Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

City of Vancouver
Clark County

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012264

Issue Date
July 24, 2014

Washington State Auditor
Troy Kelley
Independence • Respect • Integrity

Washington State Auditor
Troy Kelley

July 24, 2014

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,

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

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City of Vancouver
Clark County
January 1, 2013 through December 31, 2013

Federal Summary

City of Vancouver
Clark County
January 1, 2013 through December 31, 2013

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

FINANCIAL STATEMENTS

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

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

Internal Control Over Financial Reporting:

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

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
11.300	Investments for Public Works and Economic Development Facilities
14.239	HOME Investment Partnerships Program
14.248	CDBG/Section 108 Loan Guarantees
14.251	Congressional Grants / Neighborhood Initiative Grants
16.710	Public Safety Partnership and Community Policing Grants
97.056	Port Security Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $388,971.

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

Schedule of Prior Federal Audit Findings

City of Vancouver
Clark County
January 1, 2013 through December 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the City of Vancouver. The State Auditor's Office has reviewed the status as presented by the City.

Audit Period: January 1, 2012 – December 31, 2012	**Report Reference No:** 1010510	**Finding Reference No:** 1	**CFDA Number(s):** 97.008
Federal Program Name and Granting Agency: Non-Profit Security Program U.S. Department of Homeland Security		**Pass-Through Agency Name:** Clark County	
Finding Caption: The City of Vancouver's internal controls for monitoring equipment purchased with federal money for its Non-Profit Security Program are inadequate.			
Background: The City's fire department did not maintain adequate records to support that it had performed a physical inventory as required. Further, the department did not have adequate internal controls to ensure all equipment over $5,000 was being tracked in its asset records appropriately.			
Status of Corrective Action: (check one) ☐ Fully Corrected ☒ Partially Corrected ☐ No Corrective Action Taken ☐ Finding is considered no longer valid			
Corrective Action Taken: *The City of Vancouver Financial and Management Services Department has coordinated the effort with the Vancouver Fire Department to do a complete inventory of all equipment, including both federally and locally funded equipment items. That inventory is being reconciled to the financial system of records.* *Additionally, the City has hired an outside consultant to lead the efforts on enhancements to the financial fixed assets system to ensure the system is fully in compliance with federal equipment inventory tracking requirements. These enhancements are not complete as of the response to this finding. They are anticipated to be complete by the end of the fourth quarter of the fiscal year.* *The City is also updating its Fixed Asset Policy to clearly define and document the requirements for federally funded equipment assets. The policy is in draft form but will be published as complete with the completion of the financial fixed asset system enhancements.*			

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, 2013 through December 31, 2013

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, 2013, 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 20, 2014. As discussed in Note 1 to the financial statements, during the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Our report includes a reference to other auditors who audited the financial statements of the Vancouver Hotel and Convention Center Project, which is included as part of the Vancouver Downtown Redevelopment Authority discretely presented component unit, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

June 20, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

City of Vancouver
Clark County
January 1, 2013 through December 31, 2013

Mayor and City Council
City of Vancouver
Vancouver, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Vancouver, Clark County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

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

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

June 20, 2014

Independent Auditor's Report on Financial Statements

City of Vancouver
Clark County
January 1, 2013 through December 31, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 14.

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 Hilton 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 1.6 percent, 2.0 percent, 100 percent and 84.4 percent respectively, of the assets and deferred outflows, net position, operating revenues and operating expenses of the aggregate discretely presented component units. These 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 report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Vancouver Hotel and Convention Center Project were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Vancouver, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Consolidated Fire funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

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 14 through 21 and the information on pension trust funds and postemployment benefits other than pensions on pages 77 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2014 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

June 20, 2014

Financial Section

City of Vancouver
Clark County
January 1, 2013 through December 31, 2013

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Statement of Activities – 2013
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Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2013
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Statement of Revenues, Expenditures and Changes in Fund Balances Compared to Budget (GAAP Basis) and Actual – General Fund – 2013
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Statement of Cash Flows – Proprietary Funds – 2013
Statement of Fiduciary Net Position – Fiduciary Funds – 2013
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Police and Fire Pension Funds – 2013
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SUPPLEMENTARY AND OTHER INFORMATION

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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, 2013. The information presented here should be read in conjunction with the letter of transmittal, the financial statements, and the related notes to the financial statements.

FINANCIAL HIGHLIGHTS

- City of Vancouver assets exceeded its liabilities at December 31, 2013 by $1 billion.
- Net investment in capital assets accounts for over 77.9% of this amount, with a value of $813.6 million.
- Of the remaining net position, $171.4 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 $39 million from current operations in 2013. This included a prior period adjustment of $797,275 which is further explained in detail in Note V.I. The government's net capital assets increased by $14.3 million during 2013.
- Total program revenues were $172 million in 2013, up by $25.7 million from 2012, due to increases in Charges for Services, Fees, and Fines and Forfeitures and in Capital Grants and Contributions revenues. Program expenses were $234.3 million, up by $3.2 million from 2012. General revenues and transfers were $121.4 million, up by $4.8 million from last year.
- As of December 31, 2013, the City of Vancouver's governmental funds reported combined ending fund balances of $125.3 million, which was $8.2 million less than the prior year. About 57.4% of this total amount, or $71.9 million, is available for spending at the government's discretion. The unassigned fund balance for the General Fund was $13 million at December 31, 2013.
- The City of Vancouver's total bonded debt at December 31, 2013 was $157.1 million.
- The City implemented GASB Statement No 65 in the current fiscal year. The impact to this includes a restatement of the beginning net position. See Note I.E for further discussion.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and, 3) notes to the financial statements. The financial section of this report also contains required supplementary information, in addition to the basic financial statements.

Government-wide Financial Statements

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

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

The Statement of Net Position presents information on all City of Vancouver's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the City is improving or deteriorating. Some other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

The Statement of Activities presents information showing how the government's revenues and expenses impacted net position during 2013. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). This shows the extent to which each program relies on general revenue for funding. All changes in net position are reported using the accrual basis of accounting which requires that revenues are reported when they are earned and expenses are reported as soon as liabilities are incurred.

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

Fund Financial Statements

A fund is a self-balancing grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The City of Vancouver, like other state and local governments, uses fund accounting for compliance with finance-related legal requirements. All of the funds of the City of Vancouver fall into one of three categories: governmental funds, proprietary funds, or fiduciary funds. Governmental funds account for most, if not all, of a government's tax-supported activities. Proprietary funds account for a government's business-type activities where all or part of the costs of activities are supported by fees and charges paid directly by those who benefit from the activities. Fiduciary funds account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental Funds

The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, the Consolidated Fire Fund, and Transportation Capital Fund. These are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation.

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

To get a longer term perspective of financial balances and results of operations, 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. Both 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, 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 computer repair and replacement, rolling stock repair and replacement, self-insurance, mailroom services, facilities replacement and insurance benefits.

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

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. The City of Vancouver's net position totals $1,044,480,463 at December 31, 2013. 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	
	2012 Restated	2013	2012 Restated	2013	2012 Restated	2013
Current and other assets	$ 181,851,219	$ 196,088,216	$ 87,673,712	$ 95,415,295	$ 269,524,931	$ 291,503,511
Capital assets (net of accumulated depreciation)	594,436,960	616,978,561	369,379,507	360,282,703	963,816,467	977,261,264
TOTAL ASSETS	776,288,179	813,066,777	457,053,219	455,697,998	1,233,341,398	1,268,764,775
DEFERRED OUTFLOWS OF RESOURCES	2,476,617	2,143,047	3,052,270	2,539,686	5,528,887	4,682,733
Long-term liabilities	137,917,170	131,734,870	80,365,766	67,887,425	218,282,936	199,622,295
Other liabilities	13,097,051	24,204,026	3,754,185	5,140,724	16,851,236	29,344,750
TOTAL LIABILITIES	151,014,221	155,938,896	84,119,951	73,028,149	235,134,172	228,967,045
NET POSITION						
Net investment in capital assets	499,507,591	521,171,082	293,530,660	292,461,482	793,038,251	813,632,564
Restricted	65,339,206	53,828,026	7,745,715	5,574,691	73,084,921	59,402,717
Unrestricted	62,903,778	84,271,820	74,709,163	87,173,362	137,612,941	171,445,182
TOTAL NET POSITION	$ 627,750,575	$ 659,270,928	$ 375,985,538	$ 385,209,535	$ 1,003,736,113	$ 1,044,480,463

The 2012 values were restated for the adoption of GASB Statement No. 65 so that the prior year presentation conforms to the current year. The largest portion of the City's net position, 77.9%, reflects its investment in capital, less any related debt still outstanding that was used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending.

Total assets increased in 2013 by $35.4 million, total deferred outflows decreased by $846 thousand and total liabilities decreased by $6.2 million resulting in an increase in total net position of $40.7 million, or 4.1%.

Net position representing resources that are subject to external restrictions on how they may be used are 5.7% of the total. There is $171.4 million (unrestricted net position) which represents the amount that may be used to meet the City's ongoing obligations.

At December 31, 2013, the City of Vancouver reports positive balances in all three categories of net position, for the government as a whole.

Analysis of Changes in Net Position

The change in total net position increase in 2013, inclusive of the impact of Prior Period Adjustments, is $40.7 million. This is split between governmental increase of $31.5 million and business-type activities increase of $9.2 million. A condensed version of the Statement of Activities for the past two years is shown in the following table. The full statement is a tabular depiction of the relationship of revenues and expenses for the City's governmental activities and proprietary funds. The graphs that follow illustrate the sources of revenue and the balance of governmental vs. business type expenses for 2013.

The increase in net position is primarily due to decrease in bonded debt and increase in governmental infrastructure. The City of Vancouver's total bonded debt decreased by $19.4 million during 2013, the result of scheduled principal payments made throughout 2013. There was a significant increase of $16.6 million related to infrastructure due to the donation of the 39th Street Bridge, donated to the City by the State of Washington, Department of Transportation. Net investment in capital asset growth totaled $20.6 million, restricted net position decrease of $13.7 million; unrestricted net position increase of $33.8 million to equal $40.7 million total increase in government's net position.

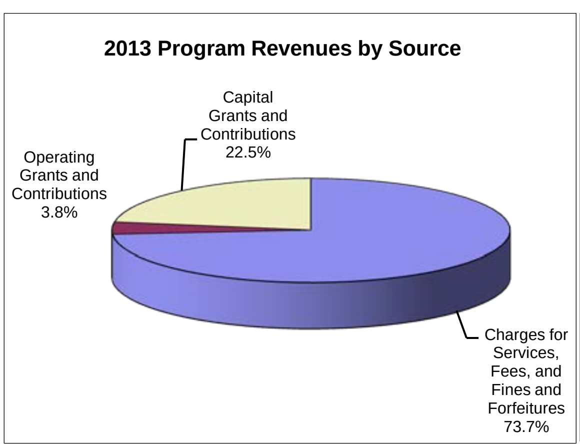
Governmental activities revenue increased by 13.2% while governmental expenses increased by 0.8%. The major increase in governmental activities revenue from Capital Grant and Contribution of $19.3 million was due in large part to donation of 39th Street Bridge discussed above, as well as an increase in capital funding for new projects; increase in Utility and Other Taxes revenue by 5.8% and Sales and Use Taxes by 8.7%. In 2013, a total of $27.6 million in sales tax revenue was received through the end of the year. This collection marks a return to the pre-recession period of 2007.

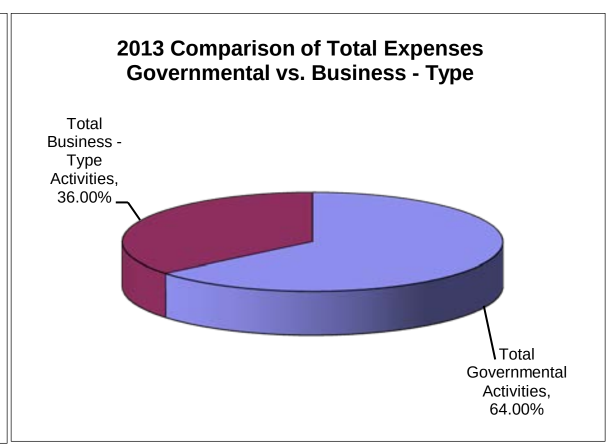
The Business-Type Activity revenue increased by 8.5% and expenses increased by 2.4%. The major increase in Business-Type Activity revenue was from Charges for Services, Fees, and Fines and Forfeitures by 4.8% and Capital Grants and Contribution by 46.6%. Changes for Charges for Services and Fee are due to water/storm water and sewer rate increases of 5% and 2.5%, respectively, as well as an increase in water pumped of 7%. Changes in Capital Grant and Contribution are mainly due to increases in private development contributions resulting from the increasing development activity in the City.

City of Vancouver
Summary of Changes in Net Position
Comparative 2012-2013

Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
Program revenues:	2012	2013	2012	2013	2012	2013
Charges for Services, Fees, and Fines and Forfeitures	$ 38,331,011	$ 38,865,033	$ 83,893,237	$ 87,897,109	$ 122,224,248	$ 126,762,142
Operating Grants and Contributions	7,418,742	6,256,533	442,482	322,562	7,861,224	6,579,095
Capital Grants and Contributions	9,474,400	28,745,286	6,736,733	9,872,909	16,211,133	38,618,195
General Revenues						-
Taxes:						-
Property Taxes Levied for General Purposes	40,685,824	41,990,733	-	-	40,685,824	41,990,733
Sales and Use Taxes	26,735,128	29,059,542	-	-	26,735,128	29,059,542
Utility and Other Taxes	45,394,634	48,025,064	-	-	45,394,634	48,025,064
Unrestricted Investment Earnings	799,449	461,982	516,036	315,805	1,315,485	777,787
Miscellaneous	2,409,636	530,334	51,440	1,051,855	2,461,076	1,582,189
Total Revenues	171,248,824	193,934,507	91,639,928	99,460,240	262,888,752	293,394,747
Program Expenses						
Governmental Activities:						
General Government	29,380,303	25,184,616	-	-	29,380,303	25,184,616
Security/Persons & Property	67,724,508	70,510,723	-	-	67,724,508	70,510,723
Physical Environment	474,343	514,804	-	-	474,343	514,804
Transportation	29,712,758	33,011,546	-	-	29,712,758	33,011,546
Health and Human Services	385,797	338,591	-	-	385,797	338,591
Economic Environment	8,388,707	7,132,322	-	-	8,388,707	7,132,322
Culture and Recreation	10,924,436	11,795,705	-	-	10,924,436	11,795,705
Interest on Long-Term Debt	4,746,812	4,505,618	-	-	4,746,812	4,505,618
Business-Type Activities:						
Water Sewer	-	-	73,305,642	75,592,296	73,305,642	75,592,296
Parking	-	-	3,372,113	2,964,225	3,372,113	2,964,225
Airpark	-	-	696,973	586,198	696,973	586,198
Building Inspection	-	-	3,641,964	3,761,558	3,641,964	3,761,558
Sanitation	-	-	1,912,012	2,132,353	1,912,012	2,132,353
Tennis Center	-	-	1,124,302	1,036,368	1,124,302	1,036,368
Total Expenses	151,737,664	152,993,925	84,053,006	86,072,998	235,790,670	239,066,923
Excess (deficiency) of revenues over expenses	19,511,160	40,940,582	7,586,921	13,387,242	27,098,082	54,327,824
Transfers - Governmental	(1,167,109)	(1,098,756)	-	-	(1,167,109)	(1,098,756)
Transfers - Business-Type	-	-	1,167,109	1,098,756	1,167,109	1,098,756
Income (loss) before special & extraordinar	18,344,051	39,841,825	8,754,030	14,485,998	27,098,082	54,327,823
Extraordinary Items:						
Contract termination	-	(10,698,996)				(10,698,996)
Impairment of capital assets	-	-	-	(3,681,752)	-	(3,681,752)
Total Special Items	-	(10,698,996)	-	(3,681,752)	-	(14,380,748)
Change in Net Position	18,344,051	29,142,829	8,754,030	10,804,246	27,098,082	39,947,075
Net Position- Beginning	609,779,542	627,750,575	368,781,147	375,985,538	978,560,689	1,003,736,113
Prior year adjustments	571,003	2,377,524	(762,902)	(1,580,249)	(191,899)	797,275
Net Position - Ending	$ 628,694,596	$ 659,270,928	$ 376,772,275	$ 385,209,535	$ 1,005,466,871	$ 1,044,480,463

2013 Net Position - Beginning was restated due to the adoption of GASB Statement No. 65.



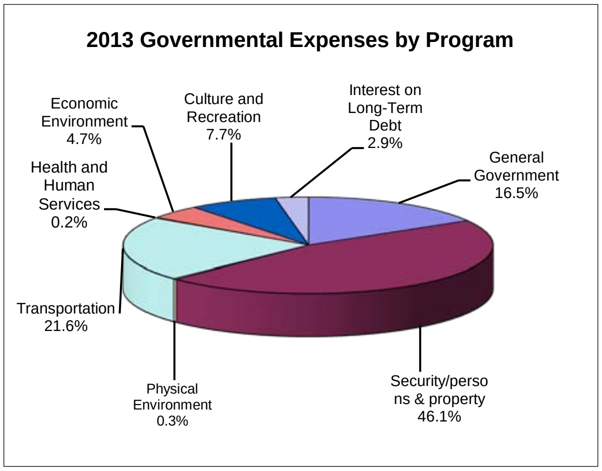


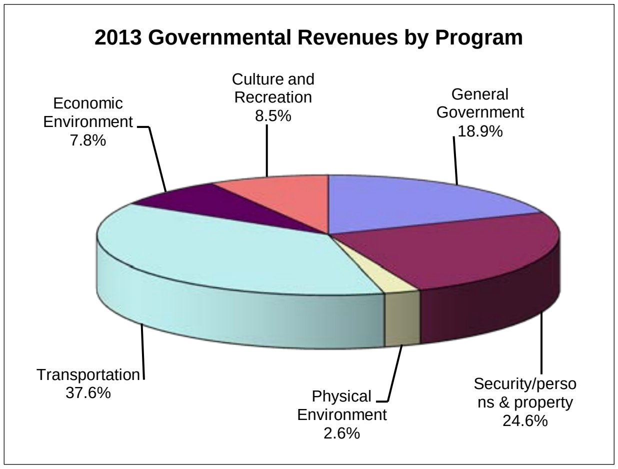
Governmental Activity Analysis

Governmental net position increased by $29.1 million in 2013 from operations and by $2.4 million from prior year adjustments. This 4.9% increase corresponds to a $38 million increase in total assets and deferred outflows with $7.4 million increase in total liabilities. During 2013, the City's cash balances increased by $8.3 million, capital assets increased by $22.5 million, and receivables and other assets increased by $4.9 million.

Governmental revenues increased from 2012 by $22.7 million or 13.3% due to moderate increase in program revenues by $18.6 million and increase in general revenues by $4 million.

General Government expenses were down by $4.2 million due to the debt refinancing activity that occurred in 2012 that did not repeat in 2013, capital purchasing, and change in presentation of expenses related to indirect cost. Transportation expenses increased by $3.3 million from 2012, primarily due to a higher level of maintenance on transportation infrastructure. City Council approved funding pavement management to 100% of policy level to insure existing infrastructure is maintained and constrain future maintenance cost. Security/Persons & Property expenses increased by $2.8 million due to the salary payments to Vancouver Police Guild members as a result of contract settlement in 2013, with retro salary adjustments back to 2012. Culture and Recreation expenses were $871,269 greater than prior year from the termination of the parks interlocal agreement with Clark County. In total, expenses for Governmental activities increased by $1.3 million.

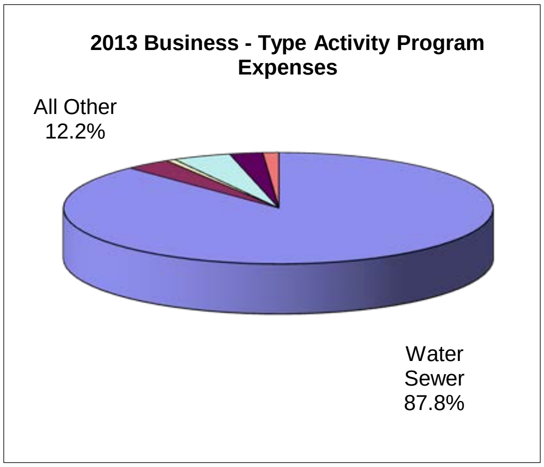


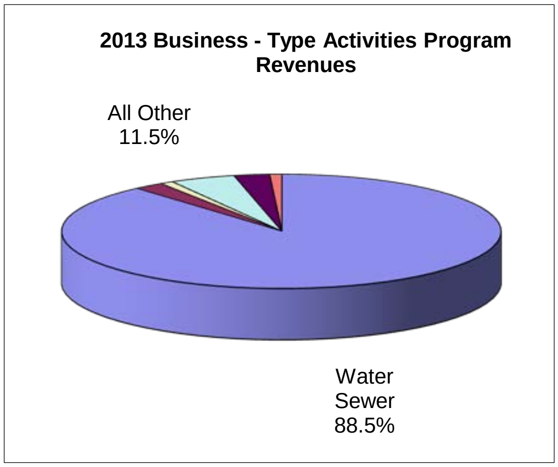


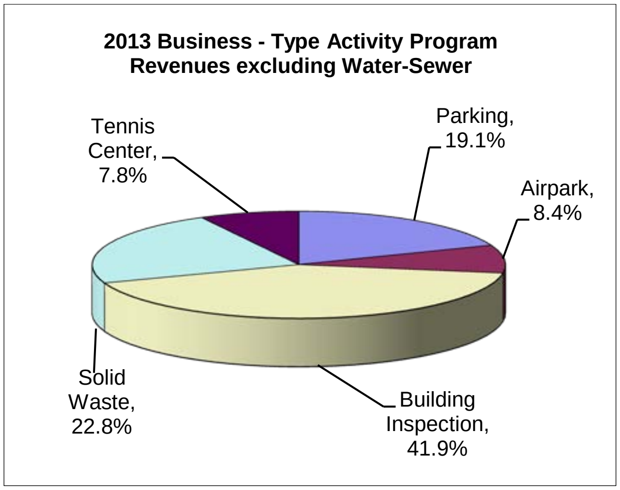
Business-Type Activities Analysis

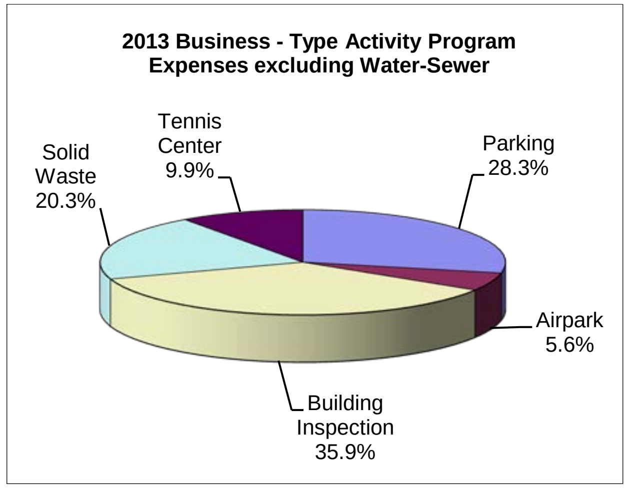
As depicted in the graphs below, the Water/Sewer activity is the largest business-type activity in the City. As a result, the financial position of the City's business-type activities is strongly influenced by the Water/Sewer activity. This year, Water/Sewer had a $3.4 million increase in Charges for Services, Fees, Fines and Forfeitures, a $3.1 million increase in Capital Contributions and a $2.9 million increase in operating expenses.

The other business-type activities had moderate gains and losses. Solid Waste activity had a $425,289 net operating income due to lower market values for recyclable commodities and lower tons to market. Parking activity had a $288,184 net operating loss. The General Fund support of the Parking activity remained at $1.2 million. Building Inspection activity had a $941,716 net increase, largely led by the multifamily component. A portion of the net position related to the Building activity is being utilized to replace the Tidemark permitting system with a new Hansen system.









FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds Analysis

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

The General Fund is the primary governmental fund. General Fund revenues were up 3.3% over 2012 due primarily to an increase in Charges for Services and Rent and Royalties of $1.3 million and $1.7 million, respectively. Intergovernmental revenue went down by $1.3 million. Comparing Property Tax and Sales and Use Tax collections from 2012, 2013 saw an increase of approximately 2.5% and 8.7%, respectively, in these revenue sources due to new construction and delinquency rates. By Council action, there was a 1% property tax levy increase for 2013 taxes. The increase in Sales and Use Taxes in 2013 was driven by a robust real estate market and new construction. General Fund expenditures accounted for 48.1% of total governmental fund expenditures for 2013. General Fund expenditures increased by approximately 3% mainly due to an increase in expenditures for Security/persons & property. The 2013 expenditures contain the retro payment for the salary payments to Vancouver Police Guild members as a result of contract settlement in 2013, with retro salary adjustments back to 2012. The final decision on the contract was made by an arbitrator in late 2013, with salary increases of 2% per year retroactive to 2012.

The Consolidated Fire Fund is a special revenue fund that encompasses both the operations and the equipment for the City's and Fire District 5's fire department. Services provided by this fund include not only firefighting, but emergency medical services, rescue, and public safety education. As reported in the Statement of Revenues, Expenditures and Statement of Changes in Fund Balances, major funding for the Consolidated Fire Fund is Intergovernmental revenues, Charges for Services, and a transfer from the City's General Fund. The Consolidated Fire Fund in 2013 accounted for 20.4% of the governmental funds expenditures; it increased by $3.8 million from 2012 and included expenses for purchasing Regional Response marine vessel with equipment in 2013, the Consolidated Fire Fund fund balance increased by $1.2 million.

The Transportation Capital Fund is a capital projects fund. It was created in 1998 to account for all capital projects in the Transportation Department. The funding for the projects is primarily from grants, bonds, and developer agreements as well as other public and private funding sources. The Transportation Capital Fund in 2013 accounted for 11.3% of the governmental funds' expenditures, an increase of $2.1 million from 2012 due to construction for Waterfront Access and NE 137/138th Ave projects. In 2013, the Transportation Capital Fund fund balance decreased by $2.6 million due to a large capital outlay for the Waterfront Access Project.

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

Business-Type Funds Analysis

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

The Water/Sewer Fund is the largest business-type fund in the City, accounting for 94.5% of net position for the enterprise funds at $364.0 million. Water/Sewer Fund net position increased by $7.2 million in 2013 mainly due to the increase in utility Charges for Services, Capital contributions, and decreased bonded indebtedness and utility capital assets. This fund encompasses three legally consolidated utilities: water, sewer, and stormwater operations.

Water/Sewer, the utility, reported operating income of $4.1 million in 2013, and its operating revenue increased 4.9% primarily due to a water/storm water and sewer rates increase of 5% and 2.5%, respectively, as well as an increase in water pumped of 7%. Utility operating expenses increased by $2.9 million from 2012, mainly related to increased costs for Personnel and Supplies & contractual services and Intergovernmental payments. Additionally, accumulated depreciation of utility capital assets increased by $12.3 million and its bonded indebtedness decreased by $9.1 million in 2013.

The Parking Services Fund reported an operating loss of $288,184 in 2013. Operating expenses decreased by $215,080 from 2012 due to a decrease in Supplies & contracted services and Interfund services. Parking Services changes in net position increased by $1.4 million from 2012 due to retirement of Main Place parking garage. The General Fund support of the Parking Services Fund remained at the $1.25 million level in 2013. Over time, the fund is anticipated to become self-supporting.

In the non-major business funds, the Airpark and Building Inspection Funds accounted for the majority of the increase in total net position of the non-major business funds. The Building Inspection Fund reported $941,716 in operation income and accounted for $531,520 of the increase in total net position of the non-major business funds. At the national level, housing is recovering at moderate levels, led by starts for multi-family units, building owners are choosing to invest in making improvements to existing buildings rather than constructing new ones. The Airpark Fund reported $117,552 in operating income and accounted for $353,785 of the increase in total net position of the non-major business funds. This increase can be attributed to increasing federal direct grants revenue.

Internal Service funds operate like the enterprise funds, but perform services primarily for other funds within the City. Because of the nature of these funds, they are charged with operating as close as possible to a breakeven point. City Internal Service funds net position increased by $5 million from 2012. A new fund was created in 2013, Facility Replacement Fund, and received $7.8 million transfer from the General Fund to support the depreciation and replacement of City facilities. Operating loss of all City Internal Service funds totaled $374,630 due to an operating loss related to the Self-insurance Fund as a result of increased claims expense during 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The 2013-14 biennial budget totals $752.4 million in operating and capital expenditures, including 963.6 positions. The recommended budget is balanced without the implementation of new taxes or tax increases other than the annual 1% authorized increase to property taxes. Other fees and rates, including utility rates and fees for services are recommended to be adjusted for anticipated inflation as reflected in the forecast.

Unlike the past two biennia, there were no forecast-based budget reductions in 2013-2014. Conversely, there were no new additional FTE's included in the budget that were not accompanied by commensurate new funding. General Fund revenues during 2013 came in within 2% of the forecast for the year. Expenditures came in under budget. Major new items included in the Supplemental Budget Appropriations during 2013 included grants in Police and CED, including Domestic Violence Arrest Grant, Buffer Zone Grants, School Resource Officer funding, the Brownfield Assessment and Area-wide Planning Grant for the Lower Grand Employment area on the operating side and Tidewater Cove trail repair on the capital side.

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, 2013, amounts to $977.3 million (net of accumulated depreciation).

The table below is a comparison of the summary information for year-end 2012 and 2013 capital assets. The balance of 2012 capital assets was restated to Prior Period Adjustments.

	Governmental Activities		Business-Type Activities		Total Activities	
	2012 Restated	2013	2012 Restated	2013	2012 Restated	2013
Land	$ 63,846,402	$ 65,775,933	$ 30,146,794	$ 30,520,801	$ 93,993,196	$ 96,296,734
Intangible - Easements	8,048,566	8,068,105	2,346,345	3,883,343	10,394,911	11,951,448
Buildings and systems	89,376,133	86,359,528	19,431,329	18,118,096	108,807,462	104,477,624
Machinery and equipment	14,074,750	13,714,962	3,668,213	2,887,909	17,742,963	16,602,871
Infrastructure	372,467,320	389,871,616	300,412,037	297,553,181	672,879,357	687,424,797
Intangible assets	620,366	1,487,457	298,164	1,084,766	918,530	2,572,223
Construction in progress	46,003,423	51,700,960	12,209,588	6,234,607	58,213,011	57,935,567
Total	$ 594,436,960	$ 616,978,561	$ 368,512,470	$ 360,282,703	$ 962,949,430	$ 977,261,264

The major changes for assets were in construction in progress (CIP) and infrastructure for both Governmental and Business -Type Activities categories, and changes in land and buildings and systems for Governmental Type Activities. The increase in CIP for Governmental Activities relates to Vancouver Waterfront Access project, and 39th Street Bridge project; that was offset by a decrease in CIP for Business Activities due to an impairment loss of $3.7 million due to the construction stoppage of the East Side Operation facility; and finishing and capitalized ongoing projects.

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

Long-Term Debt

At December 31, 2013, the City of Vancouver had total bonded debt outstanding of $157.1 million. Of this amount, $105.8 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 $50 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 2012 and 2013 bonded debt.

The City of Vancouver's total bonded debt decreased by $19.4 million, the result of scheduled principal payments made throughout 2013. There was no new bonded debt issued during the year. The City's remaining capacity for non-voted debt is approximately $168.3 million.

City of Vancouver Outstanding Bonded Debt

(in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2012	2013	2012	2013	2012	2013
General obligation bonds	$ 100,725	$ 93,479	$ 13,375	$ 12,346	$ 114,100	$ 105,825
Revenue bonds	-	-	61,140	49,990	61,140	49,990
Net Amounts for:						
Issuance premiums (discounts)	3,735	3,325	3,244	2,688	6,979	6,013
Deferred Amount on Refunding	(2,476)	(2,143)	(3,053)	(2,540)	(5,529)	(4,683)
Total	$ 101,984	$ 94,661	$ 74,706	$ 62,484	$ 176,690	$ 157,145

The City of Vancouver maintains an "Aa3"/"AA" rating from Moody's/Standard and Poor's (S & P) rating services, respectively, for general obligation debt. Additional information on the City's long-term debt can be found in Note IV.E of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Projections for 2013-2018 show that revenues are anticipated to continue increasing at a slower pace than expenditures, but the projected gap is significantly smaller than the gap addressed during 2009-2012.

The City's management continues its commitment to seeking out and implementing new cost containment and service delivery options that will address aspects of the ongoing structural deficit beyond this biennium. The City Manager has announced a budgeting initiative called Legacy 2020 that would result in developing a long term solution for the City's ongoing budget challenges. Developing and implementing a balanced six year budget – the City of Vancouver's Legacy 2020 project, is anticipated to take the City from a position of long term financial deficit to a position of long term financial sustainability.

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, 2013

	Primary Government			Component Units	
ASSETS	Governmental Activities	Business-type Activities	Total Primary Government	Vancouver Downtown Redevelopment Authority	Vancouver Public Facilities District
Cash, cash equivalents and pooled investments	$ 155,347,249	$ 78,781,780	$ 234,129,029	$ 92,029	$ 122,303
Cash with fiscal/escrow agent	2,407,809	-	2,407,809	7,041,797	-
Restricted assets					
Cash	-	5,575,944	5,575,944	-	-
Accrued interest receivable	-	9,438	9,438	-	-
Receivables (net of allowance for uncollectible accounts)	18,928,865	9,204,576	28,133,441	1,180,415	409,473
Inventories	516,331	670,271	1,186,602	29,521	-
Capital assets held for resale	5,801,535	512,875	6,314,410	-	-
Prepaid Items	107,192	-	107,192	75,831	-
Internal balances	(258,265)	258,266	1	-	-
Investment in joint venture	3,557,978	-	3,557,978	-	-
Due from other governmental units	2,887,445	402,146	3,289,591	-	750
Net pension asset	6,792,077	-	6,792,077	-	-
Capital assets (net of accumulated depreciation)					
Land	65,775,933	30,520,801	96,296,734	-	3,603,691
Easements	8,068,105	3,883,343	11,951,448	-	-
Buildings	86,359,528	18,118,096	104,477,624	40,853,961	-
Machinery and equipment	13,714,962	2,887,909	16,602,871	505,430	-
Infrastructure	389,871,616	297,553,181	687,424,797	-	-
Intangible assets	1,487,457	1,084,766	2,572,223	-	-
Construction work in progress	51,700,960	6,234,607	57,935,567	1,502	-
Total Assets	813,066,777	455,697,999	1,268,764,776	49,780,486	4,136,217
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	2,143,047	2,539,686	4,682,733	1,390,845	-
Total deferred outflows of resources	2,143,047	2,539,686	4,682,733	1,390,845	-
LIABILITIES					
Accounts payable and other current liabilities	9,887,790	4,411,099	14,298,889	958,436	493,071
Accrued interest payable	418,222	276,900	695,122	1,326,263	-
Unearned revenue	1,316,800	188,318	1,505,118	75,275	-
Custodial accounts	12,581,214	264,408	12,845,622	-	-
Noncurrent liabilities:					
Environmental remediation	-	399,000	399,000	-	-
Special assessment debt with governmental commitments due within one year	3,000	-	3,000	-	-
Special assessment debt with governmental commitments due in more than one year	3,326	-	3,326	-	-
Due within one year	16,845,880	12,011,734	28,857,614	-	-
Due in more than one year	114,882,664	55,476,691	170,359,355	68,545,935	-
Total Liabilities	155,938,896	73,028,150	228,967,046	70,905,909	493,071
NET POSITION					
Net investment in capital assets	521,171,082	292,461,482	813,632,564	(18,503,359)	3,603,691
Restricted for:					
Capital purposes	31,128,799	1,951,381	33,080,180	2,341,496	-
Debt service	5,288	3,623,310	3,628,598	1,803,457	-
Grant purposes	5,535,968	-	5,535,968	-	-
Security purposes	16,053,960	-	16,053,960	-	-
Economic purposes	1,076,005		1,076,005		
Parks & Recreation purposes	28,006		28,006	-	-
Unrestricted	84,271,820	87,173,362	171,445,182	(5,376,172)	39,455
Total Net Position	$ 659,270,928	$ 385,209,535	$ 1,044,480,463	$ (19,734,578)	$ 3,643,146

CITY OF VANCOUVER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

			Program Revenues			Net (Expense) Revenue and Changes in Net Position				
						Primary Government			Component Units	
Functions/Programs	Expenses	Indirect Expense Allocation	Charges for Services, Fees, Fines and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	Total	Vancouver Downtown Redevelopment Authority	Vancouver Public Facilities District
PRIMARY GOVERNMENT										
Governmental Activities:										
General Government	$ 25,184,616	$ (4,737,113)	$ 9,169,181	45,433	-	$ (11,232,889)	$ -	$ (11,232,889)	$ -	$ -
Security/ persons & property	69,367,668	1,143,055	13,101,484	3,397,430	1,701,224	(52,310,584)	-	(52,310,584)	-	-
Physical Environment	495,078	19,726	1,943,909			1,429,105	-	1,429,105	-	-
Transportation	32,630,407	381,139	3,791,507	270,059	23,691,195	(5,258,785)	-	(5,258,785)	-	-
Mental and Physical Health	338,591	-	-			(338,591)	-	(338,591)	-	-
Economic Environment	7,070,764	61,558	332,884	2,283,798	3,138,400	(1,377,240)	-	(1,377,240)	-	-
Culture and Recreation	11,763,241	32,464	5,788,955	259,812	214,467	(5,532,471)	-	(5,532,471)	-	-
Interest on Long-Term Debt	4,505,618	-	-	-	-	(4,505,618)	-	(4,505,618)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	151,355,983	(3,099,171)	34,127,920	6,256,533	28,745,286	(79,127,074)	-	(79,127,074)	-	-
Business Type Activities:										
Water/Sewer	73,132,524	2,459,772	76,983,177	3,450	9,872,909	-	11,267,240	11,267,240	-	-
Parking	2,653,859	310,366	2,146,161	-	-	-	(818,064)	(818,064)	-	-
Airpark	549,632	36,566	628,289	319,112	-	-	361,203	361,203	-	-
Building Inspection	3,656,584	104,974	4,703,274	-	-	-	941,716	941,716	-	-
Solid Waste	2,009,786	122,567	2,558,303	-	-	-	425,950	425,950	-	-
Tennis Center	971,442	64,926	877,905	-	-	-	(158,463)	(158,463)	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	82,973,827	3,099,171	87,897,109	322,562	9,872,909	-	12,019,582	12,019,582	-	-
Total Primary Government	$ 234,329,810	$ -	$ 122,025,029	$ 6,579,095	$ 38,618,195	$ (79,127,074)	$ 12,019,582	$ (67,107,492)	$ -	$ -
Component Units										
Downtown Redevelopment Authority	$ 16,940,896	$ -	$ 12,905,379	$ 1,800,795	$ -	$ -	$ -	$ -	$ (2,234,722)	$ -
Public Facilities District	1,022,588	-		1,022,537	-	-	-	-		(51)
TOTAL COMPONENT UNITS	$ 17,963,484	$ -	$ 12,905,379	$ 2,823,332	$ -	$ -	$ -	$ -	$ (2,234,722)	$ (51)
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes						$ 41,990,733	$ -	$ 41,990,733	$ -	$ -
Sales and Use Taxes						29,059,542	-	29,059,542	-	-
Utility Taxes						36,321,569	-	36,321,569	-	-
Excise, Lodging and Other Taxes						11,703,495	-	11,703,495	-	-
Unrestricted Investment Earnings						461,982	315,805	777,787	8,946	-
Miscellaneous						530,334	1,051,855	1,582,189	-	-
Special Items:										
Gain on extinguishment of debt						-	-	-	3,001,588	
Contribution						-	-	-	2,569,445	
Claims settlement						-	-	-	301,541	
Impairment of capital assets							(3,681,752)	(3,681,752)		
Extraordinary Item:										
Contract termination						(10,698,996)		(10,698,996)		
Transfers						(1,098,756)	1,098,756	-	-	-
Total General Revenues, Special Items, Extraordinary Item, and Transfers						108,269,903	(1,215,336)	107,054,567	5,881,520	-
Change in Net Position						29,142,829	10,804,246	39,947,075	3,646,798	(51)
Net Position - Beginning, restated						627,750,575	375,985,538	1,003,736,113	(23,185,577)	3,643,197
Prior period adjustments						2,377,524	(1,580,249)	797,275	(195,799)	
Net Position - Ending						$ 659,270,928	$ 385,209,535	$ 1,044,480,463	$ (19,734,578)	$ 3,643,146

CITY OF VANCOUVER
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	Major Funds			Other Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Consolidated Fire	Transportation Capital		
ASSETS					
Cash, cash equivalents and pooled investments	$ 53,828,227	$ 15,812,053	$ 1,804,846	$ 50,951,250	$ 122,396,376
Cash with fiscal/escrow agent	-	-	2,203,474	204,335	2,407,809
Taxes/assessments	9,812,639	-	114	807,101	10,619,854
Accounts	1,096,007	86,535	-	1,054,890	2,237,432
Interest	94,191	26,969	3,062	86,887	211,109
Notes	-	-	97,393	5,127,661	5,225,054
Due from other funds	194,021	8,926	487,594	101,108	791,649
Interfund loan receivable	875,675	-	-	19,328	895,003
Due from other governmental units	463,529	962,673	745,744	664,741	2,836,687
Capital assets held for resale	228,400	-	-	5,529,135	5,757,535
Prepaid items	-	-	-	7,192	7,192
TOTAL ASSETS	$ 66,592,689	$ 16,897,156	$ 5,342,227	$ 64,553,628	$ 153,385,700
LIABILITIES					
Accounts payable	$ 3,030,911	$ 321,773	$ 662,555	$ 787,063	$ 4,802,302
Due to other funds	472,188	566	20,000	691,859	1,184,613
Interfund loan payable	-	-	875,674	19,328	895,002
Due to other governmental units	750	-	-	165,557	166,307
Accrued interest payable	-	-	-	41	41
Accrued liabilities	2,816,975	1,020,440	25,031	150,696	4,013,142
Revenues collected in advance	325,602	874,724	-	5,511	1,205,837
Custodial accounts	159,745	3,871	949	12,409,169	12,573,734
Unearned revenue	110,577	-	-	320	110,897
Total liabilities	6,916,748	2,221,374	1,584,209	14,229,544	24,951,875
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	971,037	-	-	-	971,037
Unavailable revenue-special assessments	-	-	-	99,761	99,761
Unavailable revenue-grant funding	203,079	902,519	606,046	118,946	1,830,590
Unavailable revenue-capital improvements	-	-	-	279,278	279,278
Total deferred inflows of resources	1,174,116	902,519	606,046	497,985	3,180,666
FUND BALANCES					
Nonspendable	228,400	-	97,393	10,663,988	10,989,781
Restricted	241,331	13,773,263	2,203,474	26,125,946	42,344,014
Committed	41,095,993	-	851,105	9,897,934	51,845,032
Assigned	4,148,166		-	3,138,231	7,286,397
Unassigned	12,787,935	-	-	-	12,787,935
Total fund balances	58,501,825	13,773,263	3,151,972	49,826,099	125,253,159
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 66,592,689	$ 16,897,156	$ 5,342,227	$ 64,553,628	

Amounts reported for governmental activities in the statement of net position are different because (See Note II also):	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	611,271,015
Capital Assets Held for Resale used in governmental activities that are not financial resources and therefore are not reported in the funds	44,000
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds, or other long-term assets of the City	13,530,721
Internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	35,635,410
Long-term liabilities that are not due and payable in the current period and are not reported in the funds	(126,463,377)
Net position of governmental activities	$ 659,270,928

CITY OF VANCOUVER

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year ended December 31, 2013

	Major Funds			Other Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Consolidated Fire	Transportation Capital		
REVENUES					
Property taxes	$ 41,957,792	$ 72,239	$ -	$ 103,416	$ 42,133,447
Sales and use taxes	29,059,542	-	-	-	29,059,542
Other taxes	35,902,488	-	130,429	5,786,121	41,819,038
License and permits	887,569	493,646	-	2,472,094	3,853,309
Intergovernmental	5,114,039	3,518,911	3,264,229	8,445,722	20,342,901
Charges for services	14,462,351	7,810,450	425	2,482,719	24,755,945
Fines and forfeits	1,365,112	3,000	100	118,299	1,486,511
Investment earnings	320,021	28,017	15,459	151,785	515,282
Rents and royalties	3,063,080	54,194	-	919,397	4,036,671
Contributions/donations	253,446	86,788	749,772	120,153	1,210,159
Miscellaneous	134,127	312	-	210,140	344,579
Total revenues	132,519,567	12,067,557	4,160,414	20,809,846	169,557,384
EXPENDITURES					
Current					
General government	23,960,585	-	-	524,394	24,484,979
Security/persons & property	40,359,614	30,633,887	-	89,404	71,082,905
Physical environment	484,338	-	-	19,913	504,251
Transportation	744,262	-	2,844,650	9,536,025	13,124,937
Economic environment	4,313,792	-	-	2,119,713	6,433,505
Mental and physical health	338,591	-	-	-	338,591
Culture and recreation	7,487,962	-	-	2,183,586	9,671,548
Capital outlay	238,353	2,472,394	15,436,306	6,416,674	24,563,727
Debt service			-		
Principal retirement	-	-	-	7,365,941	7,365,941
Interest/fiscal charges	-	-	36,278	4,497,959	4,534,237
Total expenditures	77,927,497	33,106,281	18,317,234	32,753,609	162,104,621
Excess (deficiency) of revenues over (under) expenditures	54,592,070	(21,038,724)	(14,156,820)	(11,943,763)	7,452,763
OTHER FINANCING SOURCES (USES)					
Capital related debt issued	-	-	1,496,000	-	1,496,000
Sale of capital assets	52	17,433	82,285	-	99,770
Transfers in	332,722	22,581,482	10,065,150	24,540,595	57,519,949
Transfers out	(49,851,716)	(359,256)	(19,905)	(16,187,829)	(66,418,706)
Total other financing sources and uses	(49,518,942)	22,239,659	11,623,530	8,352,766	(7,302,987)
EXTRAORDINARY ITEM					
Contract termination	-	-	-	(10,698,996)	(10,698,996)
Net change in fund balances	5,073,128	1,200,935	(2,533,290)	(14,289,993)	(10,549,220)
FUND BALANCES - BEGINNING	50,936,758	12,571,553	5,745,649	64,223,385	133,477,345
Prior period adjustments	2,491,939	775	(60,387)	(107,293)	2,325,034
FUND BALANCES - ENDING	$ 58,501,825	$ 13,773,263	$ 3,151,972	$ 49,826,099	$ 125,253,159

CITY OF VANCOUVER

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

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

Net changes in fund balances - total governmental funds:	$	(10,549,220)
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		4,707,537
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) not reported in governmental funds.		17,983,886
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,660,261
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.		5,869,941
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.		777,200
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.		7,693,224
Change in Net Position of Governmental Activities	$	29,142,829

CITY OF VANCOUVER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2013

	Budget Amounts Original 2013-14 Biennium	Budget Amounts Final 2013-14 Biennium	Actual Biennium To- Date Thru 12/31/13	Variance Thru 12/31/13
REVENUES				
Property tax	$ 83,036,027	$ 83,036,027	$ 41,957,792	$ 41,078,235
Sales and use taxes	55,326,783	55,326,783	29,059,542	26,267,241
Other taxes	70,586,038	70,586,038	35,902,488	34,683,550
License and permits	1,951,664	1,951,664	887,569	1,064,095
Intergovernmental	9,906,709	11,547,039	5,114,039	6,433,000
Charges for services	25,876,802	26,021,550	14,462,351	11,559,199
Fines and forfeitures	3,054,280	3,054,280	1,365,112	1,689,168
Investment earnings	933,282	933,282	320,021	613,261
Rents and royalties	2,048,008	2,048,008	3,063,080	(1,015,072)
Contributions/donations	-	102,036	253,446	(151,410)
Miscellaneous	4,726,671	3,655,989	134,127	3,521,862
Total revenues	257,446,264	258,262,696	132,519,567	125,743,129
EXPENDITURES				
Current:				
General government	63,559,858	57,714,258	23,960,585	33,753,673
Judicial	-	-	-	-
Security/persons & property	76,930,036	81,266,614	40,359,614	40,907,000
Physical environment	1,651,120	1,525,578	484,338	1,041,240
Transportation	2,122,645	1,707,369	744,262	963,107
Economic environment	8,679,759	9,467,359	4,313,792	5,153,567
Mental and physical health	753,094	753,094	338,591	414,503
Culture and recreation	14,951,367	15,043,552	7,487,962	7,555,590
Capital outlay	30,000	722,742	238,353	484,389
Total expenditures	168,677,879	168,200,566	77,927,497	90,273,069
Excess (deficiency) of revenues over expenditures	88,768,385	90,062,130	54,592,070	35,470,060
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	600,000	52	599,948
Transfers in	582,712	855,528	332,722	522,806
Transfers out	(83,514,076)	(94,032,100)	(49,851,716)	(44,180,384)
Total other financing sources (uses)	(82,931,364)	(92,576,572)	(49,518,942)	(43,057,630)
Net change in fund balance	5,837,021	(2,514,442)	5,073,128	(7,587,570)
FUND BALANCES - BEGINNING	50,936,650	50,936,650	50,936,650	-
Prior period adjustments	-	-	2,491,939	(2,491,939)
FUND BALANCES - ENDING	$ 56,773,671	$ 48,422,208	$ 58,501,717	$ (10,079,509)
Adjustment to generally accepted accounting principles (GAAP) basis:				
Riverwest RDA Fund budgeted as separate fund			108	
Fund Balance GAAP basis:			$ 58,501,825	

CITY OF VANCOUVER
CONSOLIDATED FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2013

	Budget Amounts Original 2013-14 Biennium	Budget Amounts Final 2013-14 Biennium	Actual Biennium To- Date Thru 12/31/13	Variance Thru 12/31/13
REVENUES				
Property taxes	$ -	$ -	$ 72,239	$ (72,239)
License and permits	565,000	565,000	493,646	71,354
Intergovernmental	18,300,937	21,512,810	3,518,911	17,993,899
Charges for services	178,000	178,000	7,810,450	(7,632,450)
Fines and forfeits	-	-	3,000	(3,000)
Investment earnings	160,000	160,000	28,017	131,983
Rents and royalties	-	-	54,194	(54,194)
Contributions/donations	-	47,593	86,788	(39,195)
Miscellaneous	387,153	387,153	312	386,841
Total revenues	19,591,090	22,850,556	12,067,557	10,782,999
EXPENDITURES				
Current				
Security/persons & property	60,520,942	62,142,961	30,633,887	31,509,074
Capital outlay	2,848,374	4,740,707	2,472,394	2,268,313
Total expenditures	63,369,316	66,883,668	33,106,281	33,777,387
Excess (deficiency) of revenues over (under) expenditures	(43,778,226)	(44,033,112)	(21,038,724)	(22,994,388)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	17,433	(17,433)
Transfers in	44,836,893	44,836,893	22,581,482	22,255,411
Transfers out	(707,492)	(707,492)	(359,256)	(348,236)
Total other financing sources and uses	44,129,401	44,129,401	22,239,659	21,889,742
Net change in fund balances	351,175	96,289	1,200,935	(1,104,646)
FUND BALANCES - BEGINNING	12,571,553	12,571,553	12,571,553	-
Prior period adjustments	-	-	775	(775)
FUND BALANCES - ENDING	$ 12,922,728	$ 12,667,842	$ 13,773,263	$ (1,105,421)

CITY OF VANCOUVER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013

	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, cash equivalents and pooled investments	$ 61,579,594	$ 1,732,017	$ 15,470,169	$ 78,781,780	$ 32,950,873
Restricted cash, cash equivalents and investments:					
Cash and cash equivalents	5,575,944	-	-	5,575,944	-
Accrued interest receivable	9,438	-	-	9,438	-
Receivables (net)					
Accounts	4,492,460	444,687	42,282	4,979,429	579,314
Interest	104,900	2,951	26,312	134,163	56,102
Due from other funds	522,037	694	18,710	541,441	162,557
Interfund loan receivable	6,327	-	-	6,327	-
Due from other governmental units	91,711	-	310,435	402,146	64,353
Inventory	670,271	-	-	670,271	516,331
Capital assets held for resale	512,875	-	-	512,875	-
Prepaid expenses	-	-	-	-	100,000
Total current assets	73,565,557	2,180,349	15,867,908	91,613,814	34,429,530
Noncurrent assets					
Contracts receivable	3,843,356	-	-	3,843,356	-
Capital assets					
Land and improvements	29,567,942	468,657	484,202	30,520,801	-
Intangible - Easements	3,883,343	-	-	3,883,343	-
Construction in progress	6,105,294	-	129,313	6,234,607	159,016
Other improvements	508,687,404	49,165	2,369,305	511,105,874	-
Buildings	9,141,662	16,984,573	10,872,270	36,998,505	-
Intangible assets	8,341,534	128,712	1,603,368	10,073,614	-
Machinery and equipment	23,453,499	655,216	340,606	24,449,321	27,269,866
Accumulated depreciation	(245,836,936)	(10,104,331)	(7,042,095)	(262,983,362)	(21,721,335)
Capital assets (net)	343,343,742	8,181,992	8,756,969	360,282,703	5,707,547
Total noncurrent assets	347,187,098	8,181,992	8,756,969	364,126,059	5,707,547
TOTAL ASSETS	420,752,655	10,362,341	24,624,877	455,739,873	40,137,077
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	2,133,601	337,849	68,236	2,539,686	-
Total deferred outflows of resources	2,133,601	337,849	68,236	2,539,686	-
LIABILITIES					
Current liabilities					
Accounts payable	2,671,709	52,539	464,316	3,188,564	765,603
Claims and judgments payable	67,107	-	-	67,107	1,454,669
Environmental remediation	21,000	-	-	21,000	-
Due to other funds	77,738	1,654	190,189	269,581	41,453
Due to other governmental units	83,518	-	-	83,518	-
Accrued interest payable	212,684	59,048	5,168	276,900	-
Accrued liabilities	2,167,490	68,104	374,025	2,609,619	466,121
Custodial accounts	197,033	4,308	63,067	264,408	7,480
Unearned revenues	38,399	7,516	142,403	188,318	66
Bonds, notes and loans payable	9,095,000	745,000	335,168	10,175,168	-
Total current liabilities	14,631,678	938,169	1,574,336	17,144,183	2,735,392
Noncurrent liabilities					
Due to other governmental units	258,198	-	-	258,198	-
Bonds, notes and loan payable	43,254,290	10,601,150	992,729	54,848,169	-
Claims and judgments	-	-	-	-	1,698,860
Environmental remediation	399,000	-	-	399,000	-
Accrued employee benefits	355,030	9,356	56,088	420,474	67,415
Total noncurrent liabilities	44,266,518	10,610,506	1,048,817	55,925,841	1,766,275
Total liabilities	58,898,196	11,548,675	2,623,153	73,070,024	4,501,667
NET POSITION					
Net investment in capital assets	288,602,653	(3,502,007)	7,360,836	292,461,482	5,707,547
Restricted for capital purposes	1,951,381	-	-	1,951,381	150,000
Restricted for Debt	3,623,310	-	-	3,623,310	-
Unrestricted	69,810,716	2,653,522	14,709,124	87,173,362	29,777,863
TOTAL NET POSITION	$ 363,988,060	$ (848,485)	$ 22,069,960	$ 385,209,535	$ 35,635,410

CITY OF VANCOUVER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major Enterprise Funds		
	Water/Sewer	Parking Services		Total	Internal Service Funds
OPERATING REVENUES					
Intergovernmental	$ 366,407	$ -	$ 1,905	$ 368,312	$ 66,446
Charges for services	75,088,620	3,317	7,979,108	83,071,045	24,033,696
Fines and forfeitures	632,371	643,237	16,350	1,291,958	-
Rents and royalties	695,583	1,473,713	748,843	2,918,139	5,203,959
Miscellaneous	200,196	25,894	21,565	247,655	2,383
Total operating revenues	76,983,177	2,146,161	8,767,771	87,897,109	29,306,484
OPERATING EXPENSES					
Personnel services	17,290,818	676,361	3,626,016	21,593,195	3,778,511
Supplies and contractual services	18,333,330	389,130	2,073,447	20,795,907	21,826,695
Interfund services	8,285,532	485,955	1,358,484	10,129,971	1,960,658
Intergovernmental payments	16,736,644	17,918	62,731	16,817,293	99,081
Depreciation	12,272,884	864,981	320,338	13,458,203	2,016,169
Total operating expenses	72,919,208	2,434,345	7,441,016	82,794,569	29,681,114
Operating income (loss)	4,063,969	(288,184)	1,326,755	5,102,540	(374,630)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	288,347	-	27,458	315,805	37,661
State and federal grants	3,450	-	319,112	322,562	-
Interest and fiscal charges	(2,673,088)	(529,880)	(75,461)	(3,278,429)	-
Gain (Loss) on disposal of capital assets	-	891,965	-	891,965	64,620
Miscellaneous revenue (expense)	114,178	(81)	45,793	159,890	97,913
Total nonoperating revenues (expenses)	(2,267,113)	362,004	316,902	(1,588,207)	200,194
Income (loss) before contributions, transfers and special items	1,796,856	73,820	1,643,657	3,514,333	(174,436)
Capital contributions	9,872,909	-	-	9,872,909	67,660
Transfers in	4,131	1,245,540	129,814	1,379,485	7,800,000
Transfers out	(40,972)	-	(239,757)	(280,729)	-
Special item - Impairment of capital assets	(3,681,752)	-	-	(3,681,752)	-
Change in net position	7,951,172	1,319,360	1,533,714	10,804,246	7,693,224
TOTAL NET POSITION - BEGINNING, restated	356,152,931	(1,494,912)	21,327,519	375,985,538	27,951,214
Prior period adjustments	(116,043)	(672,933)	(791,273)	(1,580,249)	(9,028)
TOTAL NET POSITION - ENDING	$ 363,988,060	$ (848,485)	$ 22,069,960	$ 385,209,535	$ 35,635,410

CITY OF VANCOUVER

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended December 31, 2013

	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	$ 76,603,794	$ 1,894,608	$ 8,726,661	$ 87,225,063	$ 29,278,094
Cash received from other operating activities	200,196	9,284	21,530	231,010	1,836
Cash payments for goods and services	(34,263,064)	(393,152)	(2,598,309)	(37,254,525)	(21,552,977)
Internal activity - between funds	(8,084,917)	(494,819)	(1,472,172)	(10,051,908)	(2,236,237)
Cash payments to employees	(17,257,004)	(640,326)	(3,610,928)	(21,508,258)	(3,931,422)
Net cash provided by operating activities	17,199,005	375,595	1,066,782	18,641,382	1,559,294
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Principal paid on debt	-	(685,000)	-	(685,000)	-
Unrestricted gifts received	114,178	-	45,793	159,971	53,333
Receipt of grant funds	251,515	-	20,368	271,883	-
Payments to other governments	-	(231)	-	(231)	(1,105)
Transfers from other funds	4,131	1,245,540	129,120	1,378,791	7,800,000
Transfers to other funds	(40,972)	-	(239,757)	(280,729)	-
Net cash provided by noncapital financing activities	328,852	560,309	(44,476)	844,685	7,852,228
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Increase in receivables	(29,368)	-	-	(29,368)	-
Principal paid on capital debt	(11,264,434)	(651,889)	(320,420)	(12,236,743)	-
Interest paid on capital debt	(2,741,536)	(504,938)	(76,855)	(3,323,329)	-
Purchase of capital assets	(5,793,856)	-	(708,286)	(6,502,142)	(1,823,561)
Proceeds from sale of capital assets	-	1,255,965	-	1,255,965	141,240
Capital contributions	6,886,761	-	-	6,886,761	(9,873)
Net cash used by capital and related financing activities	(12,942,433)	99,138	(1,105,561)	(13,948,856)	(1,692,194)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings (losses)	213,237	(2,596)	10,485	221,126	(13,574)
Issuance of notes receivable	(209,589)	-	-	(209,589)	-
Loans made to others	3,000	-	-	3,000	-
Net cash provided by investing activities	6,648	(2,596)	10,485	14,537	(13,574)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,592,072	1,032,446	(72,770)	5,551,747	7,705,754
CASH AND CASH EQUIVALENTS - BEGINNING	62,563,466	699,571	15,542,939	78,805,976	25,245,119
CASH AND CASH EQUIVALENTS - ENDING	$ 67,155,538	$ 1,732,017	$ 15,470,169	$ 84,357,723	$ 32,950,873

CITY OF VANCOUVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major Enterprise Funds		
	Water/Sewer	Parking Services		Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash used by operating activities:					
Net operating income (loss)	$ 4,063,969	$ (288,184)	$ 1,326,755	$ 5,102,540	$ (374,630)
Adjustments to reconcile net operating income (loss) to net cash provided by operations:					
Depreciation expense	12,272,884	864,981	320,338	13,458,203	2,016,169
(Increase) Decrease in receivables	(189,010)	(241,505)	(6,561)	(437,076)	(72,057)
Increase (Decrease) in deposits	9,823	-	(7,858)	1,965	-
(Increase) Decrease in inventories	22,940	-	-	22,940	(829)
Increase (Decrease) in current payables	783,970	13,895	(411,825)	386,040	19,982
Increase (Decrease) in accrued liabilities	247,132	36,034	15,088	298,254	34,806
(Increase) Decrease in receivables from other funds	-	(644)	(887)	(1,531)	(63,089)
Increase (Decrease) in payables due to other funds	(12,703)	(8,219)	(163,109)	(184,031)	(171,097)
Increase (Decrease) in claims and judgments payable	-	-	-	-	170,039
Increase (Decrease) revenue collected in advance	-	(763)	(5,160)	(5,923)	-
Total adjustments	13,135,036	663,779	(259,973)	13,538,842	1,933,924
Net cash provided by operating activities	$ 17,199,005	$ 375,595	$ 1,066,782	$ 18,641,382	$ 1,559,294
Noncash investing, financing and capital activities					
Capital assets donated	$ 2,986,149	$ -	$ -	$ 2,986,149	$ 67,660
Net change in fair value of investments	$ (113,985)	$ (2,941)	$ (26,231)	$ (143,156)	$ (55,930)
Impairment of capital assets	$ (3,681,752)	$ -	$ -	$ (3,681,752)	$ -

CITY OF VANCOUVER

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

December 31, 2013

	Pension Trust Funds	Agency Funds
ASSETS		
Cash, cash equivalents and pooled investments	$ 6,810,051	$ 1,450,120
Investments: (at fair value)		
Federal Agency Coupon Securities	2,017,068	-
Receivables:		
Accounts	-	188,868
Interest	31,180	2,465
Due from other governmental units	-	1,800
Prepaid expenses	58,019	-
Property, plant, and equipment (net)	-	585,921
TOTAL ASSETS	8,916,318	2,229,174
LIABILITIES		
Accounts and accrued employee payables	15,396	181,408
Custodial accounts	-	14,330
Due to other governmental units	-	2,033,436
TOTAL LIABILITIES	15,396	2,229,174
NET POSITION		
Held in trust for Pension and OPEB Benefits	$ 8,900,922	$ -

CITY OF VANCOUVER

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Fiduciary Funds

For The Year Ended December 31, 2013

		Pension Trust Funds
Additions:		
Employer Contributions		
For pension benefits	$	1,256,490
For postemployment healthcare benefits		1,579,510
Other Sources		173,307
Total Contributions		3,009,307
Investment Income		
Interest earnings		32,729
Total Investment Income		32,729
Total Additions		3,042,036
Deductions:		
Pension benefits		675,927
Healthcare premium subsidies		1,579,510
Administrative expense		86,372
Total Deductions		2,341,809
Change in fiduciary net position		700,227
Net position - beginning		8,200,695
Net position - ending	$	8,900,922

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Discretely Presented Component Units:

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

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

On February 27, 2006, the Vancouver City Council passed Ordinance M-3739 creating the City Center Redevelopment Authority (CCRA). CCRA is chartered with facilitating the redevelopment of property thereby promoting economic growth and urban livability within the Vancouver City Center Vision plan area. The CCRA will complement the work of the Downtown Redevelopment Authority (DRA) which is limited by indenture for construction and operation of the Hotel and Convention Center project. The CCRA is an independent legal entity, and its financial activities will be reported as a discretely presented component unit of the City; however, there was no financial information to report for fiscal year ending December 31, 2013.

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

Governmental fund financial statements report the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Consolidated Fire Fund* accounts for money received and the expenditures made in providing fire services to the combined City and Fire District 5 service area. The significant resources accounted for in this fund are intergovernmental revenue from Fire District 5, charges for services, licenses and permits and an operating transfer from the City's General Fund

The *Transportation Capital fund* was established to account for all capital projects in the transportation department. The significant resources accounted for in this fund are grants and developer contributions and operating transfers from bond proceeds or other special revenue sources.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Cash and Cash Equivalents

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

Statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. Agencies, and instrumentalities, banker's acceptances, repurchase agreements, and the state treasurer's investment pool. The City is also authorized to enter into reverse repurchase agreements, but did not participate in these investments during 2013. The Pension Trust Fund is also authorized to invest in corporate bonds rated "A" or better by Standard & Poor's Corporation, or "A" or better by Moody's Bond Ratings. Since the City maintains an internal investment pool, regulatory oversight is performed by the CFO, the Treasurer, and the Treasury accountant. Since the City is a governmental unit, at this point, no other type of regulatory oversight is required.

Investments for the City, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. As of December 31, 2013, the City had $98,888,379 in the Washington State local investment pool and $48,684,594 in the Clark County Local Government Investment Pool, which were both classified as cash equivalents. Interest on these investments are prorated to the various funds.

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

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

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

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

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

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

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

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

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

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

3. Inventories and prepaid items

The inventory carried by the Water/Sewer Fund is valued at average cost. A cycle count protocol is used to verify inventory amounts throughout the year and at year end.

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

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

4. Restricted assets

These accounts contain resources for construction and debt service in enterprise funds. Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they may be maintained in separate bank accounts and their use is limited by applicable bond covenants. The restricted assets of the enterprise funds consists of $5,575,944 which is cash and investments held for debt service.

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

5. Capital assets

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

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

The cost for normal maintenance and repairs are not capitalized.

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

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

Asset Category	**Useful Life**
Buildings	40
Infrastructure	15-40
Structures	20
Leasehold Improvements	5
Utility Improvements	5-60

Other Improvements	5-30
Rolling Stock	5-15
Information Tech Equipment	4
Equipment	5-15
Software (Intangibles)	5

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

Easements with indefinite lives are considered non-depreciable assets. Other intangible assets with limited useful lives will be depreciated.

6. Compensated absences

City employees can accumulate a certain amount of earned but unused vacation and sick leave benefits. All vacation pay is accrued when incurred in the governerment-wide, proprietary and fiduciary fund financial statements. The City also reports a liability for sick leave accrual earned by certain employees. See Note IV. E.2, for more information.

7. 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.

8. Unearned revenues

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

9. 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.

10. Net position and fund balances

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

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

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

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

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

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

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

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

Fund balance is reported as ***Committed*** for amounts that can be used only for specific purposes as determined by a formal action of the City Council, the City's highest level of decision-making authority. City Council can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken (the adoption of another ordinance or resolution) to remove or revise the limitation.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as ***Assigned*** fund balance. The City has not established a policy regarding the assignment of funds, so this category of fund balance represents the residual amounts not otherwise reported as non-spendable, restricted, or committed in governmental funds outside of the General Fund.

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

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

E. ADOPTION OF NEW GASB PRONOUNCEMENTS

For the fiscal year ended December 31, 2013, the City implemented the following GASB Pronouncements

GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*

Issued November 2010, the objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GABS Statements No. 14 and No. 34 were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statement. There is no material impact to the City for implementing the standard.

GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*

Issued in March 2012, this statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The deferred inflows and outflows of resources are reflected in the financial statement presentation.

The City restated the beginning net position of the Statement of Activities, for the write-off of bond issuance costs, as follows:

Governmental Activities	($ 944,021)
Business-Type Activities	($ 786,729)
Vancouver Downtown Redevelopment Authority, a component unit	($4,213,153)

The City restated the beginning net position of the Statement of Revenues, Expenses and Changes in Net Position, for the write-off of bond issuance costs, as follows:

Water/Sewer	($635,153)
Parking	($130,583)
Other Non-major Enterprise Funds	($ 20,993)

GASB Statement No. 66 *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*

Issued in March 2012, the objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity resolving conflicting guidance that resulted from the issuance of two pronouncements. There is no material impact to the City for implementing the standard.

F. FUTURE ADOPTION OF GASB PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at December 31, 2013:

- GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*
- GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*
- GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
  GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68

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

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

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

The governmental fund balance sheet includes reconciliation between *fund balances—total governmental* funds and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds Payable	$	93,479,010
Less: Deferred charge on refunding (to be amortized as interest expense)		(2,143,047)
Less: Issuance discount (to be amortized as interest expense		(16,028)
Plus: Issuance premium (to be amortized as interest income)		3,341,406
Accrued interest payable		418,181
Government loans		6,933,118
Special assessment debt		6,326
Net OPEB obligation		5,990,931
Compensated absences for non-Internal Service Funds		6,937,501
Impact fee credits		11,515,979
Net adjustment to reduce fund balance-total government funds to arrive at net position-governmental activities	$	126,463,377

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

Earned but unavailable revenues	$	3,180,666
Investments in joint ventures		3,557,978
Net pension asset		6,792,077
Net adjustment to increase fund balance - total governmental funds to arrive at net position - govermental activities	$	13,530,721

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	$	24,542,969
Depreciation expense		(19,835,432)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	4,707,537

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

Earned Taxes	$	(142,714)
Earned Special Assessments		62,414
Earned Revenue considered unavailable at fund level		770,204
Miscellaneous Revenues related to Joint Venture		1,548,719
Contributions related to Impact Fee Credits		421,638
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	2,660,261

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

Debt issued or incurred	$	(1,496,000)
Principal repayments:		
General obligation debt		7,246,470
Governmental loans		116,471
Special assessment debt		3,000
Net adjustment to decrease net changes in fund balance-total governmental funds to arrive at changes in net position of governemental activities	$	5,869,941

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details are as follows:

Compensated absences	$	848,828
Pension and OPEB cost		(100,426)
Accrued interest		(47,359)
Amortization of deferred amount on refunding		(333,570)
Amortization of bond discounts/premiums		409,727
Net adjustment to increase *net changes in fund balances—total governmental funds* to arrive at *changes in net position of governmental activities*	$	777,200

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

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

Year 2013 is the first year of the 2013-2014 Biennium.

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

The calendar below outlines the general time frame followed to prepare, review and adopt 2013-2014 Biennial Budget.

January-March 2012

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

April-June 2012

- Prepared the preliminary revenue and expenditure forecast for 2013-2018.
- Identified the direction of the budget process and outlined specific guidelines for departmental submission.
- The budget direction anticipated the need to take further budget reductions.
- Utilized a variation of the Budgeting by Priorities approach to prioritize all city programs.
- Utilized a large scale community involvement program to provide an educational opportunity and to solicit input on prioritization of City services and City's Strategic Commitments.
- Utilized community input in preparation of the budget reduction proposals city-wide. The 2013-2014 budgeting process utilized a collaborative process that took into account program prioritization city-wide and focused on service level reductions in lower priority programs.

July-September 2012

- Reviewed the departmental proposals and prepared budget recommendations for the City Manager.
- Held televised workshops with City Council to review:
    - The budget process and provided a budget reductions overview.
    - The 2013-2018 revenue and expenditure forecast.
    - Input from the public on priority of City services and programs.

October-November 2012

- The City Manager's Preliminary Recommended budget was published for public and Council review.
- Filed the City's Preliminary Budget with the City Clerk and made copies available to the public.
- Presented the Preliminary Recommended Budget to City Council in televised workshop sessions and provided Council members with detailed information on the proposed budget.
- A public hearing on the Recommended Budget and related ordinances for fee increases was held on November 1st of 2012.

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

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City has not excess of expenditures over appropriations as of December 31, 2013.

C. DEFICIT NET POSITION/NET FUND BALANCE

At December 31, 2013, the Parking Services fund had a deficit in the fund net position of $848,485. 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, 2013 was $864,981. During 2013, one parking garage was sold and certain debt amounts were repaid. The City continues to make efforts to increase collection efforts by seeking judgments from delinquent payers. In addition, the City notifies the Department of Licensing of repeat offenders ("scofflaw" accounts with three or more unpaid citations). Those affected will be unable to renew their vehicle registration without payment in full.

At December 31, 2013, Vancouver Downtown Redevelopment Authority (DRA), a component unit of the City, had a deficit in the fund net position of $19,734,578. 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 and accumulated amortization of deferred charges, both of which are non-cash items. Additionally, the economic environment has had a negative impact on the convention and lodging business since the beginning of the great recession, and this is also reflected in the net position change. Deep cost-cutting measures have been put in place. The Board and the management of the DRA as well as the project monitor activities monthly. A series of revenue generating guidelines and on-going expense reductions have been implemented.

NOTE IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

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

Notes		
Investments	$	250,480,522
Deposits		(252,861)
Deposits w/fiscal agent, escrow, trust		9,418,489
Total	$	259,646,150
Financial Statements		
Cash and cash equivalents	$	239,704,973
Cash and cash equivalents – component units		214,332
Cash with fiscal agent/trustee		2,407,809
Cash with fiscal agent/trustee – component units		7,041,797
Fiduciary cash		8,260,171
Fiduciary investments		2,017,068
Total	$	259,646,150

1. Deposits

At year-end, the City's carrying amount of deposits was negative ($252,861) and bank balance was positive $2,567,534. The cash balance in the general ledger overall was negative at the end of the year due to unplanned expenditures being posted, however the balance at the bank was positive due to outstanding unredeemed checks. The Federal Deposit Insurance Corporation (FDIC) provides unlimited insurance for the City's non-interest bearing deposits and up to $250,000 insurance on interest bearing deposit and investments through December 31, 2013. All deposits and bank balances not covered by FDIC are covered under the State of Washington Public Deposit Protection Commission Act of 1969. As of June 30, 2009, the State of Washington Public Deposit Protection Commission Act of 1969 was amended to require all public depositories within the State of Washington to fully collateralize their uninsured public deposits at 100%.

2. Investments

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

As of December 31, 2013 the fair value of the City's investment portfolio was $250,480,522 of which $2,017,067 was invested on behalf of the Firemen's Pension Fund, and $248,463,455 was invested in the City's Internal Investment Pool for the benefit of all funds. Investments of pension funds are not subject to the preceding limitations under state law.

As of December 31, 2013, the City had the following investments:

Investment Type		Fair Value (in thousands)	Weighted Average Maturity (Years)
Federal Agency Coupon Securities	$	80,129	0.54
Corporate Bond		1,015	0.65
Municipal Bonds		21,763	0.61
Washington State Investment Pool		98,888	0.11
Clark County Investment Pool		48,685	0.25
Total Fair Value	$	250,480	
Portfolio Weighted Average Maturity			0.92

* 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 2 years.

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

To limit risk, Washington State law and the City of Vancouver's investment policy limits the amount of the portfolio invested in commercial paper, banker's acceptances, and corporate bonds. It is the City's policy to limit its credit risk by only investing in commercial paper or banker's acceptances with a credit rating of A1 or P1, and investing in corporate bonds for the pension fund, with a credit rating of "A" or better (or equivalent) by nationally recognized statistical rating organizations. The ratings of debt securities as of December 31, 2013 are:

Fannie Mae (Federal National Mortgage Association)	Aaa
Freddie Mac (Federal Home Loan Mortgage Corporation)	Aaa
Federal Home Loan Bank	Aaa
Federal Farm Credit Bank	Aaa

Concentration of credit risk: Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places limits on the amount it may invest in any one issuer depending on the security type of the investment. At the end of 2013, the City's portfolio had the following concentration of securities in it: 6.0% of Federal Home Loan Bank, 11.5% of Federal National Mortgage Association, 4.0% of Federal Farm Credit Bank, and10.6% 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, 2013 is as follows:

		Restated Beginning Balance 01/01/13		Increases		Decreases		Ending Balance 12/31/13
Governmental activities:								
Capital assets, not being depreciated								
Land	$	63,464,008	$	2,113,337	$	182,191	$	65,395,154
Intangible - Easements		8,048,566		19,539	-	-		8,068,105
Construction in progress		46,003,423		37,511,762		31,814,225		51,700,960
Total capital assets, not being depreciated		117,515,997		39,644,638		31,996,416		125,164,219
Capital assets, being depreciated/depleted:								
Cemetery land		1,101,047		-		-		1,101,047
Buildings		117,439,355		24,815		-		117,464,170
Machinery and equipment		48,865,781		3,180,035		1,931,830		50,113,986
Infrastructure		546,885,461		32,725,901		-		579,611,362
Intangible		7,333,388		1,000,222		-		8,333,610
Total capital assets being depreciated/depleted		721,625,032		36,930,973		1,931,830		756,624,175
Less accumulated depreciation for:								
Cemetery land		718,653		1,615		-		720,268
Buildings		28,063,222		3,041,420		-		31,104,642
Machinery and equipment		34,791,031		3,353,830		1,745,837		36,399,024
Infrastructure		174,418,141		15,321,605		-		189,739,746
Intangible		6,713,022		133,131		-		6,846,153
Total accumulated depreciation		244,704,069		21,851,601		1,745,837		264,809,833
Total capital assets, being depreciated, net		476,920,963		15,079,372		185,993		491,814,342
Governmental activities capital assets, net	$	594,436,960	$	54,724,010	$	32,182,409	$	616,978,561

		Restated Beginning Balance 01/01/13		Increases		Decreases		Ending Balance 12/31/13
Business-type activities:								
Capital assets, not being depreciated:								
Land	$	30,146,794	$	738,006	$	363,999	$	30,520,801
Intangible - Easements		2,346,345		1,536,998	-	-		3,883,343
Construction in progress		12,209,588		5,478,643		11,453,624		6,234,607
Total capital assets, not being depreciated		44,702,727		7,753,647		11,817,623		40,638,751
Capital assets, being depreciated:								
Buildings and system		39,017,604		-		2,019,099		36,998,505
Infrastructure		502,903,915		8,201,959		-		511,105,874
Machinery and equipment		24,820,853		192,112		563,644		24,449,321
Intangible		9,175,273		898,341		-		10,073,614
Total capital assets, being depreciated		575,917,645		9,292,412		2,582,743		582,627,314
Less accumulated depreciation for:								
Buildings and system		19,586,275		1,313,232		2,019,098		18,880,409
Infrastructure		202,491,878		11,060,815		-		213,552,693
Machinery and equipment		21,152,640		972,417		563,645		21,561,412
Intangible		8,877,109		111,739		-		8,988,848
Total accumulated depreciation		252,107,902		13,458,203		2,582,743		262,983,362
Total capital assets, being depreciated, net		323,809,743		(4,165,791)		-		319,643,952
Business-type activities capital assets, net	$	368,512,470	$	3,587,856	$	11,817,623	$	360,282,703

The beginning balance of the Governmental and Business-type activities were restated as described in Note V.I. Prior Period Adjustments. The Governmental Construction in progress at December 31, 2012, was reported as $45,961,147 and restated at January 1, 2013, to $46,003,423. The Governmental Machinery and Equipment at December 31, 2012 was reported as $49,106,387 and was restated at January 1, 2013 to $48,865,781. The Governmental accumulated depreciation at December 31, 2012 for Cemetery Land, was $717,486 and was restated at January 1, 2013 to $718,653 and for Machinery and Equipment was reported as $35,052,046 and was restated at January 1, 2013 to $34,791,031.

The Business-type Construction in progress at December 31, 2012 was reported as $12,420,418. This amount has been restated to $12,209,588 as of January 1, 2013, which reflects a decrease of $210,830. In addition, Construction in progress recorded an impairment of $3,681,752, which has been included in the $11,453,624 decreases column. The Business-type accumulated depreciation for Buildings and Systems at December 31, 2012, was reported at $18,930,068 and restated at January 1, 2013, to $19,586,276.

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

Governmental Activities:		
General government	$	793,715
Security of persons & property		1,923,404
Transportation, including depreciation of general infrastructure assets		14,211,016
Physical Environment		3,293
Economic Environment		710,723
Culture and recreation		2,193,281
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets		2,016,169
Total depreciation expense — Governmental Activities	$	21,851,601

Business-type Activities:		
Water/Sewer	$	12,272,884
Airpark		208,032
Building Inspection		79,771
Sanitation		10,216
Parking		864,981
Tennis Center		22,319
Total depreciation expense — Business-type Activities	$	13,458,203

Component Units

A summary of capital asset activity for component units for the year ended December 31, 2013 is as follows:

	Beginning Balance 01/01/13	Increases	Decreases	Ending Balance 12/31/13
Vancouver Downtown Redevelopment Authority				
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	$ -	$ 202,315	$ 200,813	$ 1,502
Capital assets, being depreciated:				
Buildings and system	$ 51,605,004	$ -	$ -	$ 51,605,004
Machinery and equipment	6,453,795	200,813	-	6,654,608
Total capital assets, being depreciated	58,058,799	200,813	-	58,259,612
Less accumulated depreciation for:				
Buildings and system	9,460,917	1,290,125	-	10,751,042
Machinery and equipment	6,006,734	142,444	-	6,149,178
Total accumulated depreciation	15,467,651	1,432,569	-	16,900,220
Total capital assets, being depreciated, net	42,591,148	(1,231,756)	-	41,359,392
Business-type activities capital assets, net	$ 42,591,148	$ (1,029,441)	$ 200,813	$ 41,360,894
Vancouver Public Facilities District				
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 3,603,691	$ -	$ -	$ 3,603,691

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, 2013:

	Due from Other Funds	Due to Other Funds
Governmental Activities		
General Fund	$ 194,021	$ 472,188
Consolidated Fire Funds	8,926	566
Transportation Capital	487,594	20,000
Non-Major Governmental Funds	101,108	691,859
Subtotal Governmental Activities	791,649	1,184,613
Internal Service Funds	162,557	41,453
Governmental Activities	954,206	1,226,066
Business Activites		
Water/Sewer	522,037	77,738
Parking Services	694	1,654
Non-Major Business Type Activities	18,710	190,189
Subtotal Business Activities	541,441	269,581
Total Government Wide	$ 1,495,647	$ 1,495,647

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	Transp Capital	Non-Major Govt Funds	Water Sewer	Non-Major Enterprise Funds	Total
General Fund	$ -	$	$	$ 148,669	$ 40,972	$ 143,081	$ 332,722
Consolidated Fire	22,581,482	-	-	-	-		22,581,482
Transp Capital	265,934	-	-	9,799,216	-	-	10,065,150
Non-Major Govt Funds	17,828,946	359,256	19,905	6,239,943		92,545	24,540,595
Water/Sewer	-					4,131	4,131
Parking Services	1,245,540	-	-	-	-	-	1,245,540
Enterprise Funds	129,814	-	-	-	-	-	129,814
Internal Service Funds	7,800,000						7,800,000
Total	$ 49,851,716	$ 359,256	$ 19,905	16,187,828	$ 40,972	$ 239,757	$ 66,699,434

There were no significant transfers made during 2013 that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

D. LEASE AGREEMENTS

1. Operating Leases

The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in City's statement of net position. For the year ended December 31, 2013, the costs for such leases were $1,071,905 and $706,369 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, 2013

	Governmental Activities	Business-type Activities
2014	$ 182,482	$ 4,800
2015	187,742	4,800
2016	193,155	2,800
2017	198,725	-
2018	204,455	
2019-2023	793,810	-
2024-2028	591,248	-
2029-2033	677,141	-
2034-2038	73,401	-
	$ 3,102,159	$ 12,400

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 2014 and 2058.

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

	Governmental Activities
2014	$ 1,326,045
2015	1,157,906
2016	966,949
2017	623,691
2018	264,921
2019-2023	219,977
2024-2028	112,542
2029-2033	112,540
2034-2038	112,537
2039-2043	112,537
2044-2048	112,537
2049-2053	112,537
2054-2058	67,526
	$ 5,302,245

E. LONG-TERM DEBT

1. BONDS AND DEBT:

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds have been issued for both governmental and business-type activities.

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

Name of Issuance	Purpose	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2002 LTGO Bond	Governmental Activities & Refunding	$ 39,365	10/23/2002	12/1/2018	2%-5.25%	$ 14,750
2005 LTGO Bond	Governmental Activities & Refunding	18,090	7/15/2005	12/1/2026	3%-5%	11,885
2006 LTGO Bond	Governmental Activities	14,785	10/11/2006	12/1/2025	3.75%-5%	11,200
2008 LTGO Bond	Governmental Activities	14,570	6/30/2008	12/1/2027	3.5%-5%	10,635
2009 LTGO Bond	Governmental Activities	12,970	6/1/2009	12/1/2028	3.5%-5%	10,725
2010 LTGO Bond	Governmental Activities	13,410	12/1/2010	12/1/2035	2.0%-5.125%	11,410
2011 LTGO Bond	Governmental Activities	10,515	6/1/2011	12/1/2035	2.0%-5.125%	9,925
2012A LTGO Bond	Govermental Activities Refunding	15,945	1/12/2012	12/1/2029	2.0%-3.75%	15,830
2012B&C LTGO Bond	Govermental Activities Refunding	9,515	12/12/2012	12/1/2025	0.61%-2.89%	9,465
Total General Obligation Bonds		$ 149,165				$ 105,825

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
2014	$ 7,550	$ 4,153	$ 11,703	$ 1,080	$ 442	$ 1,522
2015	7,872	3,828	11,700	1,133	387	1,520
2016	7,319	3,465	10,785	1,181	329	1,510
2017	6,663	3,112	9,775	922	269	1,191
2018-2022	26,550	11,568	38,118	4,865	799	5,664
2023-2027	24,285	6,051	30,336	3,165	180	3,345
2028-2032	9,285	1,962	11,247	-	-	-
2033-2035	3,955	387	4,342	-	-	-
	$ 93,479	$ 34,526	$ 128,005	$ 12,346	$ 2,406	$ 14,752

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, 2013 the remaining non-voted and voted remaining capacity for indebtedness was $146,761,835 and $143,261,778 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%	$ 1,514
Section 108 HUD Loan	Governmental-Type Activities	5,419	7/7/2010	8/1/2015	3-month LIBOR plus 20 bp	5,419
Dept of Ecology Revolving Fund Loan	Business-Type Activites	381	1/11/2010	12/31/2017	1.5%	342
		$ 8,000				$ 7,275

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
2014	116	33	149	84	5	88
2015	5,535	37	5,572	85	4	88
2016	116	6	123	86	2	88
2017	116	6	122	87	1	88
2018-2022	582	20	603	-	-	-
2023-2026	466	6	472	-	-	-
	$ 6,933	$ 108	$ 7,041	$ 342	$ 12	$ 353

The Section 108 Loan was approved for a total of $6.8 million, however through the 12/31/13 only $5,419,000 was drawn down on the loan, and no additional draws can be requested. The loan has quarterly interest-only payments, with the total principal balance due on August 1, 2015. The Washington State Department of Ecology loan is authorized for $1.1 million. As of December 31, 2013, only $381,218 was expended. City staff has determined that no additional draws will be drawn. This loan was finalized in 2013 and the first payment was paid in 2013. The loan will have even payments due twice per year through 2017.

At December 31, 2013, the City had $0 available in debt service fund balance. Several other funds are responsible for payment of the GO bonded debt. Through the budget appropriation process, arrangements are made for transfers from those funds to the debt service funds prior to payment of the debt.

Special Assessment Debt

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

Name of Issuance	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
Assessment Notes Receivable	$ 213	8/31/1996	8/31/2016	6.75%	$ 6
Total Assessment Debt	$ 213				$ 6

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

	Governmental Activities		
	Principal	Interest	Total Requirements
2013-2016	$ 6	$ 1	$ 7
Total	$ 6	$ 1	$ 7

The Local Improvement District Debt Service Fund and the Local Improvement District Guaranty Debt Service Fund have $1,236 and $1,118 respectively, to service the local improvement district bonds.

Revenue Bonds

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

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

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%	20,225
2005 Water Sewer Refunding	42,520	4/4/2005	6/1/2018	3%-5.5%	21,630
2008 Water Sewer Refunding	20,230	6/3/2008	6/1/2016	3.25%-5%	8,135
Total Revenue Bonds	$ 89,000				$ 49,990

Business Type Activities:

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

	Principal	Interest	Total Requirements
2014	9,095	2,331	11,426
2015	9,550	1,868	11,418
2016	10,045	1,369	11,414
2017-2020	21,300	1,875	23,175
	$ 49,990	$ 7,443	$ 57,433

The reserve and redemption accounts of the Water/Sewer enterprise funds have $3,630,830 available to service the revenue debt, plus the city has purchased surety dollars in addition to meet debt service reserve requirements.

Water/Sewer revenue bond covenants require that revenue available for debt service (defined as operating and non-operating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.3 to 1. The City remains in compliance with that provision with a current ratio of 2.24 to 1 coverage. There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Advance Refunding

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase US Government securities that were placed in the trust funds. The investments and fixed earnings from the investments were sufficient to fully service the defeased debt until the debt was called or matured. For financial reporting purposes, the debt was removed as a liability from the Governmental Activities column of the Statement of Net Position. All outstanding defeased bonds were called and paid off in 2013.

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, 2013, the recorded liability for compensated absences amounted to $9,432,970 with $7,330,598 recorded in governmental activities and $2,102,372 recorded in business-type activities. City employees receive personal time off (PTO), vacation and sick leave time at monthly rates established by City ordinance or union agreement. PTO is accrued semi-monthly by employees at an annual rates ranging from 22.5 to 39.5 days depending upon tenure. Vacation is accrued semi-monthly by employees at annual rates ranging from 15 to 35 days depending upon tenure and union agreements. Accumulated PTO and vacation carryover between years is limited to twice an employee's current year accrual. Sick leave accruals vary, depending upon union agreement, between 10 and 24 hours per month. City Policy and all contracts provide for a pay off of sick leave in some instances. Employees who are not covered by contract and were age 50 or who had more than 14 years of service as of January 1, 1980 may qualify for payoff of up to 50% of their sick leave balance at retirement. Employees who are covered by either the Joint Labor Coalition, AFSCME or OPEIU contracts and were hired prior to January 1, 1980 may qualify for 50% payoff of their sick leave balance at retirement. Employees covered under law enforcement contracts and who were hired prior to January 1, 1981, and employees covered by fire suppression and command contracts and who were hired prior to January 1, 1983, may qualify for 50% payoff of their sick leave balance at retirement, or 25% upon leaving the employer in good standing for reasons other than retirement. For the governmental activities, compensated absences are generally liquidated by operating funds, such as the General Fund and Consolidated Fire funds.

Impact Fee Credits

In 1995, the City of Vancouver adopted an impact fee ordinance to ensure that adequate facilities are available to serve new growth and development. An impact fee is charged at the issuance of a building permit. In addition, the developer may be entitled to a non-refundable "credit" against the applicable impact fee component for the fair market value of appropriate dedications of land, improvements or new construction of system improvements provided by the developer. In the event that the amount of the "credit" is calculated to be greater than the amount of the impact fee due, the developer may apply the excess "credit" toward future impact assessment on other developments within the same service district. As of December 31, 2013, the amount of credits that may be applied against future impact fees is $11,515,979. This is recorded as a governmental activity in the Government-wide Financial Statements.

3. CHANGES IN LONG TERM LIABILITIES:

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

Governmental activities	Beginning Balance 1/1/13	Additions	Reductions	Ending Balance 12/31/13	Due Within One Year
Bonds payable:					
General obligation bonds	$ 100,725	$ -	$ 7,246	$ 93,479	$ 7,550
Less deferred amounts					
For issuance premiums	3,754	-	413	3,341	413
For issuance discounts	(19)	-	(3) #	(16)	(3)
On refunding	(2,476)	-	(333)	(2,143)	(333)
Total bonds payable	101,984	-	7,323	94,661	7,627
Special assessment debt with governmental commitment	9	-	3	6	3
Government loans	5,554	1,496	117	6,933	116
Claims and judgements (See Note V.D for details)	2,984	2,944	2,774	3,154	1,455
Net OPEB Obligation (See Note V.G for details)	4,817	2,750	1,576	5,991	-
Compensated absences	8,155	5,699	6,524	7,330	5,876
Impact Fee Credit	11,938	1,078	1,500	11,516	1,440
Governmental activity long term liabilities	$ 135,441	$ 13,967	$ 19,817	$ 129,591	$ 16,517

Business-type activities	Beginning Balance 1/1/13	Additions	Reductions	Ending Balance 12/31/13	Due Within One Year
Bonds payable					
General obligation bonds	$ 13,375	$ -	$ 1,029	$ 12,346	$ 1,080
Revenue bonds	61,140	-	11,150	49,990	9,095
Less deferred amounts					
For issuance premiums (discounts)	3,244	-	556	2,688	563
On refunding	(3,053)	-	(513)	(2,540)	(513)
Total bonds payable	74,706	-	12,222	62,484	10,225
Government loans	356	25	39	342	84
Environmental remediation (See Note V.H for details)	420	21	21	420	21
Compensated absences	1,852	1,732	1,482	2,102	1,682
Business-type activity long term liabilities	$ 77,334	$ 1,778	$ 13,764	$ 65,348	$ 12,012

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 $393,097 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.

In connection with the issuance of the 2013 Revenue Refunding Bonds, the DRA Conference Center Project Subordinate Revenue Bonds, Series 2003B, were outstanding in the amount of $2,420,000 which included accreted interest only, but excluded accrued and unpaid current interest. On June 27, 2013, the DRA purchased and the subordinate bondholder sold the Series 2003B bonds for a purchase price of $450,000. On July 30, 2013, the DRA cancelled the 2003B bonds and this series is no longer outstanding.

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

Outstanding DRA Revenue Bond Debt

Name of Issuance	Original Debt in $1,000	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2003 DRA Conference Center Project Senior Revenue Bonds (Series 2003A)	$ 65,855	12/30/2003	1/1/2033	TIC 5.642%	$ -
2003 DRA Subordinate Revenue Bonds (Series 2003B)	$ 2,420	12/30/2003	1/1/2034	9%	$ -
2013 DRA Conference Center Project Refunding Revenue Bonds	$ 41,185	6/27/2013	1/1/2044	4.38%	$ 41,185
2013 DRA Conference Center Project Sales & Lodging Tax Refunding Revenue Bonds	$ 18,045	6/27/2013	1/1/2034	4.05%	$ 18,045
Total Revenue Bonds	$ 127,505				$ 59,230

At the end of 2012, the DRA had $63,855,000 outstanding in revenue bonds. $750,000 was paid on 1/1/2013 for the annual principal payment, and the remaining balance of $63,105,000 was refunded on 6/27/2013. The following table describes the sources and uses associated with the refunding.

2013 DRA Revenue Refund Bonds
Sources and Uses

Sources		
Par Value (Project Bonds)	$	41,185,000
Par Value (Tax Revenue Bonds)		18,045,000
Plus: Net Original Issue Premium (Project Bonds)		25,808
Plus: Net Original Issue Premium (Tax Revenue Bonds)		583,387
ACA Contribution (Note payable to ACA)		4,000,000
Senior Debt Service Reserve Account (from 2003A Series)		4,070,000
Debt Service Fund (from 2003A Series)		150,000
Total Sources	$	68,059,195
Uses		
Distribution to Trustee to refund the 2003A Series bonds	$	66,542,643
Underwriter Discount		726,160
Distribution to Trustee to pay the cost of issuance		790,392
Total Uses	$	68,059,195

In order to make the 2013 refunding economically viable, ACA contributed $4,000,000 to the Authority, $1,430,554.61 of which is in consideration of the execution of a Note issued by the Authority to ACA, and the balance of which is in consideration for the elimination of any exposure ACA may have in respect to the Series 2003A Bonds. This Note is subordinate to the Project Revenue and Tax Revenue Bonds. There is a note associated with this contribution. Depending on the cash flows of the project, payments may start on 1/1/2033. In addition to the ACA contribution, cash on hand from the Senior Debt Service Reserve account, and the Debt Service Fund available for the 2003A Series debt service was contributed to this refinancing to reduce the overall amount of debt that had to be issued. The following summary reflects the economic benefit of the refunding:

DRA Conference Center Bonds
Comparison of Debt Service

Date		2003A Debt Service		2013 Debt Service (Both Series Combined)		Savings
Total	$	113,749,962.50	$	104,225,838.05	$	9,524,124.45

Average coupon of refunded bonds 5.565288%

True interest cost on refunding bonds 4.423906%

Net PV Savings $7,574,223.00

Percentage savings of refunded bonds 12.002572%

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
2014	$ -	$ 1,817,232	$ 1,817,232	$ -	$ 806,462	$ 806,462
2015	-	1,797,263	1,797,263	-	797,600	797,600
2016	170,000	1,794,713	1,964,713	730,000	786,650	1,516,650
2017	290,000	1,787,813	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
2019-2023	4,535,000	8,456,688	12,991,688	5,680,000	2,883,500	8,563,500
2024-2028	5,900,000	7,190,813	13,090,813	6,915,000	1,380,950	8,295,950
2029-2033	7,315,000	5,770,725	13,085,725	2,500,000	438,700	2,938,700
2034-2038	8,960,000	4,078,131	13,038,131	565,000	13,675	578,675
2039-2043	11,120,000	1,865,700	12,985,700	-	-	-
2044	2,535,000	57,038	2,592,038	-	-	-
	$ 41,185,000	$ 36,394,179	$ 77,579,179	$ 18,045,000	$ 8,601,662	$ 26,646,662

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
2014	$ -	$ -	$ -
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019-2023	-	-	-
2024-2028	-	-	-
2029-2033	21,055	18,158	39,213
2034-2038	370,772	372,135	742,907
2039-2043	812,798	997,628	1,810,426
2044	225,929	304,686	530,615
	$ 1,430,554	$ 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):

	Restated, Beginning Balance 1/1/13	Additions	Reductions	Ending Balance 12/31/13	Due Within One Year
Bonds payable:					
Revenue bonds	$ 66,275	$ 59,230	$ 66,275	$ 59,230	$ -
Less deferred amounts					
For issuance premiums (discounts)	325	609	339	595	29
On refunding	-	(1,426)	(35)	(1,391)	(70)
Due to other governments	5,515	1,107	356	6,266	-
Total bonds payable	72,115	59,520	66,935	64,700	(41)
Other long-term loans and notes	0	1,431	-	1,431	-
Subordinate bond interest	871	106	977	-	-
Subordinate management fee (see note V.B.3 for more detail)	922	156	54	1,024	-
Component units long term liabilities	$ 73,908	$ 61,213	$ 67,966	$ 67,155	$ (41)

The beginning balance of the amounts Due to other governments has been restated by $195,799 due to the timing of recognizing the obligation.

F. FUND BALANCE REPORTING

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

Categories of fund balance:

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

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

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

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

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

Fund balances by classification for the year ended December 31, 2013 are as follows:

Fund Balance Classifications:	General Fund	Consolidated Fire Fund	Transportation Capital	Non-major Governmental Funds	Total Governmental Funds
Nonspendable					
Long Term Notes Receivable	$ -	$ -	$ 97,393	$ 5,127,661	$ 5,225,054
Inventory/Prepaid	-	-	-	7,192	7,192
Capital assets held for resale	228,400	-	-	5,529,135	5,757,535
	228,400	-	97,393	10,663,988	10,989,781
Restricted					
Grants received in advance	241,331	-	-	-	241,331
Capital purposes	-	-	2,203,474	23,291,605	25,495,079
Economic development	-	-	-	1,280,106	1,280,106
Security	-	13,773,263	-	1,520,941	15,294,204
Debt Service	-	-	-	5,288	5,288
Culture and recreation	-	-	-	28,006	28,006
	241,331	13,773,263	2,203,474	26,125,946	42,344,014
Committed					
Capital purposes	882,780	-	851,105	1,596,071	3,329,956
Emergency reserves	10,101,499	-	-	-	10,101,499
Revenue Stablization	3,226,255	-	-	-	3,226,255
Working capital	26,885,459	-	-	-	26,885,459
Economic development	-	-	-	708,184	708,184
Cemetary	-	-	-	418,312	418,312
Transportation Operations	-	-	-	7,175,367	7,175,367
	41,095,993	-	851,105	9,897,934	51,845,032
Assigned					
Grants	255,000	-	-	-	255,000
Capital purposes	-	-	-	267,393	267,393
Economic development	-	-	-	2,870,838	2,870,838
Compensated absences	3,893,166	-	-	-	3,893,166
	4,148,166	-	-	3,138,231	7,286,397
Unassigned	13,042,935	-	-	-	13,042,935
Total	$ 58,501,825	$ 13,773,263	$ 3,151,972	$ 49,826,099	$ 125,508,159

Stabilization Arrangements

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

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

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

NOTE V. OTHER DISCLOSURES

A. RELATED PARTY TRANSACTIONS

In December 2003, the Downtown Redevelopment Authority, a component unit of the City of Vancouver, began construction of a Convention Center and Hotel in downtown Vancouver. The project was funded by proceeds from the sale of tax exempt bonds issued by the Vancouver Downtown Redevelopment Authority. The bonds were secured by project revenues, together with a credit from the State of Washington equal to 0.033% of 1% of the sales and use tax collected within the City and Clark County, and a dedication of 50% of the lodging taxes collected within the City. During 2013, the City has recognized $786,937 in expenditures associated with lodging tax revenues dedicated to the project.

B. CONTINGENCIES AND COMMITMENTS

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

Grants
The City participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

Contract Commitments
The City has active contracts for professional services and construction projects as of December 31, 2013. 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 $34,419,867.

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

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

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

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

The City signed an interlocal agreement on September 14, 2004, for support of the Exhibition Hall. This hall is considered a tourism related facility which would benefit both the County and City. Beginning in 2005, the City pledges it will pay an amount of money (up to certain maximum amounts) which would be necessary to enable the County to meet its semi-annual debt service obligation, should they fall short from revenues dedicated for this purpose. For 2012-2016, the maximum amount is $200,000, and from 2017 through termination, the maximum is $150,000.

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

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

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

The DRA signed an agreement on December 1, 2003, for the operation of the Vancouver Conference Center. In that agreement, during the fourth full year of operation, which was 2009, the Manager of the Vancouver Conference Center (Hilton Hotels) would earn a subordinate management fee for its services. These fees 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. At December 31, 2013, $53,906 had been forgiven. The outstanding obligation recorded on the Statement of Net Position as of December 31, 2013, is $1,024,222.

4. Commitment to the IRS, with respect to Aribitrage

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, 2013, the City has no arbitrage rebate liability.

C. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

Joint Ventures

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

Clark Regional Emergency Services Agency

Clark Regional Emergency Services Agency (the Agency) was created under the Interlocal Cooperation Act (RCW 39.4) by agreement between the City and other governmental units and political districts. Its purpose is to provide a consolidated public safety communications service to participating cities, political districts, and Clark County. The City has a 40% interest in the equity and operations of the Agency. Given the timing of available information, the City is reporting its investment in the joint venture at the 2012 values. In 2012, the Agency had an increase in net position totaling $3,730,717. The City's share of 2012 operations was a gain of $1,548,719 over 2012 balances for a total equity interest of $3,557,978 at the end of 2012. 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, 2013, the City made subrecipient grant payments to the Council totaling $52,000. The relationship between the City and the Council does not create an ongoing financial interest or financial responsibility.

D. *RISK MANAGEMENT*

During 1977, the City became a qualified self-insurer for workers' compensation as an alternative to the state program. In 1978, all local governments within Washington State were brought under the state unemployment tax coverage, which also allowed qualified cities to become self-insured. The City qualified and became self-insured for unemployment in 1978. The City established a Self-Insurance Internal Service fund to account for and finance its insured and uninsured risks of loss. The fund addresses claims in four areas of risk that include general liability, workers' compensation, unemployment, and property. Commercial insurance is purchased to handle risk of loss. In the past three years, no settlement has exceeded the City's insurance limits.

General liability and Property

The self-insurance cost for liability claims and claims administration through December 31, 2013, is $539,460 with 82 new claims filed for 2013. 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 $301,518. 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 $9,293 and inland marine coverage for the equipment fleet at an annual cost of $49,954. The deductible for fleet physical damage is 5% subject to $10,000 minimum.

Property claim costs in 2013 were $97,441, with 36 new first party property and vehicle claims reported in 2013. 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 $383,651 for all City buildings and contents. Policy coverage for property damage is up to $400 million with adjustable deductibles based on specific event types. This represents replacement cost for City buildings and contents.

Worker's compensation

The cost for Workers' Compensation claims and claims administration was $2,137,502 in 2013, with 101 new claims processed. Reportable claims costs for 2013 are $336,387 with 27 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 $85,094. The policy has a $750,000 deductible.

Contributions and reserves

City fund contributions to the Self-Insurance Fund are determined using information from the contributing funds past claims experience and loss exposures. The claims liability reported in the fund totaled $3,153,529 at December 31, 2013.

The claims liability, as reported in the fund, is based on the requirements of GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The following was prepared based on an actuarial analysis by Bickmore dated April 3, 2013. These are actuarial estimated amounts reflecting expected losses; actual losses may vary slightly. Changes in the fund's claims liability amount in 2013, 2012, and 2011 are as follows:

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2013	$ 2,983,490	$ 2,944,442	$ 2,774,403	$ 3,153,529
2012	5,069,318	228,678	2,314,506	2,983,490
2011	4,777,835	2,773,416	2,481,933	5,069,318

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 2013, the City's regular tax levy was $3.172 per $1,000 on a total taxable 2013 assessed valuation of $13,222,265,791 for a total regular levy of $41,943,790.

Outstanding property taxes at December 31, 2013 amount to $1,120,733. The City does not establish an allowance for doubtful accounts since state law has authorized sales of taxed property to satisfy delinquent property taxes.

In February 2013, the city annexed Glenwood Hills, which added $177,532 in property tax revenue for the Street and the Fire fund. Of this $175,655 was collected, and $103,416 was distributed to the Street fund and $72,239 was distributed to the Fire fund.

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

F. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50*, Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

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

Plan Description

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

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

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

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

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

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

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

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

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

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

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

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

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

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

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

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

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

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

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

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.
PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.
A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits		82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits		30,515
Active Plan Members Vested		106,317
Active Plan Members Non-vested		44,273
	Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates.
Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

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

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2012, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$ 25,296	$ 2,486,249	$ 368,957
2012	31,363	2,155,620	337,306
2011	26,343	1,876,386	322,831

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

Plan Description:

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

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2012, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	*Percent of Final Average Salary*
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

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

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

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

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

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

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

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

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

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

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

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

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Nonvested	2,633
Total	27,784

Funding Policy:

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

The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plans 1 and 2 in accordance with the requirements of the Pension Funding Council and the LOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For DRS' fiscal year 2013, the state contributed $5.4 million to LEOFF Plan 2.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, were as follows:

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

*The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for ports and universities is 8.59%.

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

	LEOFF Plan 1	**LEOFF Plan 2**
2013	$0	$1,798,219
2012	0	1,759,338
2011	22	1,695,890

3. POLICE OFFICERS AND FIREFIGHTERS' PENSION FUNDS

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

Benefit Provisions

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

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

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

Summary of Significant Accounting Policies

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

As of December 31, 2013, the Firefighters Pension fund had an investment portfolio with fair value of $2,017,067, which was invested in U.S. Governmental Agencies, a Corporate Bond, and in Municipal Bonds on behalf of the Firemen's Pension Fund. In addition to these investments, the Firefighters Pension fund had cash and cash equivalents invested in the City's internal investment pool totaling $5.4 million. Investments in the City's internal investment pool are invested in the Washington State Treasurer Local Government Investment Pool (LGIP), a Rule 2a-7 money market type fund with an average portfolio maturity of less than 91 days, the Clark County Local Government Investment Pool, US Agencies and in Municipal Bonds. All investments are valued at fair value. The Police Pension fund reported no investments at December 31, 2013, but did have $1,492,837 invested in the City's internal investment pool. Investments are reported at fair value.

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

Contributions and Reserves

Each Plan receives funding as detailed in section A of this note. Funding for the Police Pension Fund comes from annual transfers from the General Fund that are budgeted and approved by Council. Sources of funding for the Firefighters Pension Fund include donations, distributions from the state from fire insurance premium collections, and a property tax levy of up to $.45 per $1,000 of assessed valuation. Milliman Consultants and Actuaries completed actuarial studies of the two funds as of December 31, 2013. The General Fund is responsible for the costs of administering the plans. Obligations for medical expenses are funded for the most part by group insurance. There have been no required employee contributions to the plans since March 1, 1970. As of December 31, 2013, the Police Pension Funds and the Firefighters Pension Fund reported net position reserved for payment of future claims of $1,510,727 and $7,387,981 respectively.

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

	Police Pension	Fire Pension
Amortized of Unfunded Actuarial Liability (UAAL)	$ 87,859	$ (31,476)
Interest to December 31, 2013	3,295	(1,180)
Actuarial Required Contribution (ARC) 12/31/13	91,154	(32,656)
Interest on Net Pension Obligation (NPO)	(60,357)	(154,105)
Adjustment to Net Pension Obligation	(120,069)	(306,563)
Annual Pension Cost (APC)	150,866	119,802
Employer Contributions	479,260	864,488
Increase (Decrease) in NPO	(328,394)	(744,686)
Net Pension Obligation (Asset) January 1, 2013	(1,609,529)	(4,109,468)
Net Pension Obligation (Asset) December 31, 2013	$ (1,937,923)	$ (4,854,154)

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

Three Year Trend Information

Police Pension Fund:

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (Asset)
December 31, 2013	$ 150,866	318%	$ (1,937,923)
December 31, 2012	214,112	221%	(1,609,529)
December 31, 2011	203,747	212%	(1,349,638)

Firefighters Pension Fund:

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (Asset)
December 31, 2013	$ 119,802	722%	$ (4,854,154)
December 31, 2012	221,638	346%	(4,109,468)
December 31, 2011	198,816	438%	(3,565,100)

Schedule of Funding Progress

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

Police Pension Fund:

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

Fire Pension Fund:

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

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

Actuarial assumptions are shown below:

	Police Pension	**Fire Pension**
Valuation Date	1/1/2013	1/1/2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortizaton Method	30 Year closed period as of 1/1/2001	30 Year closed period as of 1/1/2001
Remaining Amortization Period	18 Years	18 Years
Asset Valuation Method	Fair Value	Fair Value
Actuarial Assumptions		
Investment Rate of Return	3.75%	3.75%
Projected Salary Increases	3.50%	3.50%
Inflation Rate	2.50%	2.50%
Cost of Living Adjustments	Varies*	Varies*

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

Separate financial statements are not issued for the police and fire pension plan. The statement of net position and the statement of changes in fiduciary net assets for the police and fire pension plans can be found in the Fiduciary Fund Section of these financial statements.

G. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description:

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

Membership:

Membership in this program includes Plan 1 participants of LEOFF who joined the system by September 30, 1977. Currently, 122 retirees meet those eligibility requirements. This is considered a closed group with no new members. There were no active employees who had not retired as of December 31, 2013.

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 2013 were $1,576,597.

Annual OPEB costs and Net OPEB Obligation:

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

	Police	Fire
Annual required contribution	$ 1,089,685	$ 1,776,560
Interest on net OPEB obligation	71,270	109,383
Adjustment to annual required contribution	(117,090)	(179,705)
Annual OPEB cost	1,043,865	1,706,238
Contributions made	(556,218)	(1,020,379)
Increase in net OPEB obligation	487,647	685,859
Net OPEB obligation - beginning of year	1,900,544	2,916,881
Net OPEB obligation - end of year	$ 2,388,191	$ 3,602,740

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years for each were as follows:

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB obligation
Police	December 31, 2013	$ 1,043,865	53%	$ 2,388,191
	December 31, 2012	1,050,073	54%	1,900,544
	December 31, 2011	1,061,545	56%	1,419,719
Fire	December 31, 2013	$ 1,706,238	60%	$ 3,602,740
	December 31, 2012	1,608,675	69%	2,916,881
	December 31, 2011	1,624,007	63%	2,421,977

Funding Status and Funding Progress:

The actuarial updates on the funding status is as follows:

Police:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
January 1, 2013	$ -	$ 17,048	$ 17,048	0%	N/A	N/A
January 1, 2011	-	17,272	17,272	0%	N/A	N/A
January 1, 2009	-	14,518	14,518	0%	N/A	N/A

Fire:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
January 1, 2013	$ -	$ 27,794	$ 27,794	0%	N/A	N/A
January 1, 2011	-	26,545	26,545	0%	N/A	N/A
January 1, 2009	-	21,587	21,587	0%	N/A	N/A

Actuarial Methods and Assumptions:

The actuarial assumptions used in the January 1, 2013 OPEB actuarial valuations include techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. In the January 1, 2013 actuarial valuation, the entry age normal cost method was used. The assumptions included a 3.75% investment rate of return, a medical inflation rate that ranges between 5.4-7.5% over the next 16 years, and a long-term care inflation rate of 4.75% for both plans. The plans unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2012 is twenty-four 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, 2013 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.

H. POLLUTION REMEDIATION OBLIGATION

Dry cleaning solvent had been dumped down a catch basin on a regular basis which subsequently caused perchloroethylene (PCE) to leak into the aquifer at Water Station No.4. The City is using aeration towers to treat this ground water. The towers remove trace volatile organic compounds, and carbon dioxide which occurs naturally. The environmental liability is expected to cost $420,000 over the next 20 years, with a current portion of $21,000. This estimate is based on prior year actual costs, and is subject to changes in price, technology or changes in applicable laws and regulations.

I. EXTRAORDINARY ITEMS

Effective January 1, 1997, the City and Clark County entered into an interlocal agreement for the operation of a consolidated parks department and joint administration of a parks impact fee ("PIF") program. The agreement was renewed on several occasions, as recently as December 31, 2012. In June 2013, the County exercised its unilateral right pursuant to the interlocal agreement to terminate the agreement effective December 31, 2013. Pursuant to the terms of the interlocal agreement the City held park impact fee money for both the City and the County. The City has recorded the return of the park impact fee owed to the County in the amount of $10,698,996 as an Extraordinary item related to contract termination.

J. PRIOR PERIOD ADJUSTMENTS

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

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

Capital asset corrections	$ 61,518
	$ 61,518

Government-wide : Governmental Funds

	General Fund	Consolidated Fire Fund	Transportation Capital	Non-Major Governmental Funds	Internal Service Funds	Total
Recording of revenue and expenses in correct period	$ 2,702,164	$ -	$ (30,128)	$ (118,498)	$ (9,028)	$ 2,544,510
Recording of revenue and expense transactions in correct fund	(210,225)	775	(30,259)	11,205		(228,504)
	$ 2,491,939	$ 775	$ (60,387)	$ (107,293)	$ (9,028)	$ 2,316,006

Combined Government Wide Prior Period Adjustments	$ 2,377,524

Government-wide : Business Type Activities

	Water Sewer Fund	Parking	Non-Major Enterprise Funds	Total
Recording of liabilities, revenue and expenses in correct period	$ (25,184)	$ -	$ (703,092)	$ (728,276)
Correction to estimate of pollution remediation			-	-
Recording of revenue and expense transactions in correct fund	31,790	(16,725)		15,065
Capital asset corrections	(122,649)	(656,208)	(88,181)	(867,038)
	$ (116,043)	$ (672,933)	$ (791,273)	$ (1,580,249)

Component Unit - Vancouver Downtown Redevelopment Authority

Recording of liabilities in correct period	$ (195,799)

K. SUBSEQUENT EVENTS

The City has evaluated events subsequent to the fiscal year-end December 31, 2013, and has identified no events that, if disclosed, would influence the readers' opinion concerning these financial statements.

GASB Statement No. 25 and 27

Schedule of Funding Progress

(in thousands)

Six year trend Information

Retirement System	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Police Relief and Pension Fund	1/1/2013	$ 1,220	$ 2,398	$ 1,178	51%	$ -	N/A
	1/1/2011	774	3,074	2,300	25%	-	N/A
	1/1/2009	569	4,784	4,215	12%	-	N/A
	1/1/2007	498	3,973	3,475	13%	-	N/A
	1/1/2005	344	3,781	3,437	9%	-	N/A
	1/1/2003	468	3,760	3,292	12%	-	N/A
Fireman's Pension Fund	1/1/2013	$ 6,978	$ 6,556	$ (422)	106%	$ -	N/A
	1/1/2011	6,491	7,895	1,404	82%	-	N/A
	1/1/2009	6,225	10,043	3,818	62%	-	N/A
	1/1/2007	5,458	9,505	4,047	57%	-	N/A
	1/1/2005	5,620	9,224	3,604	61%	-	N/A
	1/1/2003	5,993	9,233	3,240	65%	-	N/A

* Information unavailable

GASB Statement No. 25

Schedule of Employer Contributions #

Six year trend Information

Retirement System	Fiscal Year Ending	Actual **Employer Contribution	Police Auction Income / Fire Insurance Premiums	Annual Required Contribution (ARC)	Percentage of ARC Contributed
Police Relief and Pension Fund	12/31/2013	$ 477,774	$ 1,486	$ 91,154	526%
	12/31/2012	471,529	2,474	169,291	280%
	12/31/2011	431,680	1,256	169,291	256%
	12/31/2010	480,192	889	291,698	165%
	12/31/2009	377,246	2,124	291,698	130%
	12/31/2008	437,206	1,167	251,853	174%
Fireman's Pension Fund	12/31/2013	$ 692,667	$ 171,821	$ (32,656)	N/A
	12/31/2012	609,258	156,748	103,240	742%
	12/31/2011	684,858	160,196	103,240	819%
	12/31/2010	555,028	160,133	264,222	271%
	12/31/2009	684,887	143,225	264,222	313%
	12/31/2008	860,815	151,037	293,278	345%

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

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

CITY OF VANCOUVER

Required Supplementary Information

Police and Fire OPEB Pension Funds

December 31, 2013

Schedule of Funding Progress

(in thousands)

*Six year trend **

Retirement System	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Police Relief and Pension Fund	1/1/2013	$ -	$ 17,048	$ 17,048	0%	N/A	N/A
	1/1/2011	-	17,272	17,272	0%	N/A	N/A
	1/1/2009	-	14,518	14,518	0%	N/A	N/A
	1/1/2007	-	9,734	9,734	0%	N/A	N/A
Fireman's Pension Fund	1/1/2013	$ -	$ 27,794	$ 27,794	0%	N/A	N/A
	1/1/2011	-	26,545	26,545	0%	N/A	N/A
	1/1/2009	-	21,587	21,587	0%	N/A	N/A
	1/1/2007	-	16,244	16,244	0%	N/A	N/A

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

	Police Pension	Fire Pension
Valuation Date	1/1/2013	1/1/2013
Actuarial Cost Method	Entry age normal	Entry age normal
Amortization Method	30-year, closed as of 01/01/01	30-year, closed as of 01/01/01
Remaining Amortization Period	18 years	18 years
Asset Valuation method	Fair Value	Fair Value
Actuarial Assumptions:		
Investment rate of return	3.75%	3.75%
Projected Salary Increases	3.50%	3.50%
Includes Inflation at	2.50%	2.50%

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

CITY OF VANCOUVER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures	Foot-Note Ref.
Department of Agriculture:						
Passed through Department of Natural Resources:						
Cooperative Forestry Assistance	10.664	IA-13-397/K244-10-DG-010		3,450		
		Total Department of Agriculture:		3,450	**3,450**	
Department of Commerce:						
Investments for Public Works and Economic Development Facilities	11.300	07-01-06601	$ 2,466,601			
		Total Department of Commerce:	2,466,601		**2,466,601**	
Department of Housing and Urban Development:						
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-53-0013	$ 2,924			
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-53-0013	363,635			
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-53-0013	414,511			
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-53-0013	218,950			
Community Development Block Grants/Entitlement Grants	14.218	Program Income	157,281			3
Total CFDA 14.218			1,157,301			
Home Investment Partnerships Program	14.239	M-10-MC-53-0208	40,201			
Home Investment Partnerships Program	14.239	M-11-MC-53-0208	161,306			
Home Investment Partnerships Program	14.239	M-12-MC-53-0208	183,412			
Home Investment Partnerships Program	14.239	M-13-MC-53-0208	13,931			
	14.239	Program Income	33,052			3
Total CFDA 14.239			431,902			
Congressional Grants / Neighborhood Initiatives Grants	14.251	B-09-NI-WA-0010	884,928			
CDBG/Section 108 Loan Guarantees	14.248	B-06-MC-53-0013	1,496,000			4
		Total Department of Housing and Urban Development:	3,970,131		**3,970,131**	
Department of Justice:						
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2012-WE-AX-0023	87,540			
Bulletproof Vest Partnership Program	16.607	2011-BOBX-1105-8372	938			
Public Safety Partnership & Community Policing Grants	16.710	2010-CS-WX-0015	92,845			
Congressionally Recommended Awards	16.753	2009-D1-BX-0217	80,943			
Congressionally Recommended Awards	16.753	2010-DD-BX-0508	42,970			
Total CFDA 16.753			123,913			
Passed through Clark County:						
Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0097		17,213		
Passed through Clark County:						
Violence Against Women Formula Grants	16.588	F-12-31103-073		9,371		
Passed through Clark County:						
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0198		56,831		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0405		36,397		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Program Income		581		3
Total CFDA 16.738				93,809		
		Total Department of Justice:	305,236	120,393	**425,629**	
Department of Transportation:						
Airport Improvement Program	20.106	3-53-0139-008	9,371			
Airport Improvement Program	20.106	3-53-0139-009-2013	293,439			
Total CFDA 20.106			302,810			
Passed through Washington State Department of Transportation:						
Highway Planning and Construction	20.205	HSIP-4242(025)		29,465		
Highway Planning and Construction	20.205	POMVIP-000S(230)		6,199		
Highway Planning and Construction	20.205	STPUL-4221(004)		3,964		
Highway Planning and Construction	20.205	CM-4401(006)		36		
Highway Planning and Construction	20.205	CM-9906(025)		18,494		
Highway Planning and Construction	20.205	CM-4451(013)		15,685		
Highway Planning and Construction	20.205	HSIP-000S(314)		16,496		
Highway Planning and Construction	20.205	HSIP-4280(020)		2,970		
Highway Planning and Construction	20.205	STPE-4228(001)		86,684		
Highway Planning and Construction	20.205	CM-9906(041)		6,932		
Highway Planning and Construction	20.205	STPUL-4421(003)		908,675		
Highway Planning and Construction	20.205	CM-4451(012)		5,611		
Highway Planning and Construction	20.205	STPUL-4266(002)		69,255		
Highway Planning and Construction	20.205	STPUL-4254(005)		76,714		
Highway Planning and Construction	20.205	CM-1350(021)		164,077		
Highway Planning and Construction	20.205	STPUL-1350(017)		139		
Highway Planning and Construction	20.205	CM-1350(022)		107,564		
Total CFDA 20.205				1,518,960		
Passed through Washington Association of Sheriffs & Police Chiefs:						
State and Community Highway Safety	20.600	Traffic Safety Equipment Grant		799		
Passed through State of Washington Traffic Safety Commission:						
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	DUI Patrol		6,937		
Passed through State of Washington Traffic Safety Commission:						
Occupant Protection Incentive Grants	20.602	Safety Belt Patrol		272		
		Total Department of Transportation:	302,810	1,526,968	**1,829,778**	
Department of Health and Human Services:						
Passed through Oregon Health & Science University:						
Occupational Safety and Health Program	93.262	AHPSM0020VPD		1,523		
		Total Department of Health and Human Services:		1,523	**1,523**	

Department of Homeland Security:						
Passed through Clark County:						
Non-Profit Security Program	97.008	UA10-170		979		6
Non-Profit Security Program	97.008	UA11-170		59,268		6
Total CFDA 97.008				60,247		
Passed through Cowlitz County Fire District 2:						
Port Security Grant Program	97.056	EMW-2011-PU-K00274-S01		5,733		
Passed through Maritime Fire & Safety Association:						
Port Security Grant Program	97.056	2010-PU-T0-K052		8,417		
Passed through Merchants Exchange of Portland:						
Port Security Grant Program	97.056	2009-PU-T9-K050		2,236,957		
Total CFDA 97.056				2,251,107		
Passed through Clark County:						
Homeland Security Grant Program	97.067	EM00220057		33,744		
Passed through Washington State Military Department:						
Homeland Security Grant Program	97.067	E13-187		83,394		
Passed through Clark Regional Emergency Services Agency:						
Homeland Security Grant Program	97.067	E11-108		66,049		
Total CFDA 97.067				183,187		
Passed through Portland Office of Emergency Management:						
Metropolitan Medical Response System Grant Program	97.071	10-181		24,593		
Passed through Washington State Military Department:						
Buffer Zone Protection Program (BZPP)	97.078	E11-274		1,395		
Assistance to Firefighters Grant	97.044	EMW-2010-FH-00862	890,167			
Assistance to Firefighters Grant	97.044	EMW-2011-FP-00744	80,000			
Assistance to Firefighters Grant	97.044	EMW-2012-FO-02851	237,400			
Total CFDA 97.044			1,207,567			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2008-FF-00494	55,513			
		Total Department of Homeland Security:	1,263,080	2,520,529	**3,783,609**	
Department of Justice, Office of Community Oriented Policing Services (COPS)						
ARRA - Public Safety Partnership & Community Policing Grants	16.710	2009-RJ-WX-0086	432,987			5
		Total Department of Justice, Office of Community Oriented Policing Services (COPS)	432,987		**432,987**	
Department of Justice:						
Passed through Clark County						
ARRA - Recovery Act-Edward Byrne Memorial JAG	16.804	2009-SB-B9-1974		51,957		5
ARRA - Recovery Act-Edward Byrne Memorial JAG	16.804	Program Income		24		3
Total CFDA 16.804				51,981		
		Total Department of Justice:		51,981	**51,981**	

TOTAL FEDERAL EXPENDITURES **$ 12,965,689**

Schedule of Federal Awards

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

Schedule of Expenditures of Federal Awards (SEFA) Table 20

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

NOTE 1 **BASIS OF ACCOUNTING**

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

NOTE 2 **PROGRAM COSTS**

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

NOTE 3 **PROGRAM INCOME**

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

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

NOTE 4 **FEDERAL LOANS**

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

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

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

NOTE 6 **NONCASH AWARDS - EQUIPMENT**

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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Director of Local Audit	**Kelly Collins, CPA**
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