are valued using observable inputs.
- Level 3: Securities are valued using unobservable inputs.

As of December 31, 2016, the City had the following recurring fair value and amortized cost measurement investments (in thousands):

Investment Type		Level 1	Level 2	Level 3	Amortized Cost	Total Value
County Pool	$	-	530	-	-	530
State Pool		-	-	-	93,988	93,988
Federal Agency Coupon Securities		-	208,853	-	-	208,853
Corporate Bond		-	1,027	-	-	1,027
Zero Coupon Bonds - Federal Agencies		-	4,986	-	-	4,986
Zero Coupon Bonds - Muni Bonds		-	1,992	-	-	1,992
Municipal Bonds		-	2,281	-	-	2,281
Total Fair Value	$	-	219,669	-	93,988	313,657
Portfolio Weighted Average Maturity						

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

Investment Type		Fair Value	Amortized Cost	Total Value	Weighted Average Maturity (Years)	Percent of Portfolio
County Pool	$	530	-	530	0.83	0.2%
State Pool		-	93,988	93,988	0.08	30.0%
Federal Agency Coupon Securities		208,853	-	208,853	1.51	66.6%
Corporate Bond		1,027	-	1,027	0.70	0.3%
Zero Coupon Bonds - Federal Agencies		4,986	-	4,986	0.41	1.6%
Zero Coupon Bonds - Muni Bonds		1,992	-	1,992	0.41	0.6%
Municipal Bonds		2,281	-	2,281	1.10	0.7%
Total Fair Value	$	219,669	93,988	313,657		100.0%
Portfolio Weighted Average Maturity					1.03	

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

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Pool's investment objective is to effectively maximize the yield while maintaining liquidity and a stable share price of $1 per share. The State Pool's portfolio's average maturity was 30 days on December 31, 2016. The State Investment Pool in an unrated fund. The Clark County Investment Pool is an unrated fund and has oversight by the Clark County Finance Committee. The County Pool's average maturity on December 31, 2016 was 302 days however the City can withdraw its balance on a daily basis.

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, 2016, are (in thousands):

Investment Type	Fair Value	Not Rated	Aaa	Aa	A
U.S. Government Agencies	213,838	-	213,838		
Municipal Bonds	4,272	-	-	4,272	-
Corporate Bonds (Pension Fund only)	1,027			518	510
State Pool	93,988	93,988			
Clark County Investment Pool	530	530			
Total	$ 313,657	$ 94,519	$ 213,838	$ 4,790	$ 510

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 2016, the City's portfolio had the following concentration of securities in it: 14% of Federal Home Loan Bank, 12% of Federal National Mortgage Association, 18% of Federal Farm Credit Bank, and 22% 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, 2016, is as follows:

	Beginning Balance 01/01/16	Increases	Decreases	Ending Balance 12/31/16
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 82,172,197	$ 1,702,821	$ 3,811	$ 83,871,207
Intangible - easements	8,126,333	127,679	-	8,254,012
Construction in progress	17,083,846	23,753,211	10,940,803	29,896,254
Total capital assets, not being depreciated	107,382,376	25,583,711	10,944,614	122,021,473
Capital assets, being depreciated/depleted:				
Cemetery land	1,101,047	-	-	1,101,047
Buildings	116,510,131	432,565	140,920	116,801,776
Machinery and equipment	58,137,966	3,667,703	1,630,630	60,175,039
Infrastructure	621,278,464	10,212,517	37,709	631,453,272
Intangible	8,465,378	198,239	330,788	8,332,829
Total capital assets being depreciated/depleted	805,492,986	14,511,024	2,140,047	817,863,963
Less accumulated depreciation for:				
Cemetery land	725,165	978	-	726,143
Buildings	34,426,301	3,522,345	-	37,948,646
Machinery and equipment	42,450,862	4,459,316	1,601,831	45,308,347
Infrastructure	219,139,040	16,032,497	37,709	235,133,828
Intangible	7,528,989	401,943	292,642	7,638,290
Total accumulated depreciation	304,270,357	24,417,079	1,932,182	326,755,254
Total capital assets, being depreciated, net	501,222,629	(9,906,055)	207,865	491,108,709
Governmental activities capital assets, net	$ 608,605,005	$ 15,677,656	$ 11,152,479	$ 613,130,182

	Restated Beginning Balance 01/01/16	Increases	Decreases	Ending Balance 12/31/16
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 33,775,092	$ 128,753	$ -	$ 33,903,845
Intangible - Easements	5,651,804	1,318,086	-	6,969,890
Construction in progress	10,918,100	10,696,104	9,443,595	12,170,609
Total capital assets, not being depreciated	50,344,996	12,142,943	9,443,595	53,044,344
Capital assets, being depreciated:				
Buildings and system	35,351,692	-	34,000	35,317,692
Infrastructure	524,774,421	13,295,106	62,128	538,007,399
Machinery and equipment	25,775,152	324,573	46,684	26,053,041
Intangible	10,073,614	383,298	-	10,456,912
Total capital assets, being depreciated	595,974,879	14,002,977	142,812	609,835,044
Less accumulated depreciation for:				
Buildings and system	20,118,398	1,268,570	34,000	21,352,968
Infrastructure	235,858,435	11,617,065	54,423	247,421,077
Machinery and equipment	23,402,297	717,797	46,683	24,073,411
Intangible	9,528,614	252,817	-	9,781,431
Total accumulated depreciation	288,907,744	13,856,249	135,106	302,628,887
Total capital assets, being depreciated, net	307,067,135	146,728	7,706	307,206,157
Business-type activities capital assets, net	$ 357,412,131	$ 12,289,671	$ 9,451,301	$ 360,250,501

The beginning balances of the Business-type activities were restated due to prior period corrections found during the year ending December 31, 2016, that were more appropriately reflected as expenses in prior years. For more information on prior period adjustments, see Note IV.K. Balances were restated per chart below:

Business-type activities:	As Previously Reported 12/31/15	Prior Period Adjustment	As Restated 1/1/2016
Construction in progress	11,252,961	(334,861)	10,918,100
Infrastructure	528,508,374	(3,733,953)	524,774,421
Less accumulated depreciation Infrastructure	236,271,567	(413,135)	235,858,432
Net capital assets subject to adjustment	$ 303,489,768	$ (3,655,679)	$ 299,834,089

Depreciation expense as of December 31, 2016, was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	$ 968,844
Security of persons & property	2,751,340
Transportation, including depreciation of general infrastructure assets	16,192,065
Physical Environment	12,727
Economic Environment	800,215
Culture and recreation	1,403,040
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets	2,288,848
Total depreciation expense — Governmental Activities	$ 24,417,079
Business-type Activities:	
Water/Sewer	$ 12,503,059
Airpark	226,019
Building Inspection	243,137
Sanitation	10,216
Parking	850,893
Tennis Center	22,925
Total depreciation expense — Business-type Activities	$ 13,856,249

Component Units

A summary of capital asset activity for component units for the year ended December 31, 2016, is as follows:

	Beginning Balance 01/01/16	Increases	Decreases	Ending Balance 12/31/16
Vancouver Downtown Redevelopment Authority				
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 5,320,263	$ 288,946	$ 5,525,080	$ 84,129
Capital assets, being depreciated:				
Buildings and system	$ 46,219,685	$ 5,242,516	$ -	$ 51,462,201
Machinery and equipment	6,807,316	302,697	97,200	7,012,813
Total capital assets, being depreciated	53,027,001	5,545,213	97,200	58,475,014
Less accumulated depreciation for:				
Buildings and system	12,132,667	1,218,504	-	13,351,171
Machinery and equipment	4,235,531	433,255	97,200	4,571,586
Total accumulated depreciation	16,368,198	1,651,759	97,200	17,922,757
Total capital assets, being depreciated, net	36,658,803	3,893,454	-	40,552,257
Business-type activities capital assets, net	$ 41,979,066	$ 4,182,400	$ 5,525,080	$ 40,636,386
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, 2016, for $1,651,759.

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, 2016:

	Due from Other Funds	Due to Other Funds
Governmental Activities		
General Fund	$ 1,395,212	$ 3,495,924
Consolidated Fire Funds	4,512	274
Street Fund	732	32,937
Non-Major Governmental Funds	1,869,179	328,093
Subtotal Governmental Activities	3,269,635	3,857,228
Internal Service Funds	1,663,360	2,254
Governmental Activities	4,932,995	3,859,482
Business Activites		
Water/Sewer	279,610	1,349,501
Parking Services	2,234	865
Non-Major Business Type Activities	-	4,991
Business Activities	281,844	1,355,357
Total Government Wide	$ 5,214,839	$ 5,214,839

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	Insternal Service Funds	Total
General Fund	$ -	$ -	$ -	$ 429,642	$ 8,526	$ 109,214	$ 77,130	$ 624,512
Consolidated Fire	25,891,246	-	-	-	-	-	-	25,891,246
Street Fund	12,763,428	-	-	-	-	124,161	-	12,887,589
Non-Major Govt Funds	21,021,934	536,450	1,008,513	14,390,417	-		25,130	36,982,444
Water/Sewer	-	-	-	-	-	5,966	-	5,966
Parking Services	1,245,540	-	-	-	-	-	-	1,245,540
Enterprise Funds	321,616	-	-	18,333	-	-	-	339,949
Internal Service Funds	3,719,256	-	-	-	-	-	-	3,719,256
Total	$ 64,963,020	$ 536,450	$ 1,008,513	14,838,392	$ 8,526	$ 239,341	$ 102,260	$ 81,696,502

There were no significant transfers made during 2016 that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer. Transfers are used to 1) fund construction and maintenance projects, 2) move certain revenue source to debt service funds for principal and interest payments and 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with laws, regulations or contracts.

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, 2016, the costs for such leases were $1,296,690 and $589,138 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, 2016:

	Governmental Activities	Business-type Activities
2017	$ 195,987	$ 6,000
2018	201,910	6,000
2019	207,736	6,000
2020	213,730	6,000
2021	149,342	3,500
2022-2026	545,035	-
2027-2031	624,214	-
2032-2036	417,252	-
	$ 2,555,206	$ 27,500

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 2017 and 2056.

The following is a schedule of the minimum future rental income required under these leases:

	Governmental Activities	Business Type Activities
2017	$ 1,326,042	$ 285,565
2018	1,099,704	285,565
2019	744,536	156,289
2020	681,220	252
2021	378,399	-
2022-2026	144,288	-
2027-2031	144,288	-
2032-2036	144,283	-
2037-2041	115,458	-
2042-2046	115,458	-
2047-2051	115,458	-
2052-2056	115,458	-
	$ 5,124,592	$ 727,671

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 & Business Type Activites Refunding	$ 39,365	10/23/2002	12/1/2018	2%-5.25%	$ 4,605
2005 LTGO Bond	Governmental Activities & Business Type Activites Refunding	18,090	7/15/2005	12/1/2018	3%-5%	3,525
2008 LTGO Bond	Governmental Activities	14,570	6/30/2008	12/1/2017	3.5%-5%	605
2009 LTGO Bond	Governmental Activities	12,970	6/1/2009	12/1/2018	3.5%-5%	1,220
2010 LTGO Bond	Governmental Activities	13,410	12/1/2010	12/1/2035	2.0%-5.125%	8,920
2011 LTGO Bond	Governmental Activities	10,515	6/1/2011	12/1/2035	2.0%-5.125%	9,015
2012A LTGO Bond	Govermental Activities Refunding	15,945	1/12/2012	12/1/2029	2.0%-3.75%	13,980
2012B&C LTGO Bond	Govermental Activities Refunding and Business Type Activities Refunding	9,515	12/12/2012	12/1/2025	0.61%-2.89%	9,330
2015A LTGO Bond	Governmental Activities	1,297	6/15/2015	12/1/2028	3.64% - 4.7%	1,297
2015B LTGO Bond	Governmental Activities & Refunding	23,100	6/16/2015	12/1/2034	2.0% - 5.0%	22,605
2016 LTGO Bond	Governmental Activities Refunding	7,810	6/22/2016	12/1/2028	2.0% - 4.0%	7,775
Total General Obligation Bonds		$ 166,587				$ 82,877

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
2017	6,868	3,062	9,930	922	269	1,191
2018	7,060	2,757	9,817	966	222	1,188
2019	5,630	2,442	8,072	945	173	1,118
2020	5,020	2,268	7,288	960	156	1,116
2021	4,675	2,126	6,801	985	135	1,120
2022-2026	25,137	7,698	32,835	4,175	292	4,467
2027-2031	13,330	3,115	16,445	-	-	-
2032-2035	6,205	717	6,922	-	-	-
	$ 73,924	$ 24,185	$ 98,109	$ 8,953	$ 1,248	$ 10,201

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, 2016, the remaining non-voted and voted remaining capacity for indebtedness was $258,665,198 and $186,427,045, 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%	$ 1,165
Section 108 HUD Loan	Governmental-Type Activities	5,419	7/7/2010	8/1/2029	0.28%-3.70%	$ 3,200
Dept of Ecology Revolving Fund	Business-Type Activites	381	1/11/2010	12/31/2017	1.5%	$ 87
		$ 8,000				$ 4,452

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
2017	336	87	424	87	1	88
2018	336	85	421	-	-	-
2019	341	81	423	-	-	-
2020	346	76	423	-	-	-
2021	351	71	423	-	-	-
2022-2026	1,822	255	2,077	-	-	-
2027-2029	830	55	885			
	$ 4,365	$ 710	$ 5,075	$ 87	$ 1	$ 88

At December 31, 2016, the City had $0 available in the G.O. 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 (in thousands) is as follows:

Name of Issuance	Original Debt		Issuance Date	Maturity Date	Interest Rate	Debt Outstanding	
LID 545 Assessment Bond	$	312	9/23/2014	9/23/2036	3.45%	$	110
Total Assessment Debt	$	312				$	110

The amount of delinquent receivables at December 31, 2016, was $3,269.

Special assessment bonds are serial bonds and are called yearly based on assessments received. The City is recording a $40,000 current portion on the Special Assessment (LID) debt in 2017 out of financial due diligence. The City is not required to call these bonds in 2017; however, has the authority to call these bonds annually if deemed financially prudent to do so. Annual debt service requirements to maturity for special assessment bonds are (in thousands) as follows:

	Governmental Activities		
	Principal	Interest	Total Requirements
2017	-	5	5
2018	-	5	5
2019	-	5	5
2020	-	5	5
2021	-	5	5
2022-2026	-	25	25
2027-2031	-	25	25
2032-2036	110	25	135
Total	$ 110	$ 99	$ 209

The Local Improvement District Debt Service Fund and the Local Improvement District Guaranty Debt Service Fund have $22,159 and $32,979, 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 $30,000 or more during the fiscal year ending December 31, 2017, as funds become available.

The LID bonds are secured by a pledge of the Assessments levied by the City against the benefited properties within LID 545. In addition, the Bonds and any other local improvement bonds heretofore or hereafter issued by the City are secured by funds on deposit in the Guaranty Fund. As of December 31, 2016, the cash balance in the LID Guaranty Fund is $32,979.

The Bonds are not obligations of the State of Washington or any other municipal corporation other than the City and are payable solely from the sources specified in the Bond Ordinance. Neither the full faith and credit nor the taxing power of the City are pledged to the payment of the Bonds. The Bonds are not general obligations of the City. Neither the holder nor the owner of any Bond or warrant issued against the Guaranty Fund shall have any claim therefor against the City, except for payment from the Assessments and except also for payment from the Guaranty Fund. The City shall not be liable to the holder or owner of any Bond or warrant for any loss to the Guaranty Fund occurring in the lawful operation thereof.

Payment of the principal and interest on the Bonds is, in the first instance, dependent on the ability of property owners within LID 545 to pay the Assessments levied on their properties. The City does not and cannot make any representations as to the ability of the current or subsequent property owners in LID 545 to pay their Assessments. Bondholders' remedies against the City are confined to mandating City officials to perform their statutory duties in enforcing the Assessments and applying the proceeds thereof and, if necessary, any money on deposit in the Guaranty Fund to the payment of the principal of and interest on the Bonds.

Revenue Bonds

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

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

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%	11,980
2005 Water Sewer Refunding	42,520	4/4/2005	6/1/2018	3%-5.5%	9,320
Total Revenue Bonds	$ 68,770				$ 21,300

Business Type Activities:

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

	Principal	Interest	Total Requirements
2017	6,720	932	7,652
2018	7,090	564	7,654
2019	3,650	283	3,933
2020	3,840	96	3,936
	$ 21,300	$ 1,875	$ 23,175

The reserve and redemption accounts of the Water/Sewer enterprise funds have $3,144,388 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 3.53 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 2016, the City issued $7,810,000 of LTGO & Refunding bonds, which provided resources to purchase United States Treasury Securities – State and Local Government Series (SLGS) that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on $7,860,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by $833,752 in nominal savings, or resulted in an economic gain of $752,134 in present value savings, or 9.57%. The refunding bond issue defeased $7,860,000 of the 2009 LTGO bond issue. Total payments to the trustee for this refunding were $8,683,733 which includes deferred amounts on refunding and the premium of the refunded bond.

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, 2016, the recorded liability for compensated absences amounted to $10,667,132 with $8,465,230 recorded in governmental activities and $2,201,902 recorded in business-type activities. City employees receive personal time off (PTO), vacation and sick leave time at rates established by City policy 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 36 days depending upon tenure and union agreements. Accumulated PTO and vacation carryover between years is limited, generally, 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 payoff 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, 2016, the amount of credits that may be applied against future impact fees is $18,488,771. 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:

Governmental activities	Beginning Balance 1/1/16	Additions	Reductions	Ending Balance 12/31/16	Due Within One Year
Bonds payable:					
General obligation bonds	$ 81,538,286	$ 7,810,000	$ 15,424,040	$ 73,924,246	$ 6,868,210
Issuance premiums	5,376,669	990,662	981,783	5,385,548	590,422
Issuance discounts	(27,755)	-	(1,467)	(26,288)	(1,467)
Total GO bonds payable	86,887,200	8,800,662	16,404,356	79,283,506	7,457,165
Special assessment debt w ith governmental commitment	170,000	-	60,000	110,000	40,000
Government loans	4,700,176	-	335,472	4,364,704	336,471
Claims and judgements	5,169,177	3,264,854	2,970,031	5,464,000	1,622,725
Net OPEB Obligation	8,645,111	2,683,973	1,427,382	9,901,702	-
Net Pension Liability	19,091,441	4,601,889	102,199	23,591,131	-
Compensated absences	8,303,544	7,634,876	7,473,190	8,465,230	7,618,708
Impact Fee Credit	17,010,200	2,669,249	1,190,678	18,488,771	1,786,339
Governmental activity long term liabilities	$ 149,976,849	$ 29,655,503	$ 29,963,308	$ 149,669,045	$ 18,861,408
Business-type activities					
Bonds payable					
General obligation bonds	$ 10,133,214	$ -	$ 1,180,960	$ 8,952,254	$ 921,790
Revenue bonds	31,345,000	-	10,045,000	21,300,000	6,720,000
Issuance premiums (discounts)	1,417,758	-	516,884	900,874	520,811
Total bonds payable	42,895,972	-	11,742,844	31,153,128	8,162,601
Government loans	173,419	-	86,059	87,360	87,360
Environmental remediation	420,000	21,000	21,000	420,000	21,000
Net Pension Liability	13,150,390	3,075,654	-	16,226,044	-
Compensated absences	2,219,671	1,979,935	1,997,704	2,201,902	1,981,712
Business-type activity long term liabilities	$ 58,859,452	$ 5,076,589	$ 13,847,607	$ 50,088,434	$ 10,252,674

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 $1,008,402 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 to respect to such calendar year listed in Note V.B.1. The continent 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 (in thousands):

Name of Issuance	Original Debt	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%	$ 41,015
2013 DRA Conference Center Project Sales & Lodging Tax Refunding Revenue Bonds	18,045	6/27/2013	1/1/2034	4.05%	17,315
Total Revenue Bonds	$ 59,230				$ 58,330

In order to make the 2013 refunding economically viable, ACA Financial Guaranty Corporation (original insurer of the 2003A Bonds) contributed $4,000,000 to the Authority, $1,430,555 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 January 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
2017	$ 290,000	$ 1,787,813	$ 2,077,813	$ 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	1,761,563	2,501,563	945,000	685,225	1,630,225
2020	895,000	1,737,038	2,632,038	1,035,000	635,725	1,670,725
2021	920,000	1,700,613	2,620,613	1,130,000	581,600	1,711,600
2022-2026	5,345,000	7,746,188	13,091,188	7,265,000	1,982,600	9,247,600
2027-2031	6,750,000	6,343,438	13,093,438	3,690,000	712,775	4,402,775
2032-2036	8,250,000	4,807,650	13,057,650	1,595,000	118,900	1,713,900
2037-2041	10,185,000	2,821,531	13,006,531	-	-	-
2042-2044	7,280,000	501,075	7,781,075	-	-	-
	$ 41,015,000	$ 30,984,972	$ 71,999,972	$ 17,315,000	$ 6,210,950	$ 23,525,950

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
2017	$ -	$ -	$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	204,660	191,185	395,845
2037-2041	611,032	697,538	1,308,570
2042-2044	614,863	803,883	1,418,746
	$ 1,430,555	$ 1,692,607	$ 3,123,161

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 1/1/16	Additions	Reductions	Ending Balance 12/31/16	Due Within One Year
Bonds payable:					
Revenue bonds	$ 59,230	$ -	$ 900	$ 58,330	$ 1,085
Premiums (discounts)	536	-	28	508	28
Due to other governments	7,408	1,531	1,169	7,770	161
Total bonds payable	67,174	1,531	2,097	66,608	1,274
Other long-term loans and notes	1,431	-	-	1,431	-
Subordinate management fee (see note IV.B.3 for more detail)	808	-	108	700	108
Component units long term liabilities	$ 69,413	$ 1,531	$ 2,205	$ 68,739	$ 1,382

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 are described in note I.D.12

Fund balances by classification for the year ended December 31, 2016, are as follows:

Fund Balance Classifications:	General Fund	Consolidated Fire Fund	Street Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable					
Inventory/Prepaid	$ -	$ -	$ -	$ 7,593	$ 7,593
Capital assets held for resale	228,400	-	-	-	228,400
	228,400	-	-	7,593	235,993
Restricted					
Federal Grants	76,535	-	-	5,131,388	5,207,923
Capital purposes	-	-	-	23,742,601	23,742,601
Economic development	-	-	-	4,165,315	4,165,315
Fire Services	-	15,053,188	-	2,135,001	17,188,189
Debt Service	-	-	-	69,268	69,268
Culture and recreation	-	-	-	36,717	36,717
	76,535	15,053,188	-	35,280,290	50,410,013
Committed					
Capital purposes	6,156,872	-	-	7,465,436	13,622,308
Emergency reserves	10,993,647	-	-	-	10,993,647
Revenue Stabilization	3,699,924	-	-	-	3,699,924
Economic development	-	-	-	1,139,494	1,139,494
Cemetary	-	-	-	437,229	437,229
Street-oriented maintenance and construction	-	-	11,317,128	-	11,317,128
	20,850,443	-	11,317,128	9,042,159	41,209,730
Assigned					
Working capital	30,410,333	-	-	-	30,410,333
Debt Service	-	-	-	2,369,748	2,369,748
Capital purposes	-	-	-	28,322,853	28,322,853
Economic development	111	-	-	83,972	84,083
Security	122,229	-	-		122,229
Compensated absences	3,728,415	-	-	-	3,728,415
	34,261,088	-	-	30,776,573	65,037,661
Unassigned	9,810,728	-	-	-	9,810,728
Total	$ 65,227,194	$ 15,053,188	$ 11,317,128	$ 75,106,615	$ 166,704,125

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.

The Emergency Reserve is specifically to be used for 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.).

Revenue Stabilization funds are specifically used to provide funding to temporarily offset unexpected external mandates and reductions in state shared revenues to ensure the City has adequate time to restructure its operations in a deliberate manner to ensure continuance of critical city activities.

NOTE IV. 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 2016, the City has recognized $1,159,068 in expenditures of 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, 2016. 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 $153,666,421.

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 III.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.

During 2016, 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, 2016, $107,813 had been forgiven. The outstanding obligation recorded on the Statement of Net Position as of December 31, 2016, is $700,784.

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, 2016, 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 and reports an asset for investment in joint ventures on the Government-Wide Statement of Net Position of $10,767,734 in 2016. Given the timing of available information, the City is reporting its investment in the joint venture at the 2015 values. In 2015, the Agency had an increase in net position totaling $11,522,636. The City's share of 2015 operations was a gain of $4,609,054. 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, 2016, the City made subrecipient grant payments to the Council totaling $42,979. 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. Beginning in 2015, the City also became self-insured for certain employees' healthcare coverage. The City provides insurance coverage deemed as adequate and appropriate. In the case of City self-insurance activity, non-incremental claims adjustment expenses are not included as a part of the accrued claims liabilities in the financial statements.

General liability and Property

The self-insurance cost for liability claims and claims administration through December 31, 2016, is $1,403,180 with 100 new claims filed for 2016. The fund pays the majority of claims involving general liability, but has other liability coverage through specific policies. Currently, specific policies include airpark 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 $347,756. The excess policy provides $1,000,000 for self-insured retention. The City also purchases liability on specific vehicles up to $1,000,000 at an annual cost of $12,227 and inland marine coverage for the equipment fleet at an annual cost of $44,615. The deductible for fleet physical damage is 5% subject to $10,000 minimum.

Property claim costs in 2016 were $136,607, with 38 new first party property and vehicle claims reported in 2016. 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 $384,435 for all City buildings and contents. Policy coverage for property damage is up to $400 million with adjustable deductibles based on specific event types. This represents replacement cost for City buildings and contents.

Worker's compensation

The cost for Workers' Compensation claims and claims administration was $1,430,244 in 2016, with 90 new claims processed. Reportable claims costs for 2016 are $612,160 with 51 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 $91,212. The policy has a $1,000,000 deductible.

Contributions and reserves

City fund contributions to the Self-Insurance Fund are determined using information from the contributing funds past claims experience and loss exposures. The claims liability reported in the fund totaled $5,464,000 at December 31, 2016.

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 February 15, 2017. These are actuarial estimated amounts reflecting expected losses; actual losses may vary slightly. Changes in the fund's claims liability amount in 2016, 2015, and 2014 are as follows:

Year	Beginning of Fiscal Year Liability	Current Year Claims	Change in Estimates for Claims of Prior Periods	Claim Payments	Balance at Fiscal Year End
2016	$ 5,169,177	$ 3,044,854	$ 220,000	$ 2,970,031	$ 5,464,000
2015	4,323,000	2,206,934	946,000	2,306,757	5,169,177
2014	3,153,529	2,970,529	1,230,000	3,031,058	4,323,000

Employee healthcare

Beginning January 2015, the City established an internal service fund for the purpose of self-insuring employee medical costs. The City pays claims and expenses for employees choosing this plan and contracts with a third party administrator to process claims. The plan carries reinsurance coverage with a $150,000 individual stop loss, and an aggregate stop loss of 125% of claims. Since the fund is recently established, no settlements have exceeded coverage to date. Any outstanding claims liabilities existing at the end of the fiscal year were deemed immaterial and were not booked in the financial statements.

The City is obligated to establish a 16 week contingency reserve of $1,947,932 for this internal service fund. As of December 31, 2016, fund balance for the self-insured health insurance fund is $5,021,503 after two years of operation. The City is confident the reserve is adequate.

E. PROPERTY TAXES

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

Property Tax Calendar

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

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

- The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or $10 per $1,000 of value, except for port districts and public utility districts. Within the one percent limitation, RCW 84.52.043(2) imposes an aggregate limitation on regular levies by all taxing districts, other than the State, of $5.90/$1,000 of assessed value, except for levies for any port or public utility district; excess levies authorized in Article VII, Section 2 of the State Constitution; and certain levies for acquiring conservation futures, for emergency medical services or care, and to finance affordable housing.

- The regular property tax increase limitation (chapter 84.55 RCW), as amended most recently by Initiative No. 747 (which was passed by voters in 2001), limits the total dollar amount of regular property taxes levied by an individual local taxing district such as the City to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, annexations, improvements and State-assessed property at the previous year's rate. The limit factor is the lesser of 101 percent of the highest levy in the three previous years (excluding new construction, improvements, and State-assessed property) or 100 percent plus inflation, unless a greater amount is approved by a simple majority of the voters. With a supermajority vote of the Council, the limit factor is a flat 101 percent. On November 8, 2007, the Washington Supreme Court ruled Initiative 747 unconstitutional. On November 29, 2007, the Legislature approved a bill reinstating the 101 percent property tax limit factor approved by the voters under Initiative 747.

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

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

For 2016, the City's regular tax levy was $2.6666 per $1,000 on a total taxable 2016 assessed valuation of $16,823,220,855 for a total regular levy of $44,861,498.

Outstanding property taxes at December 31, 2016 amount to $784,011. 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.

In November 2016, voters approved an Affordable Housing Levy which authorized $6,000,000 in property taxes to be levied and collected annually beginning in 2017 for a total of seven years. This revenue will be deposited in a separate special revenue fund, specifically for programs associated with this levy.

F. TAX ABATEMENT

The City enters into property tax abatement agreements with local businesses under the Multifamily Tax Exemption Program, which is authorized under Washington State RCW 84.14 and codified in Chapter 3.22 of the Vancouver Municipal code. Under the RCW, the City may grant property tax abatements of up to an approved period of eight, ten or twelve years for the approved value of newly constructed or rehabbed residential units. The purpose of this tax exempt program is to increase residential opportunities, including affordable housing, in designated urban centers.
Tax abatement eligibility is as follows:

- An eight year exemption is available for market-rate projects with an approved development agreement.
- Three tax exemption options are available for housing projects with an affordability component:
    - 8-year exemption for projects with 20% of units affordable to households earning up to 100% of area median income (AMI).
    - 10-year exemption for projects with 20% of units affordable to households earning up to 80% AMI.
    - 12-year exemption for projects with 20% of units affordable to households earning up to 60% AMI.

In addition to the above requirements, households in income-restricted units must pay no more than 30% of their income for rent and utilities.

For projects approved under this program, the owner has three years from the agreement being approved by council to obtain an occupancy permit. A Certificate of Tax Exemption is obtained by the property owner, which details the total exemption. The duration of the tax exemption is measured beginning January 1 of the year immediately following the calendar year after issuance of the Final Certificate of Tax Exemption. The new residential improvements are not added to the tax rolls until the exemption expires. However, land and other non-residential improvements are subject to property taxes.

All approved tax exemption projects are reviewed annually to ensure compliance with the program. If it is determined that the property owner is not complying with the terms of the agreement, the tax exemption will be canceled. This can occur in conjunction with the annual review or at any other time when the non-compliance has been determined. Additionally, owners of tax exemption projects are required to submit annual information to the City.

As of December 31, 2016, thirteen agreements under this program have been approved by Council. The majority of these projects are in the pre-construction or construction phase. During 2016, the City issued two exemption certificates, for which abatement will begin January 1, 2017. For the fiscal year ended December 31, 2016, one project was in the abatement period for which the City abated property taxes totaling $56,000.

G. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016:

Aggregate Pension Amounts - All Plans		
Pension Liabilities	$	39,817,175
Pension Assets		12,420,585
Deferred outflows of resources		13,043,285
Deferred inflows of resources		1,057,234
Pension expense / expenditures		8,448,477

State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available 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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1

Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	0.00%
Administrative Fee	0.18%	0.00%
Total	**11.18%**	**6.00%**

* For employees participating in JBM, the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3

Actual Contribution Rates:	Employer 2/3	Employee 2*
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	0.00%
Administrative Fee	0.18%	0.00%
Employee PERS Plan 3	0.00%	varies
Total	**11.18%**	**6.12%**

* For employees participating in JBM, the contribution rate was 15.30%.
The City's actual PERS plan contributions were $2,002,066 to PERS Plan 1 and $2,583,884 to PERS Plan 2/3 for the year ended December 31, 2016.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2016. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

LEOFF Plan 2

Actual Contribution Rates:	**Employer**	**Employee**
State and Local Governments	5.05%	8.41%
Administrative Fee	0.18%	0.00%
Total	**5.23%**	**8.41%**
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	0.00%
Total	**8.59%**	**8.41%**

The City's actual contributions to the plan were $2,134,670 for the year ended December 31, 2016.

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 the state fiscal year ending June 30, 2016, the state contributed $60,375,158 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is $1,336,283.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.
There were minor changes in methods and assumptions since the last valuation.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
	100%	

Sensitivity of Net Pension Liability

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Current Rate 7.5%	1% Increase 8.5%
PERS 1	$ 21,807,664	$ 18,084,148	$ 14,879,834
PERS 2/3	39,330,286	21,361,458	(11,119,872)
LEOFF 1	(1,490,018)	(2,511,642)	(3,383,193)
LEOFF 2	21,853,278	(7,792,842)	(30,137,408)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a total pension liability of $39,445,606 for its proportionate share of the net pension liabilities and $10,304,483 for its share of net pension assets as follows:

Plan	Liability or Asset
PERS 1	$ 18,084,148
PERS 2/3	21,361,458
LEOFF 1	(2,511,642)
LEOFF 2	(7,792,841)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
LEOFF - Employer's proportionate share	$ (2,511,642)	$ (7,792,842)
LEOFF - State's proportionate share of the net pension associated with the employer	(16,988,681)	(5,080,366)
TOTAL	**$ (19,500,323)**	**$ (12,873,208)**

At June 30, 2016, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportionate
PERS 1	0.32501%	0.336730%	0.01172%
PERS 2/3	0.41329%	0.424270%	0.01098%
LEOFF 1	0.24661%	0.243780%	-0.00283%
LEOFF 2	0.12977%	1.339820%	1.21006%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the City recognized pension expense as follows:

Pension Expense		
PERS 1	$	1,574,265
PERS 2/3		3,261,235
LEOFF 1		(296,526)
LEOFF 2		2,558,026
TOTAL	$	7,097,001

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ 455,330	$ -
Contributions subsequent to the measurement date	1,138,331	-
TOTAL	**$ 1,593,661**	**$ -**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,137,483	$ (705,177)
Net difference between projected and actual investment earnings on pension plan investments	2,614,026	
Changes of assumptions	220,788	
Changes in proportion and differences between contributions and proportionate share of contributions	497,428	
Contributions subsequent to the measurement date	1,312,903	
TOTAL	**$ 5,782,628**	**$ (705,177)**

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between projected and actual investment earnings on pension plan investments	$ 255,305	$ -
TOTAL	**$ 255,305**	**$ -**

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,067,830	$ -
Net Difference between projected and actual investment earnings on pension plan investments	2,800,261	-
Changes of assumptions	29,382	(352,058)
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,069,700	
TOTAL	**$ 4,967,173**	**$ (352,058)**

Deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:		PERS 1		PERS 2/3		LEOFF 1		LEOFF 2
2017	$	(112,112)	$	185,936	$	(52,759)	$	(111,001)
2018		(112,112)		185,936		(52,759)		(111,001)
2019		418,172		2,132,137		221,112		2,240,879
2020		261,382		1,260,540		139,711		1,520,092
2021		-		-		-		6,465
Thereafter		-		-		-		-

3. POLICE OFFICERS AND FIREFIGHTERS' PENSION FUNDS

Plan Description

Plan administration. The City administers the Fire and Police Pension Funds single-employer defined benefit pension plans. 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.

The Policemen's Pension Board is composed of seven members as follows: The mayor or his designate; the mayor pro-tem; the city clerk who acts as secretary; the city treasurer; and three police members who may be either active or retired city employees.

The Firemen's Pension Board is composed of five members as follows: The mayor or his designate; the city clerk who acts as secretary; the city treasurer; and two fire members who may be either active or retired city employees.

The financial activity of the Police and Fire Pension Trust Funds are presented in the Statement of Net Position – Fiduciary Funds, and the Statement of Changes in Net Position – Fiduciary Funds. No separate stand-alone financial reports are issued for the plans.

Plan membership. At December 31, 2016, pension plan membership consisted of only inactive plan members or beneficiaries currently receiving benefits. Of the 84 members, 39 are fire members and 45 are police members.

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.
- The benefits are directly correlated to the salaries of active employees. Cost of Living Adjustments (COLAs) provided at the state level do not impact the total pension benefits provided to the members. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the City's Plan. There were no changes in benefit provisions in the current year.

Contributions
Firemen Plan contributions are required by RCW 41.18, while Policemen Plan contributions are required by RCW 41.20. These Plans are closely tied to the LEOFF plan contributions. Any increases to the LEOFF plans decreases the contributions required by the City's Police and Firemen Pension Plan. Any decreases to the LEOFF plan increase the contributions required by the Plans. Retirement benefit provisions are established in state statute and may only be amended by the State Legislature. Amendments to each of the Plans are authorized by the separate Police and Fire Pension Boards.
Funding for the Police Pension Fund comes from annual transfers from the General Fund that are budgeted and approved by the City 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 $.225 per $1,000 of assessed valuation.

Contributions are determined on a pay-as-you-go basis. Milliman Consultants and Actuaries completed actuarial studies of the two funds as of December 31, 2016; however, no actuarially determined contributions are provided. The General Fund is responsible for the costs of administering the plans, however the valuations assume this is coming from plan assets. If assets are depleted, the General Fund responsible for the costs. There have been no required employee contributions to the plans since March 1, 1970. For the year ended December 31, 2016, contributions made by the general fund to the Police and Fire Pension Funds were $1,080,000 and $1,755,996, respectively. These contributions came from the General Fund.

The state contributes 25% of taxes on fire insurance premiums to the Fire Pension Fund and is considered a non-employer contributing entity. The amount contributed in 2016 to the Fire Pension Fund was $182,745.

As of December 31, 2016, the Police Pension Funds and the Firefighters Pension Fund reported net position reserved for payment of future claims of $2,175,786 and $9,032,693, respectively.

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council. It is the policy of the City Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans City Council reviews the investment policy as part of the financial policies adopted as part of the biennial budget process.

As of December 31, 2016, the Firefighters Pension fund had an investment portfolio with fair value of $4,036,175, which was invested in Corporate Bonds, 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 $4,952,992. Investments in the City's internal investment pool are invested in the Washington State Treasurer Local Government Investment Pool (LGIP), which operates within the parameters outlined in GASB 79, and qualifies to report investments at amortized cost. The State Investment Pool's investment objective is to effectively maximize the yield while maintaining liquidity and a stable share price of $1. The State Pool's portfolio's average maturity was 29 days on December 31, 2016. The State Investment Pool in an unrated fund. The City's internal investment pool also invests in the Clark County Local Government Investment Pool, which is unrated, and in US Agencies and Municipal Bonds. All investments are valued at fair value. The average maturity of the City's Internal Investment Pool is ten months. The fair value of the investment portfolio is obtained using the market approach. Pricing is obtained through the City's third-party safekeeping custodian, US Bank Corporate Trust Services, who obtains pricing on Federal Agencies and Corporate Bonds through IDC Institutional Bond Quotes, and uses Standard & Poor's for pricing Municipal Bonds. Investments are reported at fair value or amortized costs as described above.

The Police Pension fund reported no investments at December 31, 2016, but did have $2,145,856 invested in the City's internal investment pool.

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.

Rate of return. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows:

Year ending December 31, 2016	Net Money-Weighted Rate of Return
Fire Pension Trust Fund	0.70%
Police Pension Trust Fund	0.00%

Net Pension Liability

The components of the net pension liability of the City at December 31, 2016, were as follows:

	Fire	Police
Total pension liability	$ 6,916,589	$ 2,547,355
Plan fiduciary net position	9,032,693	2,175,786
Net pension liability (asset)	$ (2,116,104)	$ 371,569
Fiduciary net position as a % of total pension liability	130.59%	85.41%
Covered payroll	0	0
Net pension liability as a % of covered payroll	N/A	N/A

Changes in net pension liability for each plan is as follows:

FIRE PENSION TRUST FUND

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances as of December 31, 2015	$ 7,564,968	$ 8,493,694	$ (928,726)
Changes for the year:			
Interest on total pension liability	255,024	-	255,024
Effect of economic/demographic gains or losses	(185,285)	-	(185,285)
Effect of assumptions, changes or inputs	(156,126)	-	(156,126)
Benefit payments	(561,992)	(561,992)	-
Medical payments from fund	-	(815,092)	815,092
Employer contributions	-	1,755,996	(1,755,996)
Contributions from state fire insurance premium tax	-	182,745	(182,745)
Net investment income	-	46,033	(46,033)
Administrative expenses	-	(68,691)	68,691
Balance as of December 31, 2016	$ 6,916,589	$ 9,032,693	$ (2,116,104)

POLICE PENSION TRUST FUND

	Increase (Decrease)		
Changes in Net Pension Liability (Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of December 31, 2015	$ 2,502,613	$ 2,028,845	$ 473,768
Changes for the year:			
Service Cost	-	-	-
Interest on total pension liability	82,641	-	82,641
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	296,429	-	296,429
Effect of assumptions, changes or inputs	(49,025)	-	(49,025)
Benefit payments	(285,303)	(285,303)	-
Medical payments from fund	-	(612,291)	612,291
Employer contributions	-	1,080,000	(1,080,000)
Police auction income	-	11,394	(11,394)
Net investment income	-	19	(19)
Administrative expenses	-	(46,878)	46,878
Balance as of December 31, 2016	$ 2,547,355	$ 2,175,786	$ 371,569

Actuarial assumptions. The total pension liability for each plan was determined by an actuarial valuation as of January 1, 2017, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There were no significant changes during this period. The following actuarial assumptions were applied to all periods included in the measurement:

Discount rate	3.75%
Long-term expected rate of return, net of investment expense	3.75%
Municipal bond rate	3.75%
Inflation	2.25%
Salary increases	3.25%
Actuarial cost method	Entry Age Normal

Mortality rates were based on the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members). The best-estimate range for the long-term expected rate of return is determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2017 are summarized in the following table:

Asset Class	Index	Long-term Expected Rate of Real Return
Cash	Citigroup 90-day T-bills	0.50%
Short-term bonds	Barclays 1-3 Year Gov/Cred	1.41%
Long-term bonds	Barclays Long Gov/Cred	2.97%
Assumed inflation - Mean		2.25%
Long-term expected rate of return		**3.75%**

The Police and Fire Pension plans are separately invested, but assume the same expected rate of real return.

Discount rate. GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the Plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values.

The assumption of 3.75% as of December 31, 2016 is an appropriate long-term expected rate of return on investments such as those in the City's trust. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years is 3.78% as of December 31, 2016. Rounding this to the nearest 1/4% results in a discount rate of 3.75%. Using 3.75% for both the long-term expected rate of return and the bond index will mean that 3.75% could be used as the single discount rate. This will need to be re-evaluated as of later valuation dates. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month.

The discount rate as of December 31, 2015 was 3.50%. The discount rate at December 31, 2016 represents a 0.25% increase in rate.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 3.50 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 2.75%	Current rate 3.75%	1% Increase 4.75%
Fire	(1,469,194)	(2,116,104)	(2,700,727)
Police	578,857	371,569	191,684

Pension Expense

Pension expense recognized related to the City's own pension trust funds for the year ended December 31, 2016, was as follows:

Plan	Pension expense
Fire Pension Trust Fund	408,226
Police Pension Trust Fund	943,250
Total	$ 1,351,476

Deferred Outflows of Resources

At December 31, 2016, the City reported deferred outflows of resources related to pension trust funds from the following sources:

Source of Deferred Outflows of Resources	Fire Pension Trust Fund	Police Pension Trust Fund
Net difference between projected and actual investment earnings on pension plan investments	$ 347,169	$ 97,331

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Fire Pension Trust Fund	Police Pension Trust Fund
2017	$99,407	$27,575
2018	99,407	27,575
2019	99,409	27,577
2020	48,946	14,604
2021	-	-
Thereafter	-	-

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 position for the police and fire pension plans are disclosed below:

CITY OF VANCOUVER
COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS
December 31, 2016

	Police Pension	Fire Pension
ASSETS		
Cash and cash equivalents	$ 2,145,856	$ 4,952,992
Investments (at fair value)		
Municipal Bonds	-	3,008,680
Corporate Bond	-	1,027,495
Receivables (net):		
Accounts	637	-
Interest	-	14,071
Prepaid expenses	30,000	30,000
TOTAL ASSETS	$ 2,176,493	$ 9,033,238
LIABILITIES		
Accounts and accrued employee payables	$ 707	$ 545
TOTAL LIABILITIES	707	545
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	$ 2,175,786	$ 9,032,693

CITY OF VANCOUVER
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For the Year Ended December 31, 2016

	Police Pension	Fire Pension
ADDITIONS:		
Employer Contributions		
For pension benefits	$ 467,709	$ 940,904
For healthcare benefits	612,291	815,092
Other Sources	11,394	182,745
Total Contributions	1,091,394	1,938,741
Investment Income		
Interest earnings	19	46,033
Total Investment Income	19	46,033
Total Additions	1,091,413	1,984,774
DEDUCTIONS:		
Pension benefits	285,303	561,992
Healthcare premium subsidies	612,291	815,092
Administrative expense	46,878	68,691
Total Deductions	944,472	1,445,775
Change in net position	146,941	538,999
NET POSITION HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	2,028,845	8,493,694
END OF YEAR	$ 2,175,786	$ 9,032,693

H. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description:

In addition to the pension benefits described in Note IV.G.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, 83 retirees (38 Police and 45 Fire) 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, 2016.

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 2016 were $1,427,382.

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	$ 1,133,672	$ 1,816,017
Interest on net OPEB obligation	119,460	183,118
Adjustment to annual required contribution	(224,367)	(343,927)
Annual OPEB cost	1,028,765	1,655,208
Contributions made	(612,291)	(815,091)
Increase in net OPEB obligation	416,474	840,117
Net OPEB obligation - beginning of year	3,413,156	5,231,955
Net OPEB obligation - end of year	$ 3,829,630	$ 6,072,072

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years for each were as follows:

Police	December 31, 2016	$ 1,028,765	60%	$ 3,829,630
	December 31, 2015	1,052,290	45%	3,413,156
	December 31, 2014	1,028,116	57%	2,835,368
Fire	December 31, 2016	$ 1,655,208	49%	$ 6,072,072
	December 31, 2015	1,690,363	49%	5,231,955
	December 31, 2014	1,683,680	54%	4,377,822

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, 2015	$ -	$ 17,195	$ 17,195	0%	N/A	N/A
January 1, 2013	-	17,048	17,048	0%	N/A	N/A
January 1, 2011	-	17,272	17,272	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, 2015	$ -	$ 27,544	$ 27,544	0%	N/A	N/A
January 1, 2013	-	27,794	27,794	0%	N/A	N/A
January 1, 2011	-	26,545	26,545	0%	N/A	N/A

Actuarial Methods and Assumptions:

The actuarial assumptions used in the January 1, 2015, 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, 2015 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 15 years, and a long-term care inflation rate of 3.25% 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, 2016 is twenty 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, 2015, 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 in increasing or decreasing over time relative to the actuarial accrued liability for benefits.

I. 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.

J. SPECIAL AND EXTRAORDINARY ITEMS

COMPONENT UNIT:

Special item: Forgiveness of Debt

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, 2016, $107,813 had been forgiven. The outstanding obligation recorded on the Statement of Net Position as of December 31, 2016, is $700,784. Additional details on this ongoing arrangement can be found above in Note IV. B. Related Party Commitments. Section 3. Commitment to Hilton Hotel, with respect to the Subordinate and Supersubordinate Management Fees.

Extraordinary item: Bankruptcy settlement

On January 2, 2009, Lehman Brothers Special Finance Inc. failed to tender for sale to the Downtown Redevelopment Authority the Qualified Securities pursuant to the terms of the Forward Purchase Agreement (FPA), and did not correct the issue in the Cure Period. Based on this, the Authority reinvested the investment balance held with the Trustee for 6-months in qualified investments, which matured on July 1, 2009, and was reinvested thereafter with maturities to coincide with the semi-annual interest and principal payments. The rate of return on the reinvestment was substantially below the 5.05%. The Authority pursued a claim with the Bankruptcy Court against Lehman Brothers Inc., and Lehman Brothers Special Finance Inc. for the difference between the fixed rate of 5.05% and the rate that a new Forward Purchase Agreement will generate. During 2016, the Authority received a distribution in the amount of $32,331 as a result of the bankruptcy claim. If the Lehman bankruptcy estate receives additional funds, more distributions are possible.

K. PRIOR PERIOD ADJUSTMENTS/ RESTATEMENTS

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

Government-Wide : Governmental Funds

	General Fund	Total
Recording of revenue related to utility taxes due but not accrued in prior year	$ 1,061,295	$ 1,061,295
	$ 1,061,295	$ 1,061,295

Government-Wide : Business Type Activities

	Water Sewer Fund	Total
Recording of expenses related to utility taxes due but not accrued in prior year	$ (1,061,295)	(1,061,295)
Capital assets determined to not be owned by the fund	(3,655,679)	(3,655,679)
	$ (4,716,974)	$ (4,716,974)

In addition to the prior period adjustments shown above, the City recorded a prior period adjustment relating to an interfund loan to record revenue in the appropriate fund. The $164,420 adjustment is shown as both a positive and negative number on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, Nonmajor Capital Projects Funds, and nets to zero for the presentation of the total Nonmajor Governmental Funds statement.

The City has restated 2016 beginning balances of the General Fund and Internal Service Fund based on a change in Internal Service Fund activities that no longer meet requirements allowing this fund to report as an internal service fund. Changes from December 31, 2015, to January 1, 2016, are as follows:

Fund Balance Restatements	As Previously Reported 12/31/15	Adjustment	As Currently Reported 1/1/2016
General Fund	$ 57,022,740	$ 9,520,552	$ 66,543,292
Facilities Asset Management & Replacement	9,520,552	(9,520,552)	-
Total	$ 66,543,292	$ -	$ 66,543,292

L. SUBSEQUENT EVENTS

Component Unit – The City has identified the Vancouver Public Facilities District (PFD) as a component unit in the government-wide financial statements. The PFD is funded primarily through a sales and use tax credit imposed under RWC 82.14.390. On May 4th, Governor Jay Inslee approved House Bill 1201 amending the RCW to extend taxes to be collected from 25 years to 40 years from when the tax was first collected by the PFD as so long as the bonds issued to finance eligible facilities are not retired before that time. For the Vancouver Public Facilities District, the extended date would be 2041, as opposed to 2026.

Credit Rating – In February of 2017, the City received an upgraded bond credit rating by Moody's Investors Service of Aa2, from Aa3.

Annexation – Annexation of Van Mall North (located in Vancouver's Urban Growth Area), approximately 2 square miles, was underway in 2008, when all annexation activities were halted due to the economic recession. The Van Mall North area is already served by City of Vancouver water, sewer and emergency fire services. On April 17, 2017, the Van Mall North annexation was adopted by City Council through ordinance with an effective date of August 1, 2017. Additional details on this annexation can be found on the City's website through this link http://www.cityofvancouver.us/ced/page/van-mall-north-annexation.

CITY OF VANCOUVER

Required Supplementary Information

Police and Fire OPEB Pension Funds

December 31, 2016

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	1/1/2015	$ -	$ 17,195	$ 17,195	0%	N/A	N/A
	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	1/1/2015	$ -	$ 27,544	$ 27,544	0%	N/A	N/A
	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 fifth year of OPEB implementation. The actuarial updates on this information are done on a biennial basis.

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored PERS Plans

December 31, 2016

Schedule of Proportionate Share of the Net Pension Liability

Last Three Fiscal Years

PERS Plan 1

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.336733%	$ 18,084,148	$ 40,455,469	44.70%	57.03%
2015	0.325010%	17,001,046	36,931,559	46.03%	59.10%
2014	0.321349%	16,188,107	35,499,566	45.60%	61.19%

PERS Plan 2/3

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.424266%	$ 21,361,458	$ 40,195,751	53.14%	85.82%
2015	0.413288%	14,767,016	36,685,226	40.25%	89.20%
2014	0.406638%	8,219,622	35,219,137	23.34%	93.29%

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored LEOFF Plan 1

December 31, 2016

Schedule of Proportionate Share of the Net Pension Liability

Last Three Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability/asset	Employer's proportionate share of the net pension liability (asset)	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.243781%	$ (2,511,642)	N/A	N/A	123.74%
2015	0.246609%	(2,972,183)	N/A	N/A	127.36%
2014	0.248167%	(3,009,747)	N/A	N/A	126.91%

CITY OF VANCOUVER
Required Supplementary Information
State Sponsored LEOFF Plan 2
December 31, 2016

Schedule of Proportionate Share of the Net Pension Liability
Last Three Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability/asset	Employer's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the employer	TOTAL	Employer's covered employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	1.339828%	$ (7,792,842)	$ (5,080,366)	$ (12,873,208)	$ 40,833,703	-19.08%	106.04%
2015	1.297652%	(13,337,267)	(8,818,610)	(22,155,877)	37,663,087	-35.41%	111.67%
2014	1.281662%	(17,008,206)	(11,112,842)	(28,121,048)	35,655,019	-47.70%	116.75%

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored PERS Plans

December 31, 2016

Schedule of Employer Contributions

Last Three Fiscal Years

PERS Plan 1

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2016	$ 2,002,066	$ (2,002,066)	$ -	$ 41,693,085	4.80%
2015	1,745,867	(1,745,867)	-	39,026,260	4.47%
2014	1,548,817	(1,548,817)	-	37,320,879	4.15%

PERS Plan 2/3

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2016	$ 2,583,884	$ (2,583,884)	$ -	$ 41,477,314	6.23%
2015	2,202,444	(2,202,444)	-	38,756,185	5.68%
2014	1,888,244	(1,888,244)	-	37,065,498	5.09%

CITY OF VANCOUVER
Required Supplementary Information
State Sponsored LEOFF Plans
December 31, 2016

Schedule of Employer Contributions
Last Three Fiscal Years

LEOFF 1

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2016	$ N/A	$ N/A	$ N/A	$ N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A

LEOFF 2

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2016	$ 2,134,670	$ (2,134,670)	$ -	$ 42,270,438	5.05%
2015	2,042,874	(2,042,874)	-	39,060,712	5.23%
2014	2,007,877	(2,007,877)	-	38,390,731	5.23%

Note 1: Information Provided

The City implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2014.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3: Change in contribution rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 9.21% to 11.18% for pay periods beginning July 2015.

Note 4: Employer Contributions

For LEOFF 1, there is a net pension asset for the City; however, there are no active employees participating in the plan, and no required contributions because the plan is fully funded. Therefore, covered payroll and contributions are displayed as N/A.

Note 5: Covered Payroll

Covered payroll has been retrospectively presented in accordance with GASB 82, *Pension Issues.* Covered payroll now includes all payroll on which a contribution is based. In prior reports, Plan 1 UAAL covered payroll was included for plans other than PERS 1.

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2016

Fire Pension Trust Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last Three Fiscal Years

(In thousands)

	2016	2015	2014
Total pension liability			
Interest	$ 255	$ 265	$ 272
Effect of economic/demographic (gains) or losses	(185)	-	-
Changes of assumptions	(156)	-	-
Benefit payments, including refunds of contributions	(562)	(526)	(477)
Net change in total pension liability	(648)	(261)	(205)
Total pension liability - beginning	7,565	7,826	8,031
Total pension liability - ending (a)	$ 6,917	$ 7,565	$ 7,826
Plan fiduciary net position			
Contributions - employer	1,756	1,756	1,756
Contributions - state fire insurance premium tax	183	172	185
Net investment income	46	35	35
Prior period adjustment		-	17
Benefit payments, including refunds of contributions	(562)	(526)	(477)
Medical payments from fund	(815)	(836)	(924)
Administrative expense	(69)	(56)	(29)
Net change in plan fiduciary net position	539	545	563
Plan fiduciary net position - beginning	8,494	7,949	7,386
Plan fiduciary net position - ending (b)	9,033	8,494	7,949
Net pension liability ending (a) - (b)	$ (2,116)	$ (929)	$ (123)
Plan fiduciary net position as a % of total pension liability (b)/(a)	130.59%	112.28%	101.57%
Covered-employee payroll	-	-	-
Net pension liability as a % of covered employee payroll	N/A	N/A	N/A

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2016

Police Pension Trust Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last Three Fiscal Years

(In thousands)

	2016	2015	2014
Total pension liability			
Interest	$ 83	$ 88	$ 93
Effect of economic/demographic (gains) or losses	296	-	-
Changes of assumptions	(49)	-	-
Benefit payments, including refunds of contributions	(285)	(217)	(301)
Net change in total pension liability	45	(129)	(208)
Total pension liability - beginning	2,503	2,632	2,841
Total pension liability - ending (a)	$ 2,548	$ 2,503	$ 2,633
Plan fiduciary net position			
Contributions - employer	$ 1,080	$ 1,080	$ 1,080
Police Auction Income	10	8	2
Prior period adjustment	-	-	9
Benefit payments, including refunds of contributions	(285)	(218)	(301)
Medical payments from fund	(612)	(475)	(587)
Administrative expense	(47)	(48)	(36)
Net change in plan fiduciary net position	146	347	167
Plan fiduciary net position - beginning	2,029	1,682	1,515
Plan fiduciary net position - ending (b)	2,175	2,029	1,682
Net pension liability ending (a) - (b)	$ 373	$ 474	$ 951
Plan fiduciary net position as a % of total pension liability (b)/(a)	85.36%	81.06%	63.88%
Covered-employee payroll	-	-	-
Net pension liability as a % of covered employee payroll	N/A	N/A	N/A

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2016

Schedule of Employer Contributions

Last Three Fiscal Years

Retirement System	Year	Actuarially/ statutorily/ contractually determined contribution	Actual contribution in relation to the above	Contribution deficiency (excess)	Covered employee payroll	Contributions as a % of covered-employee payroll
Fire Pension Trust Fund	2016	$ -	$ -	$ -	$ -	N/A
	2015	-	-	-	-	N/A
	2014	-	-	-	-	N/A
Police Pension Trust Fund	2016	-	-	-	-	N/A
	2015	-	-	-	-	N/A
	2014	-	-	-	-	N/A

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2016

Schedule of Investment Returns

Last Three Fiscal Years

Retirement System	Year	Annual money-weighted rate of return, net of investment expense
Fire Pension Trust Fund	2016	0.70%
	2015	0.42%
	2014	0.46%
Police Pension Trust Fund	2016	0.00%
	2015	0.00%
	2014	0.02%

Note 1: Information Provided

The City implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2014.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions. 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.

Note 3: Covered Payroll

There are no active employees participating in the City-sponsored plans, therefore, there is no covered payroll.

Note 4: Significant Assumptions

Valuation date: January 1,2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age
Amortization method	30 year closed
Remaining amortization period	16 years
Asset valuation method	Fair Value
Inflation	2.25%
Salary increases	3.25%
Investment rate of return	3.75%, net of pension plan investment expense, including inflation
Retirement age	53
Mortality	RP-2000 Mortality Table (combined healthy)

CITY OF VANCOUVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Table 20

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures	Passed through to Subrecipeints	Foot-Note Ref.
<u>Department of Environmental Protection Agency:</u>							
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00J80201-0	43,882				
Passed through Washington State Department of Health:							
Capitalization Grants fro Drinking Water State Revolving Funds	66.468	N22036		746			
Capitalization Grants fro Drinking Water State Revolving Funds	66.468	N21544		17,097			
Capitalization Grants fro Drinking Water State Revolving Funds	66.468	N21718		20,628			
Capitalization Grants fro Drinking Water State Revolving Funds	66.468	N21981		11,796			
Total CFDA 66.468				50,267			
Total Department of Environmental Protection Agency:			43,882	50,267	**94,149**		
<u>Department of Housing and Urban Development:</u>							
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-53-0013	21,707			21,707	3
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-53-0013	55,427			53,470	3
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-53-0013	167,283			154,743	3
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-53-0013	768,904			505,286	3
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-53-0013	247,270			124,746	3
Total CFDA 14.218			1,260,591			859,952	
Home Investment Partnerships Program	14.239	M-12-MC-53-0208	130,354			130,000	3
Home Investment Partnerships Program	14.239	M-13-MC-53-0208	3,412				3
Home Investment Partnerships Program	14.239	M-14-MC-53-0208	750,217			734,161	3
Home Investment Partnerships Program	14.239	M-15-MC-53-0208	274,318			237,090	3
Home Investment Partnerships Program	14.239	M-16-MC-53-0208	115,461			77,385	3
Passed through Department of Commerce:							
Home Investment Partnerships Program	14.239	14-42404-005		2,524			
Total CFDA 14.239			1,273,762	2,524		1,178,636	
Total Department of Housing and Urban Development:			2,534,353	2,524	**2,536,877**	2,038,588	
<u>Department of Justice:</u>							
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2014-WE-AX-0039	73,392			41,036	
Public Safety Partnership & Community Policing Grants	16.710	2010-CS-WX-0015	72,654				
Congressionally Recommended Awards	16.753	2010-DD-BX-0508	8,135				
Equitable Sharing Program	16.922	N/A	6,162				
Passed through Clark County:							
Violence Against Women Formula Grants	16.588	F-15-31103-070		7,240			
Passed through Clark County:							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0717		3,391			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0841		19,246			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0542		19,862			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0123		12,809			
Total CFDA 16.738				55,308			
Total Department of Justice:			160,343	62,548	**222,891**	41,036	

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement

CITY OF VANCOUVER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Table 20

Page 2 of 2

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures	Passed through to Subrecipeints	Foot-Note Ref.
Department of Transportation:							
Airport Improvement Program	20.106	3-53-0139-010-2016	44,985				
Passed through Washington State Department of Transportation:							
Highway Planning and Construction	20.205	HSIP-4242(025)		191,979			
Highway Planning and Construction	20.205	STPUL-4221(004)		410,085			
Highway Planning and Construction	20.205	CM-4451(013)		129,855			
Highway Planning and Construction	20.205	CM-4253(013)		10,594			
Highway Planning and Construction	20.205	STPE-4228(001)		7,119			
Highway Planning and Construction	20.205	CM-9906(041)		151,265			
Highway Planning and Construction	20.205	TAP-4228(002)		49,625			
Highway Planning and Construction	20.205	CM-9906(047)		23,539			
Highway Planning and Construction	20.205	STPUL-4266(002)		56,577			
Highway Planning and Construction	20.205	STPUL-4254(005)		14,867			
Highway Planning and Construction	20.205	TCSP-12WA(003)		223,693			
Highway Planning and Construction	20.205	STPUL-1380(027)		47,696			
Highway Planning and Construction	20.205	STPUL-1350(025)		6,396			
Total CFDA 20.205				1,323,290			
Passed through Washington Association of Sheriffs & Police Chiefs:							
State and Community Highway Safety	20.600	Traffic Safety Equipment Grant		11,881			
Passed through State of Washington Traffic Safety Commission:							
State and Community Highway Safety	20.600	CP16-04		1,000			
State and Community Highway Safety	20.600	Section 402		8,074			
Total CFDA 20.600				20,955			
Passed through State of Washington Traffic Safety Commission:							
National Priority Safety Programs	20.616	1HV61		1,588			
National Priority Safety Programs	20.616	Section 405d		3,706			
National Priority Safety Programs	20.616	M6X16-09		56,025			
National Priority Safety Programs	20.616	M6X17-11		14,081			
Total CFDA 20.616				75,400			
		Total Department of Transportation:	44,985	1,419,645	**1,464,630**		
Department of Homeland Security:							
Assistance to Firefighters Grant	97.044	EMW-2015-FO-07040	34,264				
Passed through Clark Regional Emergency Services Agency:							
Homeland Security Grant Program	97.067	E15-081		4,833			
		Total Department of Homeland Security:	34,264	4,833	**39,097**		
		TOTAL FEDERAL EXPENDITURES			**$ 4,357,644**		

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement

Schedule of Federal Awards

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

Schedule of Expenditures of Federal Awards (SEFA) Table 20

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

NOTE 1 **BASIS OF ACCOUNTING**

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

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.

NOTE 4 **INDIRECT COST RATE**

The City does not have an approved indirect cost rate and has elected to use the 10-percent de mimimis indirect cost rate allowed under the Uniform Guidance.

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	
Public Records requests	PublicRecords@sao.wa.gov
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Toll-free Citizen Hotline	(866) 902-3900
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