Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

City of Vancouver

Clark County

For the period January 1, 2015 through December 31, 2015

Published July 21, 2016

Report No. 1017115

Washington State Auditor's Office

July 21, 2016

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

OLYMPIA, WA

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City of Vancouver
Clark County
January 1, 2015 through December 31, 2015

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The results of our audit of the City of Vancouver are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

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

Our report includes a reference to other auditors who audited the financial statements of the Vancouver Hotel and Convention Center Project, which is included 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 its major federal program.

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

Identification of Major Federal Programs:

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

CFDA No.	Program or Cluster Title
14.218	Community Development Block Grants/Entitlement Grants

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of Vancouver
Clark County
January 1, 2015 through December 31, 2015

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, 2015, 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 17, 2016. As discussed in Note I to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

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 auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of other auditors. The financial statements of the Vancouver Hotel and Convention Center Project were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Vancouver Hotel and Convention Center.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

June 17, 2016

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

City of Vancouver
Clark County
January 1, 2015 through December 31, 2015

Mayor and City Council
City of Vancouver
Vancouver, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Vancouver, Clark County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

July 14, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Vancouver
Clark County
January 1, 2015 through December 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Vancouver Hotel and Convention Center Project, which is included in the City's financial information as part of the Downtown Redevelopment Authority component unit and which represents 1.9 percent, 2.6 percent, 100 percent and 87 percent respectively, of the assets and deferred outflows, net position, operating revenues and operating expenses of the aggregated discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Vancouver Hotel and Convention Center Project, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Vancouver Hotel and Convention Center Project were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinion

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Vancouver, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Consolidated Fire and Street funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note I to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. 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 18 through 26, information on police and fire pension funds on 87, state sponsored plans on pages 88 through 93, and single employer police and fire pension funds on pages 94 through 98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2016 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

OLYMPIA, WA

June 17, 2016

FINANCIAL SECTION

City of Vancouver
Clark County
January 1, 2015 through December 31, 2015

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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, 2015. The information presented here should be read in conjunction with the letter of transmittal, the financial statements, and the related notes to the financial statements.

FINANCIAL HIGHLIGHTS

- City of Vancouver assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at December 31, 2015 by over $1 billion.
- Net investment in capital assets accounts for over 76.2% of the total net position, with a value of $830 million.
- Of the remaining net position, $197.3 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 $22.3 million from current operations in 2015. This includes a $58.1 change in net position less prior period adjustments of $4.6 million, which is further explained in detail in Note IV, and a change in accounting principles of $31.2 million related to the implementation of GASB 68.
- Total program revenues were $179.2 million in 2015, up $27.5 million from 2014, due to an increase in Charges for Services, Fees, and Fines and Forfeitures and in Capital Grants and Contributions revenues. Program expenses were $251.1 million, up $14.9 million from 2014. General revenues and transfers were $130.1 million, up by $4.2 million from last year.
- As of December 31, 2015, the City of Vancouver's governmental funds reported combined ending fund balances of $149.7 million, which was $12.2 million more than the prior year. Approximately 61.6% of this total amount, or $92.2 million, is available for spending at the government's discretion. The unassigned fund balance for the General Fund was $7.9 million at December 31, 2015.
- The City of Vancouver's total bonded debt at December 31, 2015 was $129.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

The Statement of Activities presents information showing how the government's revenues and expenses impacted net position during 2015. 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 IV.A. The City has also reported its investment in one governmental joint venture: Clark Regional Emergency Services Agency (CRESA); see note IV.C.

Fund Financial Statements

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

Governmental Funds

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

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

To get a longer term perspective of financial balances and results of operations, the City presents full accrual information in the government wide financial statements. This gives readers a better understanding of the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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

Proprietary Funds

The City has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water/sewer/drainage utility, solid waste, 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 presents certain required supplementary information concerning the City of Vancouver's progress in funding its obligations to the citizenry and its employees. Required supplementary information can be found beginning on page 87 of this report.

The aggregated statements for *nonmajor* governmental and proprietary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 99-165 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. The City of Vancouver's net position totals $1,089,127,828 at December 31, 2015. 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	
	2014	2015	2014	2015	2014	2015
Current and other assets	$ 204,151,971	$ 233,683,060	$ 100,061,323	$ 109,349,125	$ 304,213,294	$ 343,032,185
Capital assets (net of accumulated depreciation)	599,509,374	608,605,005	358,944,646	361,067,813	958,454,020	969,672,818
TOTAL ASSETS	803,661,345	842,288,065	459,005,969	470,416,938	1,262,667,314	1,312,705,003
DEFERRED OUTFLOWS OF RESOURCES	2,383,987	7,921,208	2,005,428	3,196,305	4,389,415	11,117,513
Long-term liabilities	128,124,869	149,976,672	56,776,956	58,859,452	184,901,825	208,836,124
Other liabilities	11,629,538	10,501,636	3,744,127	5,858,002	15,373,664	16,359,638
TOTAL LIABILITIES	139,754,407	160,478,308	60,521,082	64,717,454	200,275,489	225,195,762
DEFERRED INFLOWS OF RESOURCES	-	7,482,064	-	2,016,863	-	9,498,927
NET POSITION						
Net investment in capital assets	500,547,745	510,481,006	302,611,189	319,491,178	803,158,934	829,972,184
Restricted	43,879,793	47,881,854	7,554,474	9,208,424	51,434,267	57,090,278
Unrestricted	121,863,388	123,886,041	90,324,652	78,179,324	212,188,040	202,065,366
TOTAL NET POSITION	$ 666,290,926	$ 682,248,901	$ 400,490,315	$ 406,878,926	$ 1,066,781,241	$ 1,089,127,827

During 2015, the City's total assets increased $50 million and deferred outflows of resources increased $6.7 million, while total liabilities increased $24.9 million and deferred inflows of resources increased $9.5 million, primarily related to the implementation of GASB 68. The net result is an increase in total net position of $22.3 million, or 2.1%.

Of the City's total assets, cash balances and restricted cash balances increased by $27.7 million and $1.8 million respectively; receivables decreased $837,371, capital assets increased $11.2 million, and other assets increased $10.2 million from 2014.

The largest portion of the City's net position, 76.2%, reflects its investment in capital, less any related debt still outstanding that was used to acquire those assets. The City's capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Net position representing resources that are subject to external restrictions on how they may be used is 5.2% of the total, and net position that is unrestricted represents the remaining 18.6%.

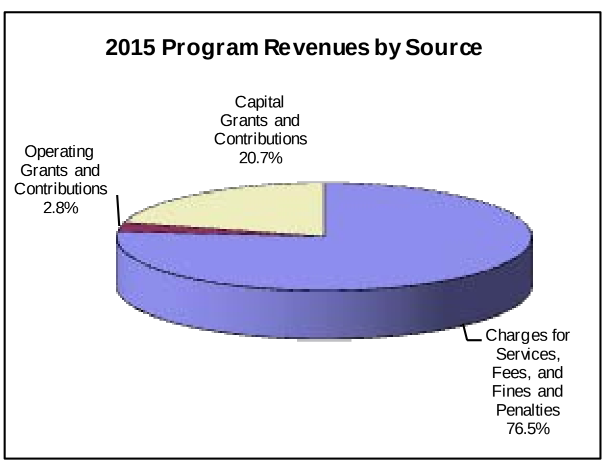
At December 31, 2015, the City of Vancouver reports positive balances in all three categories of net position, for the government as a whole.

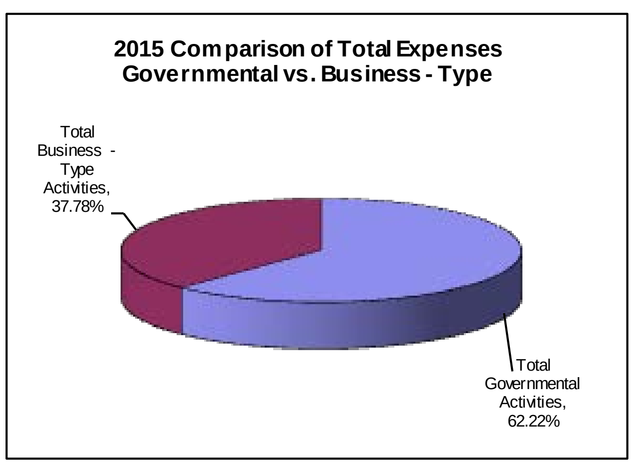
Analysis of Changes in Net Position

The change in total net position increased in 2015 by $22.3 million, inclusive of the impact of Prior Period Adjustments and Changes in Accounting Principles related to GASB 68. This is split between governmental increase of $15.9 million and business-type activities increase of $6.4 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 2015.

City of Vancouver
Summary of Changes in Net Position
Comparative 2014-2015

Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
Program revenues:	2014	2015	2014	2015	2014	2015
Charges for Services, Fees, and Fines and Penalties	$ 36,173,239	$ 40,531,170	$ 90,157,496	$ 96,581,357	$ 126,330,735	$ 137,112,527
Operating Grants and Contributions	3,625,007	4,712,432	392	233,327	3,625,399	4,945,759
Capital Grants and Contributions	12,980,672	22,186,271	8,770,421	14,908,828	21,751,093	37,095,099
General Revenues						
Taxes:						
Property Taxes Levied for General Purposes	43,205,414	44,153,447	-	-	43,205,414	44,153,447
Sales and Use Taxes	31,298,804	35,034,377	-	-	31,298,804	35,034,377
Utility and Other Taxes	49,688,560	45,986,317	-	-	49,688,560	45,986,317
Intergovernmental Revenues not Restricted to Specific Programs	-	-	-	-	-	-
Unrestricted Investment Earnings	838,502	1,031,093	517,826	643,874	1,356,328	1,674,967
Miscellaneous	295,788	534,788	110,272	2,693,829	406,060	3,228,617
Total Revenues	178,105,986	194,169,895	99,556,407	115,061,215	277,662,393	309,231,110
Program Expenses						
Governmental Activities:						
General Government	27,798,930	19,324,434	-	-	27,798,930	19,324,434
Security/Persons & Property	73,921,770	78,427,360	-	-	73,921,770	78,427,360
Physical Environment	474,056	666,994	-	-	474,056	666,994
Transportation	29,204,706	34,932,209	-	-	29,204,706	34,932,209
Health and Human Services	369,408	375,169	-	-	369,408	375,169
Economic Environment	7,657,595	8,954,033	-	-	7,657,595	8,954,033
Culture and Recreation	11,257,569	9,989,019	-	-	11,257,569	9,989,019
Interest on Long-Term Debt	3,962,630	3,541,843	-	-	3,962,630	3,541,843
Business-Type Activities:						
Water Sewer	-	-	75,244,743	82,686,843	75,244,743	82,686,843
Parking	-	-	2,902,381	2,974,384	2,902,381	2,974,384
Airpark	-	-	631,450	649,954	631,450	649,954
Building Inspection	-	-	4,179,595	5,173,784	4,179,595	5,173,784
Sanitation	-	-	2,075,583	2,278,530	2,075,583	2,278,530
Tennis Center	-	-	1,076,444	1,103,242	1,076,444	1,103,242
Total Expenses	154,646,664	156,211,061	86,110,196	94,866,737	240,756,860	251,077,798
Excess (deficiency) of revenues over expenses	23,459,322	37,958,834	13,446,211	20,194,478	36,905,533	58,153,312
Transfers - Governmental	(1,148,169)	(1,442,505)	-	-	(1,148,169)	(1,442,505)
Transfers - Business-Type	-	-	1,148,169	1,442,505	1,148,169	1,442,505
Change in Net Position	22,311,153	36,516,329	14,594,380	21,636,983	36,905,533	58,153,312
Net Position- Beginning	659,270,928	666,290,926	385,209,534	400,490,315	1,044,480,462	1,066,781,241
Prior year adjustments	(15,291,155)	(3,172,946)	686,401	(1,430,591)	(14,604,754)	(4,603,537)
Change in accounting principles	-	(17,385,408)	-	(13,817,781)	-	(31,203,189)
Net Position - Ending	$ 666,290,926	$ 682,248,901	$ 400,490,315	$ 406,878,926	$ 1,066,781,241	$ 1,089,127,827



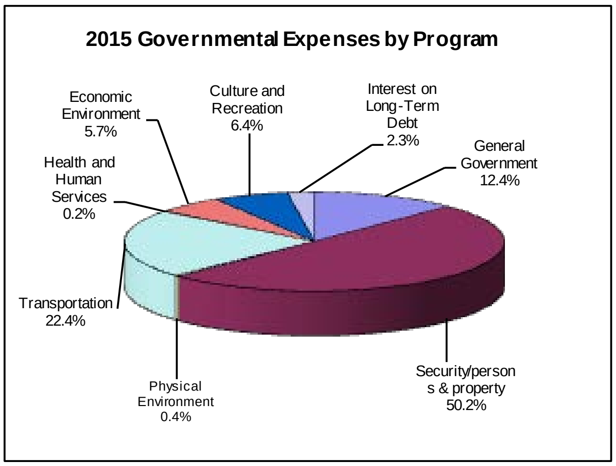


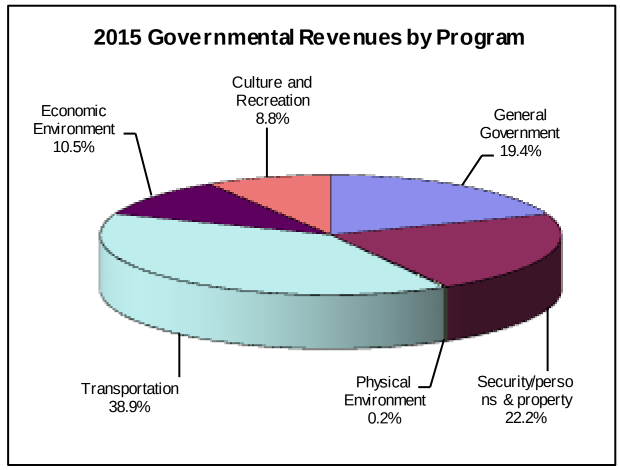
Governmental Activity Analysis

Governmental net position increased by $36.5 million in 2015 from operations. This was offset by a decrease related to prior year adjustments of $3.2 million and Change in accounting principles related to GASB 68 of $17.4 million.

Governmental activities revenue increased from 2014 by $16.1 million, or 9.0%. An improving local economy is the driving force behind this increase. The major increase in governmental activities revenue is due to increases from Charges for Services, Fees, and Fines and Penalties of 12.0%, Grants and Contributions of 62.0% and Unrestricted Investment Earnings of 23.0%. The increase in revenue from property and sales and use taxes of 6.3% is offset by a decrease in revenue from Utility and Other Taxes of 7.5%. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation plus new constructions.

Governmental activities expenses increased in total by $1.6 million, or 1.0%. In 2015, a reorganization of the administrative costs, consisting of finance, human resources, and information technology, took place as a new internal service fund for administrative function was created. In previous years, these departments were part of the general fund and costs were allocated through an indirect cost allocation plan and reflected in the General Government function. This change in methodology to directly bill to each function for technology and administrative costs caused the General Government function expenses to decrease by $8.5 million, with a correlated increase in expenses in other functions such as Security/Persons and Property, Transportation and Economic Environment functions. Further, Security/Persons and Property expense increased due to personnel costs, specifically the addition of six new positions in the police department, along with an increase in overtime costs and the settlement of union contract negotiations for both police and fire which cause retroactive salary payments. The Transportation increase was partially due to an increase in depreciation expense from the addition of capital assets along with increased spending on pavement management.





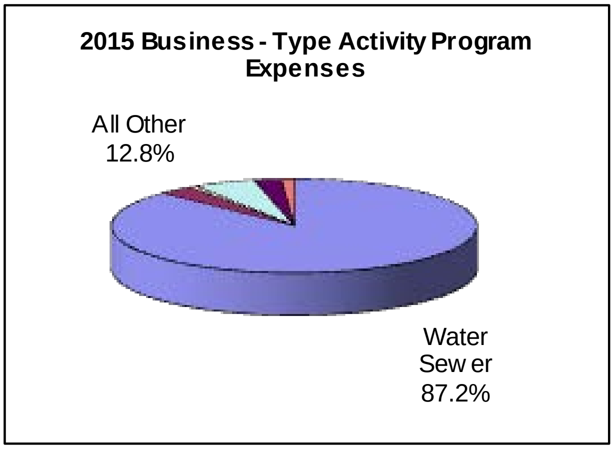
Business-Type Activities Analysis

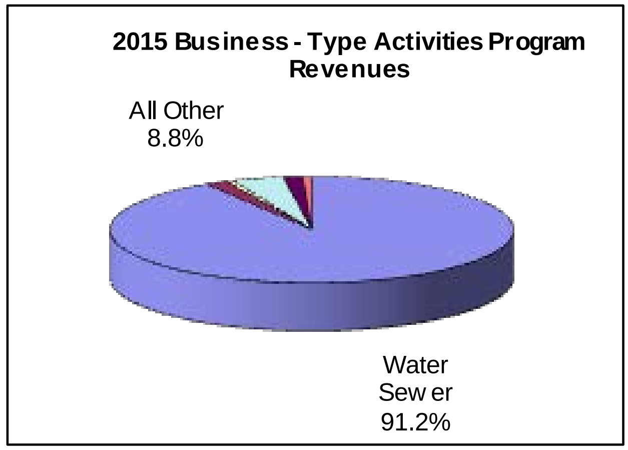
Business-type net position increased by $21.6 million in 2015 from operations that was offset by decrease from prior year adjustments of $1.4 million and change in accounting principles of $13.8 million.

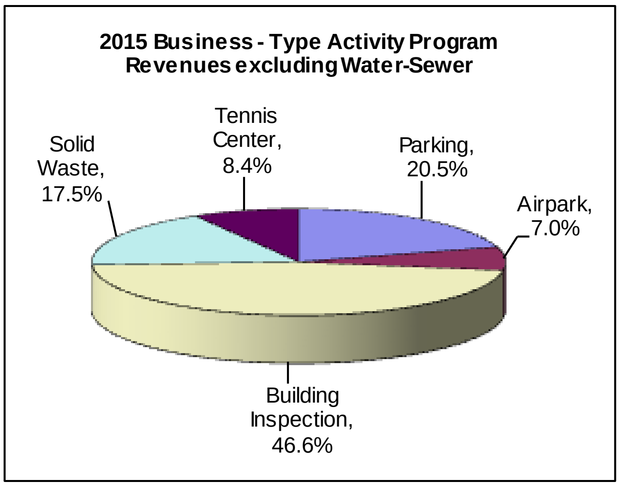
The Business-Type Activity revenue increased by $15.5 million, or 15.6%; and expenses increased by $8.8 million, or 10.2%. The major increase in Business-Type Activity revenue was from Charges for Services, Fees, and Fines and Forfeitures of $6.4 million, Grants and Contributions $6.4 million, and Miscellaneous revenue $2.6 million. Changes in Charges for Services and Fees are due to water/storm water and sewer rate increases of 5% and 2.5%, respectively; however, pumping statistics show a decrease in water pumped of 1.4% in 2015. The increase in Capital Grants and Contributions were mainly due to an improvement in residential development activity in the City in 2015. The increase in miscellaneous revenue was primarily due to the gain on the sale of the Operations Center. The City's General Fund purchases a proportionate share of this facility and pursuant to State Accounting the purchase was based on fair-market value just as it would have been with any external party.

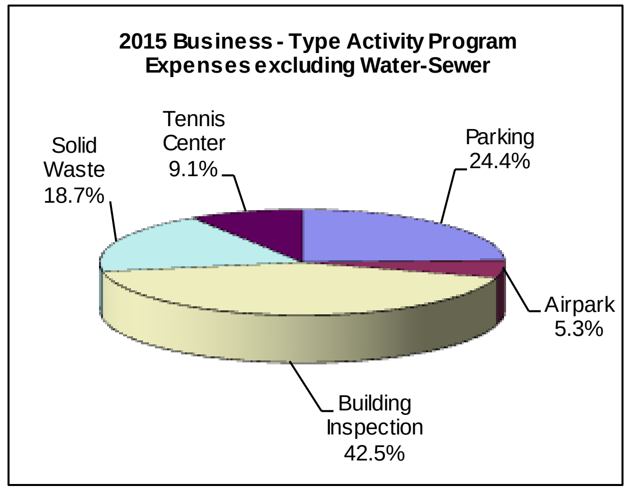
As depicted in the graphs that follow, the Water/Sewer activity is the largest business-type activity in the City. As a result, the financial position of the City's business-type activities is strongly influenced by the Water/Sewer activity. This year, Water/Sewer had a $5.9 million increase in Charges for Services, Fees, Fines and Penalties, a $6.4 million increase in Grants and Contributions and a $7.4 million increase in operating expenses.

The other business-type activities had moderate gains and losses. Solid Waste activity had a $560,914 net operating loss; parking activity had a $574,707 net operating loss, while the General Fund support of the Parking activity remained at $1.2 million; and the Building Inspection activity had an overall loss of $607,722.









FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds Analysis

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

The General Fund is the primary governmental fund. General Fund revenues were up 1.7% over 2014 due primarily to an increase in Property taxes of $886,107 and Sales and Use taxes of $3.7 million, which is primarily due to new construction, auto sales and the general improvement of the economy. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation plus new constructions. Charges for services decreased $4.0 million, primarily due to the reorganization of the administrative functions to a new Internal Service fund. General Fund expenditures accounted for 48.1% of total governmental fund expenditures for 2015, and increased by only $305,233, or 0.4%, mainly due to an indirect charges for information technology and administrative costs that are now charged by the internal service fund. The General Fund's fund balance decreased $4.5 million inclusive of $276,433 prior period adjustment.

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 Charges for Services and a transfer from the City's General Fund. The Consolidated Fire Fund in 2015 accounted for 20.7% of the governmental funds expenditures; an increase of $3.3 million from 2014 due to increased personnel costs, operating supplies, protective clothing, and purchase of minor tools. The Consolidated Fire Fund's fund balance increased by $638,572.

The Street Fund is a special revenue fund established in accordance with State RCW 35A.37.010 for the administration of street-oriented maintenance and construction. Revenues are derived from tax contributions distributed from the General Fund, state shared gasoline tax, an excise tax of ¼ of 1% of property value of transferred property and rents and royalties. The total of 10.8% of governmental fund expenditures were attributable to the Street fund in 2015, an increase of $2.5 million from 2014 due to increase personnel costs, contracted services, and Capital outlay for pavement management program which has been funded to 100% of policy level to ensure existing infrastructure is maintained to constrain future maintenance costs. In 2015, the Street Fund's fund balance increased by $68,829.

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

Business-Type Funds Analysis

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

The Water/Sewer Fund (Utility) is the largest business-type fund in the City, accounting for 95.6% of net position for the enterprise funds at $388.9 million. This fund encompasses three legally consolidated utilities: water, sewer, and storm water operations.
The Utility fund net position increased by $22.4 million in 2015, which was offset by a $1.4 million prior period adjustment and $11.1 million change in accounting principle related to GASB 68 implementation. The net increase of $9.9 million was primarily due to the increase in utility Charges for Services, increased Capital Contributions and the Gain on Sale of Assets to the General Fund.

The Utility reported operating income of $5.8 million in 2015; its operating revenue increase of 7.3% over 2014 is primarily due to water/storm water and sewer rate increases of 5% and 2%, respectively. Utility operating expenses increased by $7.9 million or 10.8% from 2014, mainly related to increased costs across all categories. Interfund services increased $2.6 million, or 35.0%, and supplies and contractual services increased $3.2 million or 17.7%. Additionally, capital assets increased by $3.5 million and its bonded indebtedness decreased by $10.1 million in 2015. The Utility recognized $10.5 million in Net Pension Liability from the implementation of GASB 68, resulting in an $11.1 million change in accounting principles.

The Parking Services Fund reported an operating loss of $574,707 in 2015. Operating revenues increased by $234,079 due to lower vacancies caused by the recovering economy. Operating expenses increased by $81,812 from 2014 due to an increase in Intergovernmental Payments and Interfund Services. The General Fund support of the Parking Services Fund remained at the $1.2 million level in 2015. Over time, the fund is anticipated to become self-supporting. Parking Services change in net position decreased by $119,850, after considering the change in accounting principles related to recognizing the fund's share of pension activity.

The non-major business funds present an operating loss of $1.4 million, and the Building Inspection Fund and Solid Waste accounting for the majority of the decrease in total net position. The Building Inspection Fund reported a $607,722 operating loss. Revenues increased $912,336, or 25.0% due to the recovering housing market; however, operating expenses increased at about the same rate, specifically in the Personnel and Interfund Services category. The Solid Waste fund presented an operating loss of $560,914 due to the 24.5% decrease in operating revenues, which resulted from lower market values for recyclable commodities. The non-major business funds represent $2.2 million of the Net Pension Liability in 2015.

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 $7.2 million from 2014, before considering the change in accounting principles and prior period adjustments. Two new funds were created in 2015, the Self Insured Health Insurance and the Internal Administrative Services Funds. Operating income of all City Internal Service funds totaled $4.1 million resulting mainly from the accumulation of reserves for future replacement of equipment and computers. The internal service funds proportionate share of the Pension Liability is $5.4 million at the end of 2015. Implementation of this standard resulted in a $5.7 million change in accounting principle.

GENERAL FUND BUDGETARY HIGHLIGHTS

Between 2001 and 2010, the City has addressed an ongoing structural deficit each biennium that is a result of growth in expenditures outpacing growth in revenues. Contributing factors to this deficit include the voters' passage of Initiative 695, which eliminated the motor vehicle excise tax in 2000; Initiative 747, which beginning in 2002 limited increases in property taxes to the lower of 1 percent or the implicit price deflator; the phase out and elimination of the city's Business and Occupation Tax beginning in 1993, and significantly greater City reliance on revenues that fluctuate with the economy. During the "great recession" the City undertook numerous measures to operate within the constraints of a weakened global, national and local economy. The City has had relative financial stability between 2011 through 2015-2016 Budget. There were no service level or staffing reductions taken during this period of time. The City was also able to absorb positions in Fire and Police that were funded with grant dollars. A total of 13 FTEs in Fire and 19 FTEs in Police were retained with the General Fund dollars on a permanent basis over the last three years. Effective in January of 2016, six additional police officer positions were approved. Five additional positions were approved for Street/right of way maintenance and one position was approved for parks maintenance to start up irrigation systems in a number of city parks.

The City undertook a thorough analysis and review of sound financial policies and in 2012 financial policies were adopted by City Council. These polices are reviewed every two years during the budget development process. The policies ensure that the City maintains a healthy financial foundation into the future. These policies address such items as debt, future capital needs, and adequate reserves to build a stable and sustainable future and guide creation of City budgets.

The final 2015-2016 biennial budget totals $1.027 billion in operating and capital expenditures, including 975 positions. The budget was balanced without the implementation of new taxes or tax increases other than the annual 1% authorized increase to property taxes and inflationary adjustments of utility rates and select fees on city services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Vancouver's investment in capital assets, including construction in progress, for its governmental and business type activities as of December 31, 2015, amounts to $969.7 million (net of accumulated depreciation).

The table that follows is a comparison of the summary information for year-end 2014 and 2015 capital assets. The 2014 capital asset balances have been restated in the table below as well as the notes to the financial statement, but were reported as prior period adjustments on the government wide statement of activities. These restatements are not reported in the comparative statement of Net Position shown earlier in this analysis. The 2014 total governmental and business-type capital assets that were reported in 2014 at $599,509,374 and $358,944,646 respectively are still currently shown in the comparative statement of net position.

City of Vancouver
Capital Assets, Net of Depreciation
Comparative 2014-2015

	Governmental Activities		Business-Type Activities		Total Activities	
	2014 Restated	2015	2014 Restated	2015	2014 Restated	2015
Land	$ 69,203,013	$ 82,548,079	$ 33,026,876	$ 33,775,092	$ 102,229,889	$ 116,323,171
Intangible - Easements	8,089,930	8,126,333	4,676,838	5,651,804	12,766,768	13,778,137
Buildings and systems	82,643,324	82,083,830	16,749,597	15,233,294	99,392,921	97,317,124
Machinery and equipment	16,944,982	15,687,104	2,350,974	2,372,855	19,295,956	18,059,959
Infrastructure	398,184,876	402,139,424	296,455,246	292,236,807	694,640,122	694,376,231
Intangible assets	1,178,908	936,389	814,022	545,000	1,992,930	1,481,389
Construction in progress	19,412,355	17,083,846	3,660,405	11,252,961	23,072,760	28,336,807
Total	$ 595,657,388	$ 608,605,005	$ 357,733,958	$ 361,067,813	$ 953,391,346	$ 969,672,818

The major changes for assets were in Infrastructure and Construction in progress (CIP) for both Governmental and Business-Type Activities categories, and Land for Governmental Activities. The increase in Infrastructure for Governmental Activities is related to the completion and capitalization of the Waterfront Renaissance Trail and city sidewalks; while the overall decrease in Business-Type Activities relates to depreciation. The decrease in CIP for Governmental Activities relates to finishing and capitalized ongoing projects, and the increase in CIP for Business-type Activities relates to addition of new unfinished projects. Land in the Governmental Activities increased due to purchase of Fire Station 1 property, the donation of land for Columbia Waterfront and the purchase of land right of ways.

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

Long-Term Debt

At December 31, 2015, the City of Vancouver had total bonded debt outstanding of $129.8 million. Of this amount, $91.7 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 $31.3 million represents bonds secured solely by specific revenue sources (i.e., revenue bonds). The below table is a comparison of the summary information for year-end 2014 and 2015 bonded debt.

The City of Vancouver's total bonded debt decreased by $13.8 million, the result of scheduled principal payments made throughout 2015. In 2015, the City issued two new General obligation bonds. The 2015A LTGO Bonds (Mini Bonds) were issued to provide funding for remodeling the West Barracks in the Vancouver National Historic Reserve. The City also issued 2015B LTGO and Refunding Bonds, which included additional funding for the West Barracks, and also partially refunded three LTGO bond issues issued in 2005, 2006, and 2008. The City's remaining capacity for non-voted debt is approximately $221.3 million.

City of Vancouver Outstanding Bonded Debt
(in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2014	2015	2014	2015	2014	2015
General obligation bonds	$ 85,929	$ 81,538	$ 11,266	$ 10,133	$ 97,195	$ 91,671
Revenue bonds	-	-	40,895	31,345	40,895	31,345
Net Amounts for:						
Issuance premiums (discounts)	3,492	5,349	1,994	1,418	5,486	6,767
Total	$ 89,421	$ 86,887	$ 54,155	$ 42,896	$ 143,576	$ 129,783

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenue projections for 2016 indicate that revenues are anticipated to continue increasing over the projected time period, driven mostly by the economic stabilization. Some tempering in the rate of growth of sales tax is anticipated in 2016. The City has enjoyed several years of stability and was able to set aside funding for several high priority capital projects, such as the Waterfront Park and two replacement Fire Stations.

The City's management continues its commitment to seeking out and implementing new cost containment and service delivery options to ensure the most efficient and effective way of service delivery and savings over the long run. The City agencies have embarked on a process of developing their business plans and priorities at the same time as City Council is developing the vision and strategic plan for the City of Vancouver over the long term.

The City has had a very successful year in finding a long-term solution to the street infrastructure funding. An intensive community engagement process took place during 2015 resulting in a recommendation to Council on the desired service level in city street maintenance and a new revenue package to fund the enhancements in the service level. As the result of the process, a number of new funding sources and revenue increases was approved that would ultimately improve the City's roads from "fair" to "good" over the next 20-year period. A similar process is anticipated to take place in 2016 in relation to the service and staffing levels in Police.

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, 2015

	Primary Government			Component Units	
ASSETS	Governmental Activities	Business-type Activities	Total Primary Government	Vancouver Downtown Redevelopment Authority	Vancouver Public Facilities District
Cash and cash equivalents	$ 191,446,940	$ 85,821,741	$ 277,268,681	$ 94,656	$ 117,204
Cash with fiscal/escrow agent	-	-	-	7,773,566	-
Restricted assets					
Cash	-	9,298,639	9,298,639	-	-
Accrued interest receivable	-	8,960	8,960	-	-
Receivables (net of allowance for uncollectible accounts)	20,158,830	9,633,429	29,792,259	1,549,940	228,590
Inventories	477,684	964,704	1,442,388	35,441	-
Capital assets held for resale	272,400		272,400	-	-
Prepaid Items	195,940	-	195,940	141,016	-
Internal balances	(3,621,652)	3,621,652	-	-	-
Investment in joint venture	6,158,680	-	6,158,680	-	-
Due from other governmental units	1,356,062		1,356,062	-	257,849
Net pension asset	17,238,176	-	17,238,176	-	-
Capital assets (net of accumulated depreciation)					
Land	82,548,079	33,775,092	116,323,171	-	3,603,691
Easements	8,126,333	5,651,804	13,778,137	-	-
Buildings	82,083,830	15,233,294	97,317,124	34,087,018	-
Machinery and equipment	15,687,104	2,372,855	18,059,959	2,571,785	-
Infrastructure	402,139,424	292,236,807	694,376,231	-	-
Intangible assets	936,389	545,000	1,481,389	-	-
Construction work in progress	17,083,846	11,252,961	28,336,807	5,320,263	-
Total Assets	842,288,065	470,416,938	1,312,705,003	51,573,685	4,207,334
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	2,972,955	1,492,754	4,465,709	1,251,761	-
Amounts related to pension	4,948,253	1,703,551	6,651,804	-	-
Total deferred outflows of resources	7,921,208	3,196,305	11,117,513	1,251,761	-
LIABILITIES					
Accounts payable and other current liabilities	9,552,370	5,249,739	14,802,109	1,270,629	589,938
Accrued interest payable	301,611	163,137	464,748	1,297,431	-
Unearned revenue	319,284	168,886	488,170	184,765	-
Custodial accounts	328,371	276,240	604,611	-	-
Noncurrent liabilities:					
Environmental remediation	-	399,000	399,000	-	-
Special assessment debt with governmental commitments due within one year	45,000	-	45,000	-	-
Special assessment debt with governmental commitments due in more than one year	125,000	-	125,000	-	-
Net pension liability	19,091,441	13,150,390	32,241,831	-	-
Due within one year	21,563,391	13,906,752	35,470,143	900,000	-
Due in more than one year	109,151,840	31,403,310	140,555,150	68,514,071	-
Total Liabilities	160,478,308	64,717,454	225,195,762	72,166,896	589,938
DEFERRED INFLOWS OF RESOURCES					
Amounts related to pension	7,482,064	2,016,863	9,498,927	-	-
Total deferred inflows of resources	7,482,064	2,016,863	9,498,927	-	-
NET POSITION					
Net investment in capital assets	510,481,006	319,491,178	829,972,184	(17,965,661)	3,603,691
Restricted for:					
Capital purposes	18,539,373	5,483,216	24,022,589	-	-
Debt service	2,110,820	3,725,208	5,836,028	2,970,030	-
Grant purposes	5,266,449	-	5,266,449	-	-
Security purposes	18,905,380	-	18,905,380	-	-
Economic purposes	3,012,156		3,012,156		
Parks & Recreation purposes	47,676		47,676	-	-
Unrestricted	123,886,041	78,179,324	202,065,365	(4,345,819)	13,705
Total Net Position	$ 682,248,901	$ 406,878,926	$ 1,089,127,827	$ (19,341,450)	$ 3,617,396

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services, Fees, Fines and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	Total	Vancouver Downtown Redevelopment Authority	Vancouver Public Facilities District
PRIMARY GOVERNMENT									
Governmental Activities:									
General Government	$ 19,324,434	$ 11,869,505	$ 549,653	$ 695,143	$ (6,210,133)	$ -	$ (6,210,133)	$ -	$ -
Security/ persons & property	78,427,360	12,342,089	2,262,911	339,832	(63,482,528)	-	(63,482,528)	-	-
Physical Environment	666,994	131,871	-	-	(535,123)	-	(535,123)	-	-
Transportation	34,932,209	8,634,000	-	17,593,949	(8,704,260)	-	(8,704,260)	-	-
Mental and Physical Health	375,169	-	-	-	(375,169)	-	(375,169)	-	-
Economic Environment	8,954,033	2,938,667	1,558,870	2,590,193	(1,866,303)	-	(1,866,303)	-	-
Culture and Recreation	9,989,019	4,615,038	340,998	967,155	(4,065,827)	-	(4,065,827)	-	-
Interest on Long-Term Debt	3,541,843	-	-	-	(3,541,843)	-	(3,541,843)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	156,211,061	40,531,170	4,712,432	22,186,271	(88,781,188)	-	(88,781,188)	-	-
Business Type Activities:									
Water/Sewer	82,686,843	86,784,503	233,327	14,908,828	-	19,239,815	19,239,815	-	-
Parking	2,974,384	2,005,110	-	-	-	(969,274)	(969,274)	-	-
Airpark	649,954	690,072	-	-	-	40,118	40,118	-	-
Building Inspection	5,173,784	4,566,062	-	-	-	(607,722)	(607,722)	-	-
Solid Waste	2,278,530	1,717,616	-	-	-	(560,914)	(560,914)	-	-
Tennis Center	1,103,242	817,994	-	-	-	(285,248)	(285,248)	-	-
Fire Shop	-	-	-	-	-	-	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	94,866,737	96,581,357	233,327	14,908,828	-	16,856,775	16,856,775	-	-
Total Primary Government	$ 251,077,798	$ 137,112,527	$ 4,945,759	$ 37,095,099	$ (88,781,188)	$ 16,856,775	$ (71,924,413)	$ -	$ -
Component Units									
Downtown Redevelopment Authority	$ 17,046,788	$ 16,116,772	$ -	$ -	$ -	$ -	$ -	$ (930,016)	$ -
Public Facilities District	1,278,142	-	6,646	-	-	-	-	-	(1,271,496)
TOTAL COMPONENT UNITS	$ 18,324,930	$ 16,116,772	$ 6,646	$ -	$ -	$ -	$ -	$ (930,016)	$ (1,271,496)
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					$ 44,153,447	$ -	$ 44,153,447	$ -	$ -
Sales and Use Taxes					35,034,377	-	35,034,377	2,331,873	1,271,496
Utility Taxes					36,811,058	-	36,811,058	-	-
Excise, Lodging and Other Taxes					9,175,259	-	9,175,259	-	-
Unrestricted Investment Earnings					1,031,093	643,874	1,674,967	962	60
Gain (loss) on Sale of Capital Assets					10,127	2,557,430	2,567,557	-	-
Miscellaneous					524,661	136,396	661,057	23,969	-
Special Items:									
Gain on extinguishment of debt					-	-	-	107,813	-
Claims settlement					-	-	-	41,443	-
Transfers					(1,442,505)	1,442,505	-	-	-
Total General Revenues, Special Items, and Transfers					125,297,517	4,780,205	130,077,722	2,506,060	1,271,556
Change in Net Position					36,516,329	21,636,980	58,153,309	1,576,044	60
Net Position - Beginning					666,290,926	400,490,318	1,066,781,244	(18,967,640)	3,617,336
Prior period adjustments					(3,172,946)	(1,430,591)	(4,603,537)	(1,949,854)	-
Change in accounting principles					(17,385,408)	(13,817,781)	(31,203,189)	-	-
Net Position - Ending					$ 682,248,901	$ 406,878,926	$ 1,089,127,827	$ (19,341,450)	$ 3,617,396

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	Major Funds			Other Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Consolidated Fire	Street Fund		
ASSETS					
Cash and cash equivalents	$ 55,288,983	$ 18,091,307	$ 6,582,590	$ 62,480,580	$ 142,443,460
Receivables (net)					
Taxes/assessments	10,909,187	-	1,058,274	819,231	12,786,692
Accounts	347,129	132,627	73,647	816,460	1,369,863
Interest	55,383	17,524	6,383	60,500	139,790
Notes	-	-	-	5,147,120	5,147,120
Due from other funds	282,829	31,306	796	499,303	814,234
Due from other governmental units	225,217	4,066	-	1,126,779	1,356,062
Capital assets held for resale	228,400	-	-	-	228,400
Prepaid items	88,348	-	-	7,593	95,941
TOTAL ASSETS	$ 67,425,476	$ 18,276,830	$ 7,721,690	$ 70,957,566	$ 164,381,562
LIABILITIES					
Accounts payable	$ 2,847,727	$ 149,764	$ 141,996	$ 1,331,454	$ 4,470,941
Advances from other funds	3,443,844	-	-	-	3,443,844
Due to other funds	522,317	21,692	20,879	174,117	739,005
Due to other governmental units	-	-	-	229,875	229,875
Accrued interest payable	124	-	-	-	124
Accrued liabilities	2,126,298	1,170,525	189,496	68,367	3,554,686
Revenues collected in advance	227,666	56,667	2,670	3,123	290,126
Custodial accounts	265,191	738	55,451	945	322,325
Unearned revenue	-	-	-	29,158	29,158
Total liabilities	9,433,167	1,399,386	410,492	1,837,039	13,080,084
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	754,879	-	-	-	754,879
Unavailable revenue-special assessments	-	-	-	143,648	143,648
Unavailable revenue-grants and other	214,690	42,289	-	168,142	425,121
Unavailable revenue-capital improvements	-	-	-	321,403	321,403
Total deferred inflows of resources	969,569	42,289	-	633,193	1,645,051
FUND BALANCES					
Nonspendable	316,748	-	-	7,593	324,341
Restricted	78,647	16,835,155	-	40,266,788	57,180,590
Committed	44,944,108	-	7,311,198	7,786,036	60,041,342
Assigned	3,787,063	-	-	20,426,917	24,213,980
Unassigned	7,896,174	-	-	-	7,896,174
Total fund balances	57,022,740	16,835,155	7,311,198	68,487,334	149,656,427
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 67,425,476	$ 18,276,830	$ 7,721,690	$ 70,957,566	164,381,562

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT WIDE STATEMENT OF NET POSITION
December 31, 2015

Fund Balance - Total Governmental Funds	**$**	**149,656,427**
Amounts reported for governmental activities in the statement of net position are different because (See Note II		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		602,360,291
Capital Assets Held for Resale used in governmental activities that are not financial resources and therefore are not reported in the funds		44,000
Long-term liabilities that are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(81,538,286)
Plus: Issuance (Premium)/Discount (to be amortized as interest income)		(5,348,914)
Special assessment debt		(170,000)
Accrued interest payable		(301,487)
Government loans		(4,700,176)
Compensated absences for non-Internal Service Funds		(7,319,126)
Impact fee credits		(17,010,200)
Net OPEB obligation		(8,645,111)
Net Pension Liability Mulit-Employer Plan		(13,193,140)
Net Pension Liability - Single Employer Plan		(473,768)
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in		
Deferred amounts eliminated for government-wide		1,645,050
Investments in joint ventures		6,158,680
Net Pension Assets Multi-Employer Plan		16,309,449
Net pension asset - Single Employer Plan		928,727
Deferred outflows/(inflows) required to be recognized on government-wide		
Deferred outflows - unamortized loss on refunding (to be amortized as interest expense)		2,972,955
Deferred outflows - related to pensions		4,245,540
Deferred inflows - related to pensions		(6,650,109)
Internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of		43,278,099
Total net position of governmental activities	**$**	**682,248,901**

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year ended December 31, 2015

	Major Funds			Other Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Consolidated Fire	Street Fund		
REVENUES					
Property taxes	$ 44,230,563	$ -	$ -	$ -	$ 44,230,563
Sales and use taxes	35,034,377	-	-	-	35,034,377
Other taxes	37,483,232	-	3,246,532	5,367,280	46,097,044
License and permits	1,102,543	572,211	378,397	2,525,981	4,579,132
Intergovernmental	5,016,528	43,329	3,557,599	9,177,844	17,795,300
Charges for services	9,447,941	9,405,914	495,481	3,078,478	22,427,814
Fines and penalties	1,447,917	16,938	-	100,921	1,565,776
Investment earnings	478,373	75,879	38,602	252,765	845,619
Rents and royalties	3,574,825	57,655	498,400	652,977	4,783,857
Contributions/donations	315,281	50,452	-	945,434	1,311,167
Miscellaneous	192,495	19	2,599	329,548	524,661
Total revenues	138,324,075	10,222,397	8,217,610	22,431,228	179,195,310
EXPENDITURES					
Current					
General government	17,846,590	-	-	1,750,222	19,596,812
Security/persons & property	44,326,974	34,074,368	-	518,620	78,919,962
Physical environment	590,653	-	-	25,205	615,858
Transportation	132,767	-	11,818,002	2,917,016	14,867,785
Economic environment	5,364,859	-	-	3,661,091	9,025,950
Mental and physical health	375,169	-	-	-	375,169
Culture and recreation	8,399,043	-	-	2,131,792	10,530,835
Capital outlay	4,234,742	890,898	6,476,572	9,125,023	20,727,235
Debt service					
Principal retirement	-	-	-	10,225,697	10,225,697
Interest/fiscal charges	-	-	-	3,960,811	3,960,811
Total expenditures	81,270,797	34,965,266	18,294,574	34,315,477	168,846,114
Excess (deficiency) of revenues over (under) expenditures	57,053,278	(24,742,869)	(10,076,964)	(11,884,249)	10,349,196
OTHER FINANCING SOURCES (USES)					
Capital related debt issued	-	-	-	4,771,500	4,771,500
Sale of capital assets	-	(1,974)	-	332,978	331,004
Refunding bond issued	-	-	-	19,625,000	19,625,000
Payment to refunded bond escrow account	-	-	-	(22,373,995)	(22,373,995)
Premium on debt issued	-	-	-	3,220,364	3,220,364
Fiscal charges	-	-	-	(145,600)	(145,600)
Transfers in	625,064	25,923,859	11,831,555	37,548,344	75,928,822
Transfers out	(61,956,379)	(540,444)	(1,685,762)	(15,517,539)	(79,700,124)
Total other financing sources and uses	(61,331,315)	25,381,441	10,145,793	27,461,052	1,656,971
Net change in fund balances	(4,278,037)	638,572	68,829	15,576,803	12,006,167
FUND BALANCES - BEGINNING	61,577,210	16,196,583	7,242,369	52,530,849	137,547,011
Prior period adjustments	(276,433)	-	-	379,682	103,249
FUND BALANCES - ENDING	$ 57,022,740	$ 16,835,155	$ 7,311,198	$ 68,487,334	$ 149,656,427

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNEMENT WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

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

Net Change in fund balances - total governmental funds		$	12,006,167
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.			(2,879,509)
Capital Outlay	18,687,623		
Depreciation Expense	(21,567,132)		
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) not reported in governmental funds.			15,224,605
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(2,597,140)
Earned taxes	(77,116)		
Earned special assessments	(110,727)		
Earned revenue considered available at fund level	198,326		
Contributions related to impact fee credits	(5,031,860)		
Contributions related to pension	1,257,591		
Miscellaneous revenues related to joint venture	1,166,646		
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.			4,982,828
Defeasance of bonds - refunding	20,820,000		
Issuance of bonds	(24,396,500)		
Amount deferred on issuance of debt	870,330		
Premiums recognized on issuance of debt	(3,248,730)		
Remove premiums on old debt	683,665		
Discounts recognized on issuance of debt	28,366		
General obligation debt payments	7,967,392		
Governmental loan payments	2,116,471		
Special assessment debt payments	141,834		
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.			2,568,655
Compensated absences	(104,851)		
OPEB Cost	(1,431,921)		
Pension - single employer plan	1,536,082		
Pension Cost - multiple employer plan	2,150,377		
Accrued Interest	21,236		
Amortization of deferred amount on refunding	(281,362)		
Amortization of discounts/premiums	679,094		
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.			7,210,723
Changes in Net Position of Governmental Activities		$	36,516,329

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2015

	Budget Amounts Original 2015-16 Biennium	Budget Amounts Final 2015-16 Biennium	Actual Biennium To- Date Thru 12/31/15	Variance Thru 12/31/15
REVENUES				
Property tax	$ 88,821,650	$ 88,821,650	$ 44,230,563	$ 44,591,087
Sales and use taxes	63,822,529	61,924,045	35,034,377	26,889,668
Other taxes	73,289,444	77,248,894	37,483,232	39,765,662
License and permits	1,845,602	1,851,602	1,102,543	749,059
Intergovernmental	6,702,851	9,253,636	5,016,528	4,237,108
Charges for services	18,215,177	18,277,293	9,265,098	9,012,195
Fines and forfeitures	3,189,454	3,189,454	1,447,917	1,741,537
Investment earnings	969,457	969,457	478,193	491,264
Rents and royalties	6,254,613	6,615,164	3,574,825	3,040,339
Contributions/donations	-	154,100	315,281	(161,181)
Miscellaneous	1,218,618	1,248,618	192,495	1,056,123
Total revenues	264,329,395	269,553,912	138,141,052	131,412,860
EXPENDITURES				
Current:				
General government	39,716,577	39,722,307	17,846,590	21,875,717
Security/persons & property	92,076,730	90,997,286	44,145,348	46,851,938
Physical environment	1,168,392	1,188,392	590,653	597,739
Transportation	280,800	341,888	132,767	209,121
Economic environment	11,026,167	11,510,910	5,364,859	6,146,051
Mental and physical health	752,630	752,630	375,169	377,461
Culture and recreation	17,539,924	17,598,852	8,399,043	9,199,809
Capital outlay	75,201	4,524,478	4,234,742	289,736
Total expenditures	162,636,421	166,636,745	81,089,171	85,547,574
Excess (deficiency) of revenues over expenditures	101,692,974	102,917,167	57,051,881	45,865,286
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	280,000	-	280,000
Transfers in	1,198,096	1,707,454	625,064	1,082,390
Transfers out	(103,668,038)	(114,588,669)	(61,956,379)	(52,632,290)
Total other financing sources (uses)	(102,469,942)	(112,601,215)	(61,331,315)	(51,269,900)
Net change in fund balance	(776,968)	(9,684,048)	(4,279,434)	(5,404,614)
FUND BALANCES - BEGINNING	61,577,210	61,577,210	61,577,210	-
Prior period adjustments	-	-	(276,433)	276,433
FUND BALANCES - ENDING	$ 60,800,242	$ 51,893,162	$ 57,021,343	$ (5,128,181)
Adjustment to generally accepted accounting principles (GAAP) basis:				
Riverwest RDA Fund budgeted as separate fund			1	
School District ImPact Fees budgeted as separate fund			(69)	
SW Washington Regional SWAT Team budgeted as separate fund			1,465	
Fund Balance GAAP basis:			$ 57,022,740	

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER
CONSOLIDATED FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2015

	Budget Amounts		Actual	
	Original 2015-16 Biennium	Final 2015-16 Biennium	Biennium To- Date Thru 12/31/15	Variance Thru 12/31/15
REVENUES				
License and permits	$ 1,022,241	$ 1,125,027	$ 572,211	$ 552,816
Intergovernmental	-	57,939	43,329	14,610
Charges for services	18,746,715	18,768,844	9,405,914	9,362,930
Fines and forfeits	9,869	9,869	16,938	(7,069)
Investment earnings	64,147	64,147	75,879	(11,732)
Rents and royalties	111,100	108,386	57,655	50,731
Contributions/donations	-	16,000	50,452	(34,452)
Miscellaneous	-	-	19	(19)
Total revenues	19,954,072	20,150,212	10,222,397	9,927,815
EXPENDITURES				
Current				
Security/persons & property	68,506,115	69,538,194	34,074,368	35,463,826
Capital outlay	2,130,386	3,410,659	890,898	2,519,761
Total expenditures	70,636,501	72,948,853	34,965,266	37,983,587
Excess (deficiency) of revenues over (under) expenditures	(50,682,429)	(52,798,641)	(24,742,869)	(28,055,772)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	(1,974)	1,974
Transfers in	(51,772,182)	51,946,421	25,923,859	26,022,562
Transfers out	(1,079,512)	(1,062,704)	(540,444)	(522,260)
Total other financing sources and uses	(52,851,694)	50,883,717	25,381,441	25,502,276
Net change in fund balances	(103,534,123)	(1,914,924)	638,572	(2,553,496)
FUND BALANCES - BEGINNING	16,196,583	16,196,583	16,196,583	-
FUND BALANCES - ENDING	$ (87,337,540)	$ 14,281,659	$ 16,835,155	$ (2,553,496)

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER
STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2015

	Budget Amounts Original 2015-16 Biennium	Budget Amounts Final 2015-16 Biennium	Actual Biennium To- Date Thru 12/31/15	Variance Thru 12/31/15
REVENUES				
Other taxes	$ 4,433,150	$ 4,433,150	$ 3,246,532	$ 1,186,618
License and permits	400,000	400,000	378,397	21,603
Intergovernmental	7,051,394	7,051,394	3,557,599	3,493,795
Charges for services	345,488	405,488	495,481	(89,993)
Investment earnings	-	-	38,602	(38,602)
Rents and royalties	1,434,808	1,434,808	498,400	936,408
Miscellaneous	-	-	2,599	(2,599)
Total revenues	13,664,840	13,724,840	8,217,610	5,507,230
EXPENDITURES				
Current:				
Transportation	24,957,998	25,538,817	11,818,002	13,720,815
Capital outlay	9,866,584	10,101,584	6,476,572	3,625,012
Total expenditures	34,824,582	35,640,401	18,294,574	17,345,827
Excess (deficiency) of revenues over expenditures	(21,159,742)	(21,915,561)	(10,076,964)	(11,838,597)
OTHER FINANCING SOURCES (USES)				
Transfers in	23,571,856	23,601,856	11,831,555	11,770,301
Transfers out	(1,929,439)	(2,676,588)	(1,685,762)	(990,826)
Total other financing sources (uses)	21,642,417	20,925,268	10,145,793	10,779,475
Net change in fund balance	482,675	(990,293)	68,829	(1,059,122)
FUND BALANCES - BEGINNING	7,242,369	7,242,369	7,242,369	-
FUND BALANCES - ENDING	$ 7,725,044	$ 6,252,076	$ 7,311,198	$ (1,059,122)

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Business-Type Activities - Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major		
	Water/Sewer	Parking Services	Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets					
Cash and cash equivalents	$ 69,037,735	$ 2,378,094	$ 14,405,912	$ 85,821,741	$ 49,003,480
Restricted cash, cash equivalents and investments:					
Cash and cash equivalents	9,298,639	-	-	9,298,639	-
Accrued interest receivable	8,960	-	-	8,960	-
Receivables (net)					
Accounts	4,883,555	421,706	195,785	5,501,046	667,973
Interest	66,803	2,301	13,918	83,022	47,392
Due from other funds	493,864	-	3,141	497,005	186,525
Advance to other funds - current	542,208	-	-	542,208	-
Due from other governmental units	106,401	-	-	106,401	-
Inventory	964,704	-	-	964,704	477,684
Prepaid expenses	-	-	-	-	100,000
Total current assets	85,402,869	2,802,101	14,618,756	102,823,726	50,483,054
Noncurrent assets					
Contracts receivable	3,942,960	-	-	3,942,960	-
Advance to other funds	2,901,636	-	-	2,901,636	-
Capital assets					
Land and improvements	32,822,233	468,657	484,202	33,775,092	-
Intangible - Easements	5,651,804	-	-	5,651,804	-
Construction in progress	11,085,242	-	167,719	11,252,961	494,977
Other improvements	526,089,489	49,165	2,369,720	528,508,374	-
Buildings	7,382,206	16,984,573	10,984,913	35,351,692	-
Intangible assets	8,341,534	128,712	1,603,368	10,073,614	-
Machinery and equipment	24,779,330	655,216	340,606	25,775,152	29,579,433
Accumulated depreciation	(269,511,779)	(11,800,610)	(8,008,487)	(289,320,876)	(23,829,696)
Capital assets (net)	346,640,059	6,485,713	7,942,041	361,067,813	6,244,714
Total noncurrent assets	353,484,655	6,485,713	7,942,041	367,912,409	6,244,714
TOTAL ASSETS	438,887,524	9,287,814	22,560,797	470,736,135	56,727,768
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,315,987	158,882	17,885	1,492,754	-
Amounts related to pension	1,363,575	49,791	290,185	1,703,551	702,713
Total deferred outflows of resources	2,679,562	208,673	308,070	3,196,305	702,713
LIABILITIES					
Current liabilities					
Accounts payable	3,904,283	26,869	275,198	4,206,350	892,346
Claims and judgments payable	-	-	-	-	1,743,912
Environmental remediation	21,000	-	-	21,000	-
Due to other funds	307,031	-	12,166	319,197	439,562
Due to other governmental units	86,059	-	-	86,059	-
Accrued interest payable	135,680	25,298	2,159	163,137	-
Accrued liabilities	2,553,120	61,915	426,061	3,041,096	1,290,498
Custodial accounts	215,165	6,458	54,617	276,240	6,046
Unearned revenues	31,253	9,436	128,197	168,886	-
Bonds, notes and loans payable	10,562,030	855,598	384,361	11,801,989	-
Total current liabilities	17,815,621	985,574	1,282,759	20,083,954	4,372,364
Noncurrent liabilities					
Due to other governmental units	87,359	-	-	87,359	-
Bonds, notes and loan payable	22,072,489	8,890,260	131,233	31,093,982	-
Claims and judgments	-	-	-	-	3,425,088
Environmental remediation	399,000	-	-	399,000	-
Accrued employee benefits	189,474	3,545	28,947	221,966	98,442
Net pension liability	10,525,979	384,347	2,240,064	13,150,390	5,424,533
Total noncurrent liabilities	33,274,301	9,278,152	2,400,244	44,952,697	8,948,063
Total liabilities	51,089,922	10,263,726	3,683,003	65,036,651	13,320,427
DEFERRED INFLOWS OF RESOURCES					
Amounts related to pension	1,614,359	58,947	343,557	2,016,863	831,955
Total deferred inflows of resources	1,614,359	58,947	343,557	2,016,863	831,955
NET POSITION					
Net investment in capital assets	315,148,109	(3,101,263)	7,444,332	319,491,178	6,244,714
Restricted for capital purposes	5,483,216	-	-	5,483,216	210,000
Restricted for debt	3,725,208	-	-	3,725,208	-
Unrestricted	64,506,272	2,275,077	11,397,975	78,179,324	36,823,385
TOTAL NET POSITION	$ 388,862,805	$ (826,186)	$ 18,842,307	$ 406,878,926	$ 43,278,099

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Enterprise Funds				(Governmental Activities)
	Major Fund		Other Non-Major Enterprise Funds		
	Water/Sewer	Parking Services		Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 85,242,621	$ 3,335	$ 6,956,675	$ 92,202,631	$ 37,724,044
Fines and penalties	599,482	382,717	13,500	995,699	-
Rents and royalties	684,427	1,588,242	816,307	3,088,976	5,194,170
Miscellaneous	257,973	30,816	5,262	294,051	1,004
Total operating revenues	86,784,503	2,005,110	7,791,744	96,581,357	42,919,218
OPERATING EXPENSES					
Personnel services	18,620,900	704,115	3,973,626	23,298,641	9,942,066
Supplies and contractual services	21,129,048	408,726	2,344,881	23,882,655	24,124,561
Interfund services	10,016,858	600,599	2,342,166	12,959,623	2,401,390
Intergovernmental payments	18,806,592	19,099	8,229	18,833,920	373,793
Depreciation	12,393,140	847,278	501,241	13,741,659	2,005,376
Total operating expenses	80,966,538	2,579,817	9,170,143	92,716,498	38,847,186
Operating income (loss)	5,817,965	(574,707)	(1,378,399)	3,864,859	4,072,032
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	575,138	7,737	60,999	643,874	185,474
State and federal grants	233,327	-	-	233,327	142,480
Interest and fiscal charges	(1,720,305)	(394,567)	(35,367)	(2,150,239)	-
Gain (Loss) on disposal of capital assets	2,557,430	-	-	2,557,430	99,182
Miscellaneous revenue (expense)	47,395	-	89,001	136,396	-
Total nonoperating revenues (expenses)	1,692,985	(386,830)	114,633	1,420,788	427,136
Income (loss) before contributions and transfers	7,510,950	(961,537)	(1,263,766)	5,285,647	4,499,168
Capital contributions	14,908,828	-	-	14,908,828	382,758
Transfers in	8,629	1,245,540	391,598	1,645,767	6,327,802
Transfers out	(19,007)	-	(184,255)	(203,262)	(3,999,005)
Change in net position	22,409,400	284,003	(1,056,423)	21,636,980	7,210,723
TOTAL NET POSITION - BEGINNING	378,938,474	(706,336)	22,258,180	400,490,318	41,774,282
Prior period adjustments	(1,424,889)	-	(5,702)	(1,430,591)	(7,073)
Change in accounting principles	(11,060,180)	(403,853)	(2,353,748)	(13,817,781)	(5,699,833)
TOTAL NET POSITION - ENDING	$ 388,862,805	$ (826,186)	$ 18,842,307	$ 406,878,926	$ 43,278,099

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	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	$ 86,261,703	$ 1,975,638	$ 7,961,323	$ 96,198,664	$ 42,771,358
Cash received from other operating activities	257,973	30,816	5,143	293,932	1,004
Cash payments for goods and services	(39,437,827)	(444,337)	(2,336,517)	(42,218,681)	(23,164,290)
Internal activity - between funds	(10,081,589)	(615,166)	(2,374,469)	(13,071,224)	(2,849,766)
Cash payments to employees	(18,566,848)	(722,571)	(3,944,696)	(23,234,115)	(9,703,910)
Net cash provided by operating activities	18,433,412	224,380	(689,216)	17,968,576	7,054,396
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Unrestricted gifts received	47,395	-	89,001	136,396	-
Receipt of grant funds	-	-	-	-	142,480
Transfers from other funds	8,629	1,245,540	391,598	1,645,767	6,327,802
Transfers to other funds	(19,008)	-	(184,255)	(203,263)	(3,665,571)
Net cash provided by noncapital financing activities	37,016	1,245,540	296,344	1,578,900	2,804,711
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital debt	(9,634,780)	(780,000)	(352,608)	(10,767,388)	-
Interest paid on capital debt	(1,871,722)	(342,650)	(44,426)	(2,258,798)	-
Purchase of capital assets	(10,252,100)	-	(18,040)	(10,270,140)	(2,225,140)
Receipts from interfund capital transactions	363,436	-	-	363,436	-
Proceeds from sale of capital assets	42,812	-	-	42,812	99,182
Capital contributions	8,151,546	-	-	8,151,546	-
Net cash used by capital and related financing activities	(13,200,808)	(1,122,650)	(415,074)	(14,738,532)	(2,125,958)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings (losses)	540,075	8,917	73,109	622,101	208,745
Interest received on interfund loans	83,969	-	-	83,969	-
Net cash provided by investing activities	624,044	8,917	73,109	706,070	208,745
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,893,664	356,187	(734,837)	5,515,014	7,941,894
CASH AND CASH EQUIVALENTS - BEGINNING	72,442,710	2,021,907	15,140,749	89,605,366	41,061,586
CASH AND CASH EQUIVALENTS - ENDING	$ 78,336,374	$ 2,378,094	$ 14,405,912	$ 95,120,380	$ 49,003,480

The accompanying notes are an integral part of this statement

	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)	$ 5,817,965	$ (574,707)	$ (1,378,399)	$ 3,864,859	$ 4,072,032
Adjustments to reconcile net operating income (loss) to net cash provided by operations:					
Depreciation expense	12,393,140	847,278	501,241	13,741,659	2,005,376
(Increase) Decrease in receivables	(265,716)	(508)	161,800	(104,424)	37,098
Increase (Decrease) in deposits	(1,326)	1,852	12,759	13,285	-
(Increase) Decrease in inventories	(59,373)	-	-	(59,373)	(13,103)
Increase (Decrease) in current payables	1,048,926	(16,821)	11,624	1,043,729	495,705
Increase (Decrease) in accrued liabilities	337,469	(7,797)	89,241	418,913	389,676
(Increase) Decrease in receivables from other funds	(269,624)	-	3,699	(265,925)	(177,175)
Increase (Decrease) in payables due to other funds	(64,731)	(14,567)	(30,869)	(110,167)	(455,155)
Increase (Decrease) in claims and judgments payable	-	-	-	-	846,000
Increase (Decrease) in pension liability	(283,417)	(10,350)	(60,312)	(354,079)	(146,058)
Prior period adjustment	(219,901)	-	-	(219,901)	-
Total adjustments	12,615,447	799,087	689,183	14,103,717	2,982,364
Net cash provided by operating activities	$ 18,433,412	$ 224,380	$ (689,216)	$ 17,968,576	$ 7,054,396
Noncash investing, financing and capital activities					
Capital assets donated	$ 7,307,256	$ -	$ -	$ 7,307,256	$ 382,758
Net change in fair value of investments	$ 21,722	$ 660	$ (3,991)	$ 18,391	$ (8,612)
Advance made upon sale of capital assets	$ (3,974,000)	-	$ -	$ (3,974,000)	$ -
Capital assets financed with accounts payable	$ 957,499	$ -	$ -	$ 957,499	$ -

The accompanying notes are an integral part of this statement

CITY OF VANCOUVER
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
December 31, 2015

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 4,269,381	$ 801,450
Certificates of Deposit	1,031,720	-
Federal Agency Coupon Securities	1,974,260	-
Corporate Bond	3,146,299	-
Receivables:		
Accounts	5,810	185,335
Interest	42,426	775
Prepaid expenses	60,000	-
TOTAL ASSETS	10,529,896	987,560
LIABILITIES		
Accounts and accrued employee payables	7,357	7,352
Due to other governmental units	-	980,208
TOTAL LIABILITIES	7,357	987,560
NET POSITION		
Held in trust for Pension and OPEB Benefits	$ 10,522,539	$ -

The accompanying notes are an integral part of this staement

CITY OF VANCOUVER

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Fiduciary Funds

For The Year Ended December 31, 2015

		Pension Trust Funds
Additions:		
Employer Contributions		
For pension benefits	$	1,525,265
For postemployment healthcare benefits		1,310,731
Other Sources		179,118
Total Contributions		3,015,114
Investment Income		
Interest earnings		34,773
Total Investment Income		34,773
Total Additions		3,049,887
Deductions:		
Pension benefits		743,786
Healthcare premium subsidies		1,310,731
Administrative expense		103,452
Total Deductions		2,157,969
Change in fiduciary net position		891,918
Net position - beginning		9,630,621
Net position - ending	$	10,522,539

The accompanying notes are an integral part of this statement

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The City of Vancouver was incorporated January 23, 1857. The City operates under a Council-Manager form of government and provides services per its charter adopted February 10, 1952, as last amended November 3, 2015.

The Comprehensive Annual Financial Report of the City of Vancouver includes the primary government and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in 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, 2015.

On November 2, 2015, the Vancouver City Council passed Ordinance M-4139 creating the Vancouver Transportation Benefit District (TBD). Through an Interlocal agreement, funds generated from a vehicle registration fee will be passed to the City and used for transportation improvements that construct, reconstruct, preserve, maintain and operate the existing transportation infrastructure of the City of Vancouver consistent with RCW 36.73. The TBD is an independent legal entity but its financial activity will be presented as a blended component unit; however, there was no financial information to report for fiscal year ending December 31, 2015.

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The *Street Fund* is a general government service fund established in accordance pursuant to Revised Code of Washington (RCW) 35A.37.010 for the administration of street-oriented maintenance and construction. Revenues are derived from tax contributions distributed from the General Fund, state shared gasoline tax, an excise tax of ¼ of 1% of property value of transferred property, fines and fees.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

Internal service funds account for services provided to other departments or agencies of the government, or to other governments on a cost reimbursement basis. The internal service funds account for the activities of health insurance for employees, fleet, facilities replacement, mail distribution, liability insurance, workers' compensation insurance, and technology services.

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

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

The City 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. <u>Cash and Cash Equivalents</u>

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 2015. 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, 2015, the City had $80,505,567 in the Washington State local investment pool and $790,621 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. <u>Internal Balance and Receivables</u>

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

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

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

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

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

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

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

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

3. Inventories and prepaid items

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

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

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

4. Restricted assets

These accounts contain resources for construction and debt service in enterprise funds. Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they may be maintained in separate bank accounts and their use is limited by applicable bond covenants. The restricted assets of the enterprise funds consist of $9,298,639 which is cash and investments held for debt service. Specific debt service reserve requirements are described in Note III.E.1.

5. Capital assets

Capital assets are generally considered property, plant, and equipment owned by the City costing $10,000 or more, and having an estimated useful life of 4 years or more. Additionally, new infrastructure construction (e.g. roads, bridges, sidewalks, etc.) of $100,000 or more is also reported as capital. Assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if the actual cost is not available. Donated capital assets are recorded at 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 III. E.2, for more information.

7. Other Accrued Liabilities

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

8. Long-term obligations

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

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

9. Pensions

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

10. Unearned revenues

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

11. Use of estimates

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

12. Net position and fund balances

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

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

Net investment in capital assets represents total capital assets plus deferred outflows of unamortized amounts on refunding less accumulated depreciation less debt directly related to capital assets less unspent bond proceeds.

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

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

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

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

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

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

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

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

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

E. ADOPTION OF NEW GASB PRONOUNCEMENTS

For the fiscal year ended December 31, 2015, the City implemented the following GASB Pronouncements:

GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*
The City implemented GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. As a result of implementing this standard, the city recognized an adjustment to beginning net position as a change in accounting principles as shown below.

	Governmental Activities	Business Type Activities
Adjustments for GASB 68	$ (17,385,408)	$ (13,817,781)

GASB Statement No. 72 *Fair Value Measurement and Application*
Issued in February 2015, this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for

applying fair value to certain investments and disclosures related to all fair value measurements. There is no material impact to the City for the adoption of the standard.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*
Issue in December 2015, this Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. There is no material impact to the City for the adoption of the standard.

F. FUTURE ADOPTION OF GASB PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at December 31, 2015:

- GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

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

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City prepares a biennial budget for all funds in accordance with the Revised Code of Washington (RCW) chapter 35.33. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, with the exception of proprietary funds which includes an appropriation for capital outlays and principal payments but does not include appropriations for depreciation expense and pension liability adjustments. All funds except custodial agency funds are budgeted to the fund level. Biennially appropriated budgets are adopted for all funds and lapse at the end of each biennium. However, some of the Special Revenue and Capital funds may carry forward budgeted amounts beyond the biennium for completion of certain projects.

Budgets are adopted at the level of the fund for a biennium, representing the legal expenditure authority. The budget appropriations in the general fund are set at the function level.

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

Year 2015 is the first year of the 2015-2016 Biennium.

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

The calendar below outlines the general time frame followed to prepare, review and adopt 2015-2016 Biennial Budget.

January-March 2014

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

April-June 2014

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

July-September 2014

- Reviewed the departmental proposals and prepared budget recommendations for the City Manager.
- Held televised workshops with City Council to review:
  - The budget process and provided a budget reductions overview.
  - The 2015-2020 revenue and expenditure forecast.
  - Input from the public on priority of City services and programs.

October-November 2014

- The City Manager's Preliminary Recommended budget was published for public and Council review.
- Filed the City's Preliminary Budget with the City Clerk and made copies available to the public.
- Presented the Preliminary Recommended Budget to City Council in televised workshop sessions and provided Council members with detailed information on the proposed budget.
- A public hearing on the Recommended Budget and related ordinances for fee increases was held on November 3, 2014.

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

State statutes provide for a mid-biennial review and modification of the biennial budget to allow flexibility for addressing issues unanticipated during the budget process. Modifications to the original adopted budget are proposed by departments and reviewed by the Budget Office staff in conjunction with the City Manager and his/her management team.

Adoption by the City Council requires a public hearing. There are usually two supplemental appropriations during any fiscal year. These procedures are in accordance with RCW's.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City has not had any occurrences of excesses of expenditures over appropriations as of December 31, 2015.

C. DEFICIT NET POSITION/NET FUND BALANCE

At December 31, 2015, the Parking Services fund had a deficit in the fund net position of $826,186. 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, 2015 was $847,278, continues to be the largest contributor the negative fund balance. The City continues to monitor operations in the fund to ensure funds are available to meet current operating needs. The General Fund transfers cash to cover debt service requirements.

At December 31, 2015, Vancouver Downtown Redevelopment Authority (DRA), a component unit of the City, had a deficit in the fund net position of $19,341,450. The DRA activities involve the operation of a hotel and convention center in the City's central downtown area. This is a cash flow based project and the negative net position balance is primarily attributed to accumulated depreciation, a non-cash item. Additionally, during the recession the economic environment had a negative impact on the convention and lodging business which is also reflected in the net position change. Deep cost-cutting measures have been put in place. The Board and the management of the DRA as well as the project monitor activities monthly. A series of revenue generating guidelines and on-going expense reductions have been implemented. The fund continues to improve slightly, while still remaining in a deficit position.

NOTE III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments are presented on the balance sheet in the basic financial statements at fair value or amortized cost, which approximates fair value, in accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools.",* and in accordance with GASB Statement 72, "*Fair Value Measurement and Application"*.

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

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	$	293,509,714
Deposits		4,492,576
Deposits w/fiscal agent, escrow, trust		7,773,566
Total	$	305,775,856
Financial Statements		
Cash and cash equivalents	$	286,567,320
Cash and cash equivalents – component units		211,860
Cash with fiscal agent/trustee – component units		7,773,566
Fiduciary cash		5,070,831
Fiduciary investments		6,152,279
Total	$	305,775,856

1. Deposits

At year-end, the City's carrying amount of deposits was $4,540,560 and bank balance was $6,258,099. 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, 2015. 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 nine months. Some funds are invested for the benefit of the respective fund. Remaining monies are aggregated in a residual account, and invested in the pool for the benefit of all funds. As required by state law, all investments of the City funds are obligations of the U.S. Government, U.S. agency issues, the State Treasurer's Investment Pool, or the Clark County Investment Pool. Regulatory oversight is performed by the CFO, the Treasurer, and the Treasury accountant. At the times when City funds are invested in the State Treasurer's Investment Pool or the Clark County Investment pool, the only limitation on withdrawal is a 24 hour notice for withdrawal of amounts. For the State Treasurer's Investment Pool the notice is required for amounts in excess of $10 million. However the County has no dollar threshold. Because we are a government, at this point, we do not need any other type of regulatory oversight.

As of December 31, 2015 the fair value of the City's investment portfolio was $293,509,714 of which $6,152,279 was invested on behalf of the Firemen's Pension Fund, and $287,357,435 was invested in the City's Internal Investment Pool for the benefit of all funds. Investments of pension funds are not subject to the preceding limitations under state law. The fair value of the investment portfolio is obtained using the market approach. Pricing is obtained through the City's third-party safekeeping custodian, US Bank Corporate Trust Services, who obtains pricing on Federal Agencies and Corporate Bonds through IDC Institutional Bond Quotes, and uses Standard & Poor's for pricing Municipal Bonds.

As of December 31, 2015, the City had the following investments:

Investment Type		Fair Value (in $1,000)	Weighted Average Maturity (Years)
County Pool	$	791	1.30
State Pool		80,506	0.10
Federal Agency Coupon Securities		188,651	1.20
Corporate Bond		1,032	1.00
Zero Coupon Bonds - Federal Agencies		4,221	0.90
Zero Coupon Bonds - Muni Bonds		1,974	1.40
Municipal Bonds		16,335	0.80
Total Fair Value	$	293,510	
Portfolio Weighted Average Maturity			0.78

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

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to declines in fair values by keeping the 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 operates within the parameters outlined in GASB 79, and qualifies to report investments at amortized cost. The State Investment Pool's investment objective is to effectively maximize the yield while maintaining liquidity and a stable share price of $1. The State Pool's portfolio's average maturity was 35 days on 12/31/15. The State Investment Pool in an unrated fund. The Clark County Investment Pool is an unrated fund and has oversight by the Clark County Finance Committee. The County Pool's average maturity on 12/31/15 was 472 days however the City can withdraw its balance on a daily basis.

To limit risk, Washington State law and the City of Vancouver's investment policy limits the amount of the portfolio invested in commercial paper, banker's acceptances, and corporate bonds. It is the City's policy to limit its credit risk by only investing in commercial paper or banker's acceptances with a credit rating of A1 or P1, and investing in corporate bonds for the pension fund, with a credit rating of "A" or better (or equivalent) by nationally recognized statistical rating organizations. The ratings of debt securities as of December 31, 2015 are:

Investment Type	Fair Value (in $1,000)	Not Rated	Aaa	Aa	A
U.S. Government Agencies	192,873		192,873		
Municipal Bonds	18,309		2,564	15,163	582
Corporate Bonds (Pension Fund only)	1,032				1,032
State Pool	80,506	80,506			
Clark County Investment Pool	791	791			
Total	$ 293,510	$ 81,296	$ 195,437	$ 15,163	$ 1,614
Percentage of Portfolio		27.7%	66.6%	5.2%	0.5%

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 2015, the City's portfolio had the following concentration of securities in it: 23.5% of Federal Home Loan Bank, 3.1% of Federal National Mortgage Association, 16% of Federal Farm Credit Bank, and 23.1% 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, 2015 is as follows:

		Restated Beginning Balance 01/01/15		Increases		Decreases		Ending Balance 12/31/15
Governmental activities:								
Capital assets, not being depreciated								
Land	$	68,826,020	$	13,644,534	$	298,357	$	82,172,197
Intangible - Easements		8,089,930		36,403		-		8,126,333
Construction in progress		19,412,355		14,609,055		16,937,564		17,083,846
Total capital assets, not being depreciated		96,328,305		28,289,992		17,235,921		107,382,376
Capital assets, being depreciated/depleted:								
Cemetery land		1,101,047		-		-		1,101,047
Buildings		114,081,483		2,428,648		-		116,510,131
Machinery and equipment		55,624,522		3,332,393		818,949		58,137,966
Infrastructure		601,391,135		19,887,329		-		621,278,464
Intangible		8,356,939		108,439		-		8,465,378
Total capital assets being depreciated/depleted		780,555,126		25,756,809		818,949		805,492,986
Less accumulated depreciation for:								
Cemetery land		724,054		1,111		-		725,165
Buildings		31,438,159		2,988,142		-		34,426,301
Machinery and equipment		38,679,540		4,299,516		528,194		42,450,862
Infrastructure		203,206,259		15,932,781		-		219,139,040
Intangible		7,178,031		350,958		-		7,528,989
Total accumulated depreciation		281,226,043		23,572,508		528,194		304,270,357
Total capital assets, being depreciated, net		499,329,083		2,184,301		290,755		501,222,629
Governmental activities capital assets, net	$	595,657,388	$	30,474,293	$	17,526,676	$	608,605,005

		Restated Beginning Balance 01/01/15		Increases		Decreases		Ending Balance 12/31/15
Business-type activities:								
Capital assets, not being depreciated:								
Land	$	33,026,876	$	1,582,768	$	834,552	$	33,775,092
Intangible - Easements		4,676,838		974,966		-		5,651,804
Construction in progress		3,660,405		9,521,169		1,928,613		11,252,961
Total capital assets, not being depreciated		41,364,119		12,078,903		2,763,165		50,679,857
Capital assets, being depreciated:								
Buildings and system		36,910,483		272,560		1,831,351		35,351,692
Infrastructure		521,281,647		7,242,906		16,179		528,508,374
Machinery and equipment		24,964,731		869,135		58,714		25,775,152
Intangible		10,073,614		-		-		10,073,614
Total capital assets, being depreciated		593,230,475		8,384,601		1,906,244		599,708,832
Less accumulated depreciation for:								
Buildings and system		20,160,886		1,164,034		1,206,522		20,118,398
Infrastructure		224,826,401		11,461,346		16,180		236,271,567
Machinery and equipment		22,613,757		847,257		58,717		23,402,297
Intangible		9,259,592		269,022		-		9,528,614
Total accumulated depreciation		276,860,636		13,741,659		1,281,419		289,320,876
Total capital assets, being depreciated, net		316,369,839		(5,357,058)		624,825		310,387,956
Business-type activities capital assets, net	$	357,733,958	$	6,721,845	$	3,387,990	$	361,067,813

The beginning balances of the Governmental and Business-type activities were restated due to corrections found during the year ending December 31, 2015 that were more appropriately reflected in prior years. Balances were restated per chart below:

Governmental Activities:	As Previously Reported December 31, 2014	Prior Period Adjustment	As Restated January 1, 2015
Land	$ 71,356,965	$ (2,530,945)	$ 68,826,020
Construction in progress	19,482,832	(70,477)	19,412,355
Buildings	117,721,219	(3,639,736)	114,081,483
Machinery and equipment	53,715,533	1,908,989	55,624,522
Infrastructure	602,952,910	(1,561,775)	601,391,135
Less accumulated depreciation:			
Buildings	34,043,643	(2,605,484)	31,438,159
Machinery and equipment	37,522,928	1,156,612	38,679,540
Infrastructure	203,799,346	(593,087)	203,206,259
Net capital assets subject to adjustment	$ 589,863,542	$ (3,851,985)	$ 586,011,557

Business-type Activities:			
Land	$ 32,709,463	$ 317,413	$ 33,026,876
Construction in progress	5,555,671	(1,895,266)	3,660,405
Buildings and systems	37,149,971	(239,488)	36,910,483
Machinery and equipment	520,950,290	331,357	521,281,647
Infrastructure	24,547,456	417,275	24,964,731
Less accumulated depreciation:			
Buildings and systems	20,194,272	(33,386)	20,160,886
Machinery and equipment	224,810,726	15,675	224,826,401
Infrastructure	22,454,065	159,692	22,613,757
Net capital assets subject to adjustment	$ 353,453,788	$ (1,210,690)	$ 352,243,098

Depreciation expense as of December 31, 2015, was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	$ 1,051,829
Security of persons & property	2,776,776
Transportation, including depreciation of general infrastructure assets	15,313,279
Physical Environment	2,789
Economic Environment	800,215
Culture and recreation	1,622,244
Capital assets held by the government’s internal service funds are charged to various functions based on their usage of the assets	2,005,376
Total depreciation expense — Governmental Activities	$ 23,572,508

Business-type Activities:	
Water/Sewer	$ 12,393,140
Airpark	226,019
Building Inspection	243,137
Sanitation	10,216
Parking	847,278
Tennis Center	21,869
Total depreciation expense — Business-type Activities	$ 13,741,659

Component Units

A summary of capital asset activity for component units for the year ended December 31, 2015, is as follows:

	Ending Balance 12/31/14	Amount of Restatement	Restated Beginning Balance 01/01/15	Increases	Decreases	Ending Balance 12/31/15
Vancouver Downtown Redevelopment Authority						
Business-type activities:						
Capital assets, not being depreciated:						
Construction in progress	$ 1,780,488	$ -	$ 1,780,488	$ 3,807,286	$ 267,511	$ 5,320,263
Capital assets, being depreciated:						
Buildings and system	$ 51,605,004	$ (5,385,319)	$ 46,219,685	$ -	$ -	$ 46,219,685
Machinery and equipment	6,677,310	5,385,319	12,062,629	267,511	5,522,824	6,807,316
Total capital assets, being depreciated	58,282,314	-	58,282,314	267,511	5,522,824	53,027,001
Less accumulated depreciation for:						
Buildings and system	12,041,167	(1,063,992)	10,977,175	1,155,492	-	12,132,667
Machinery and equipment	6,294,778	3,013,846	9,308,624	449,731	5,522,824	4,235,531
Total accumulated depreciation	18,335,945	1,949,854	20,285,799	1,605,223	5,522,824	16,368,198
Total capital assets, being depreciated, net	39,946,369	(1,949,854)	37,996,515	(1,337,712)	-	36,658,803
Business-type activities capital assets, net	$ 41,726,857	$ (1,949,854)	$ 39,777,003	$ 2,469,574	$ 267,511	$ 41,979,066
Vancouver Public Facilities District						
Business-type activities:						
Capital assets, not being depreciated:						
Land and improvements			$ 3,603,691	$ -	$ -	$ 3,603,691

The beginning balance have been restated, in total by a net reduction of $1,949,854 as reported at December 31, 2014, due to the identification of assets that had previously be recorded as a portion of the building at the time of construction and given a 40 year life versus being identified separately with a much shorter useful life.

Depreciation expense was charged to the Vancouver Downtown Redevelopment Authority for the year ending December 31, 2015 for $1,605,223.

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. In 2015, the General Fund purchased from the Water/Sewer Fund a proportionate share of the Operations Center facility for $3.9 million. The transaction was recorded as an Advance between the two funds. At December 31, 2015, $3,443,844 remained as the outstanding balance. The transaction will likely be settled in full within the subsequent 12 months.

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, 2015:

	Due from Other Funds	Due to Other Funds
Governmental Activities		
General Fund	$ 282,829	$ 522,317
Consolidated Fire Funds	31,306	21,692
Street Fund	796	20,879
Non-Major Governmental Funds	499,303	174,117
Subtotal Governmental Activities	814,234	739,005
Internal Service Funds	186,525	439,562
Governmental Activities	1,000,759	1,178,567
Business Activites		
Water/Sewer	493,864	307,031
Non-Major Business Type Activities	3,141	12,166
Subtotal Business Activities	497,005	319,197
Total Government Wide	$ 1,497,764	$ 1,497,764

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

	Transfers Out							
Transfers In	General Fund	Fire	Street Fund	Non-Major Govt Funds	Water Sewer	Non-Major Enterprise Funds	Insternal Service Funds	Total
General Fund	$ -	$ 1,142	$ -	$ 412,543	$	$ 104,310	$ 107,069	$ 625,064
Consolidated Fire	25,895,327	-	6,336	-	19,007	3,189	-	25,923,859
Street Fund	11,763,428	-	-	-	-	68,127	-	11,831,555
Non-Major Govt Funds	18,391,186	539,302	1,679,426	15,104,996	-	-	1,833,434	37,548,344
Water/Sewer	-	-	-	-	-	8,629	-	8,629
Parking Services	1,245,540	-	-	-	-	-	-	1,245,540
Enterprise Funds	391,598	-	-	-	-	-	-	391,598
Internal Service Funds	4,269,300	-	-	-	-	-	2,058,502	6,327,802
Total	$ 61,956,379	$ 540,444	$ 1,685,762	15,517,539	$ 19,007	$ 184,255	$ 3,999,005	$ 83,902,391

There were no significant transfers made during 2015 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, 2015, the costs for such leases were $1,258,146 and $578,229 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, 2015

	Governmental Activities	Business-type Activities
2016	$ 192,902	$ 2,800
2017	198,725	-
2018	204,455	-
2019	210,351	-
2020	216,417	-
2021-2025	593,964	-
2026-2030	714,895	-
	$ 2,331,709	$ 2,800

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 2016 and 2056.

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

	Governmental Activities
2016	$ 1,189,447
2017	750,875
2018	395,914
2019	210,355
2020	202,429
2021-2025	161,471
2026-2030	112,540
2031-2035	112,569
2036-2040	112,697
2041-2045	112,697
2046-2050	112,697
2051-2055	112,697
2056	22,539
	$ 3,608,927

E. LONG-TERM DEBT

1. BONDS AND DEBT:

General Obligation Bonds

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

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

Name of Issuance	Purpose	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2002 LTGO Bond	Governmental Activities & Business Type Activites Refunding	$ 39,365	10/23/2002	12/1/2018	2%-5.25%	$ 8,120
2005 LTGO Bond	Governmental Activities & Business Type Activites Refunding	18,090	7/15/2005	12/1/2018	3%-5%	5,140
2006 LTGO Bond	Governmental Activities	14,785	10/11/2006	12/1/2016	3.75%-5%	730
2008 LTGO Bond	Governmental Activities	14,570	6/30/2008	12/1/2017	3.5%-5%	1,185
2009 LTGO Bond	Governmental Activities	12,970	6/1/2009	12/1/2028	3.5%-5%	9,650
2010 LTGO Bond	Governmental Activities	13,410	12/1/2010	12/1/2035	2.0%-5.125%	9,205
2011 LTGO Bond	Governmental Activities	10,515	6/1/2011	12/1/2035	2.0%-5.125%	9,325
2012A LTGO Bond	Govermental Activities Refunding	15,945	1/12/2012	12/1/2029	2.0%-3.75%	14,640
2012B&C LTGO Bond	Govermental Activities Refunding and Business Type Activities Refunding	9,515	12/12/2012	12/1/2025	0.61%-2.89%	9,375
2015A LTGO Bond	Governmental Activities	1,297	6/15/2015	12/1/2028	3.64% - 4.7%	1,297
2015B LTGO Bond	Governmental Activities & Refunding	23,100	6/16/2015	12/1/2034	2.0% - 5.0%	23,005
Total General Obligation Bonds		$ 173,562				$ 91,672

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
2016	7,529	3,517	11,046	1,181	329	1,510
2017	6,838	3,161	9,999	922	269	1,191
2018	7,025	2,857	9,881	965	222	1,188
2019	5,595	2,542	8,137	945	173	1,118
2020	4,990	2,363	7,353	960	156	1,116
2021-2025	25,383	8,970	34,352	5,160	427	5,587
2026-2030	16,510	3,932	20,442	-	-	-
2031-2035	7,670	1,079	8,749	-	-	-
	$ 81,539	$ 28,421	$ 109,960	$ 10,133	$ 1,577	$ 11,710

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, 2015 the remaining non-voted and voted remaining capacity for indebtedness was $221,318,009 and $168,232,209 respectively.

The City has also received governmental loans to provide for construction of capital projects. On May 28, 2015, the City converted the Section 108 Loan with the Secretary of Housing and Urban Development (HUD) from a variable rate note with a final maturity of 8/1/2015, to a fixed rate note with a final maturity of 8/1/2029. The original note had a balloon payment due 8/1/2015, and the new note will allow the city to pay level debt service payments through 2029. 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%	$ 1,281
Section 108 HUD Loan	Governmental-Type Activities	5,419	7/7/2010	8/1/2029	0.28%-3.70%	$ 3,419
Dept of Ecology Revolving Fund Loan	Business-Type Activites	381	1/11/2010	12/31/2017	1.5%	$ 173
		$ 8,000				$ 4,873

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
2016	335	90	425	86	2	88
2017	336	87	424	87	1	88
2018	336	85	421	-	-	-
2019	341	81	423	-	-	-
2020	346	76	423	-	-	-
2021-2025	1,797	290	2,088	-	-	-
2026-2029	1,206	91	1,297			
	$ 4,700	$ 800	$ 5,500	$ 173	$ 3	$ 177

At December 31, 2015, the City had $0 available in debt service fund balance. Several other funds are responsible for payment of the GO bonded debt. Through the budget appropriation process, arrangements are made for transfers from those funds to the debt service funds prior to payment of the debt.

Special Assessment Debt

The government also issues special assessment debt to provide funds for the construction of street safety improvements in connection with a train noise quiet zone. Special assessment bonds are created by ordinance, adopted by Council, and financed by assessments on property owners. A separate guaranty fund is available to cover most outstanding delinquencies at the end of the assessment period. The City's obligation doesn't extend beyond the guaranty fund assets. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The City has a Local Improvement District Guaranty Fund to finance any uncollectible special assessment debt. Special assessment debt with a governmental commitment reported at year end is (in thousands) as follows:

Name of Issuance	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
LID 545 Assessment Bond	$ 312	9/23/2014	9/23/2036	3.45%	$ 170
Total Assessment Debt	$ 312				$ 170

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

	Principal	Interest	Requirements
2016	-	7	7
2017	-	7	7
2018	-	7	7
2019		7	7
2020	-	7	7
2021-2025	-	37	37
2026-2030	-	37	37
2031-2035	-	37	37
2036	170	7	177
Total	$ 170	$ 154	$ 324

The Local Improvement District Debt Service Fund and the Local Improvement District Guaranty Debt Service Fund have $46,710 and $32,072 respectively, to service the local improvement district bonds.

The first required principal payment for the LID debt is due in 2036. The City, however, is anticipating calling $45,000 or more during the fiscal year ending December 31, 2016, as funds become available.

Revenue Bonds

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

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

Name of Issuance	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2004 Water Sewer Refunding	26,250	2/26/2004	6/1/2020	2%-5%	14,875
2005 Water Sewer Refunding	42,520	4/4/2005	6/1/2018	3%-5.5%	13,625
2008 Water Sewer Refunding	20,230	6/3/2008	6/1/2016	3.25%-5%	2,845
Total Revenue Bonds	$ 89,000				$ 31,345

Business Type Activities:

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

	Principal	Interest	Requirements
2016	10,045	1,369	11,414
2017	6,720	932	7,652
2018	7,090	564	7,654
2019	3,650	283	3,933
2020	3,840	96	3,936
	$ 31,345	$ 3,244	$ 34,589

The reserve and redemption accounts of the Water/Sewer enterprise funds have $3,729,654 available to service the revenue debt, plus the city has purchased surety dollars in addition to meet debt service reserve requirements.

Water/Sewer revenue bond covenants require that revenue available for debt service (defined as operating and non-operating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.3 to 1. The City remains in compliance with that provision with a current ratio of 3.32 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 2015, the City issued $23,100,000 of LTGO & Refunding bonds, of which $19,625,000 in general obligation refunding bonds provided resources to purchase United States Treasury Obligation securities (Treasury Notes) that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on $20,820,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This current and advance refunding was undertaken to reduce total debt service payments over the next 12 years by $1,894,109 in nominal savings, or resulted in an economic gain of $1,619,878 in present value savings, or 7.78%. The refunding bond issue defeased $3,430,000 of the 2005 LTGO & Refunding bond issue; $9,120,000 of the 2006 LTGO bond issue; and $8,270,000 of the 2008 LTGO bond issue.

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, 2015, the recorded liability for compensated absences amounted to $10,523,215 with $8,303,544 recorded in governmental activities and $2,219,671 recorded in business-type activities. City employees receive personal time off (PTO), vacation and sick leave time at rates established by City policy or union agreement. PTO is accrued semi-monthly by employees at an annual rates ranging from 22.5 to 39.5 days depending upon tenure. Vacation is accrued semi-monthly by employees at annual rates ranging from 15 to 36 days depending upon tenure and union agreements. Accumulated PTO and vacation carryover between years is limited, generally, to twice an employee's current year accrual. Sick leave accruals vary, depending upon union agreement, between 10 and 24 hours per month. City Policy and all contracts provide for a payoff of sick leave in some instances. Employees who are not covered by contract and were age 50 or who had more than 14 years of service as of January 1, 1980 may qualify for payoff of up to 50% of their sick leave balance at retirement. Employees who are covered by either the Joint Labor Coalition, AFSCME or OPEIU contracts and were hired prior to January 1, 1980 may qualify for 50% payoff of their sick leave balance at retirement. Employees covered under law enforcement contracts and who were hired prior to January 1, 1981, and employees covered by fire suppression and command contracts and who were hired prior to January 1, 1983, may qualify for 50% payoff of their sick leave balance at retirement, or 25% upon leaving the employer in good standing for reasons other than retirement. For the governmental activities, compensated absences are generally liquidated by operating funds, such as the General Fund and Consolidated Fire funds.

Impact Fee Credits

In 1995, the City of Vancouver adopted an impact fee ordinance to ensure that adequate facilities are available to serve new growth and development. An impact fee is charged at the issuance of a building permit. In addition, the developer may be entitled to a non-refundable "credit" against the applicable impact fee component for the fair market value of appropriate dedications of land, improvements or new construction of system improvements provided by the developer. In the event that the amount of the "credit" is calculated to be greater than the amount of the impact fee due, the developer may apply the excess "credit" toward future impact assessment on other developments within the same service district. As of December 31, 2015, the amount of credits that may be applied against future impact fees is $17,010,200. This is recorded as a governmental activity in the Government-wide Financial Statements.

3. CHANGES IN LONG TERM LIABILITIES:

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

Governmental activities		Beginning Balance 1/1/15 Restated		Additions		Reductions		Ending Balance 12/31/15		Due Within One Year
Bonds payable:										
General obligation bonds	$	85,929,178	$	24,396,500	$	28,787,392	$	81,538,286	$	7,529,040
Issuance premiums		3,491,309		3,248,730		1,363,370		5,376,669		555,236
Issuance discounts		-		611		28,366		(27,755)		(1,467)
Total GO bonds payable		89,420,487		27,645,841		30,179,128		86,887,200		8,082,809
Special assessment debt w ith governmental commitment		311,834		-		141,834		170,000		45,000
Government loans		6,816,647		-		2,116,471		4,700,176		335,471
Claims and judgements (See Note IV.D for details)		4,323,000		3,152,757		2,306,757		5,169,000		1,743,912
Net OPEB Obligation (See Note IV.G for details)		7,213,190		2,742,653		1,310,732		8,645,111		-
Net Pension Liability*		15,254,961		4,313,523		477,043		19,091,441		-
Compensated absences**		8,085,669		7,494,977		7,277,102		8,303,544		7,473,190
Impact Fee Credit		11,978,340		8,136,377		3,104,517		17,010,200		3,928,009
Governmental activity long term liabilities	$	143,404,128	$	53,486,128	$	46,913,584	$	149,976,672	$	21,608,391
Business-type activities										
Bonds payable										
General obligation bonds	$	11,265,822	$	-	$	1,132,608	$	10,133,214	$	1,180,960
Revenue bonds		40,895,000		-		9,550,000		31,345,000		10,045,000
Issuance premiums (discounts)		1,993,787		-		576,029		1,417,758		576,029
Total bonds payable		54,154,609		-		11,258,637		42,895,972		11,801,989
Government loans		258,198		-		84,779		173,419		86,059
Environmental remediation (See Note V.H for details)		420,000		21,000		21,000		420,000		21,000
Net Pension Liability*		10,103,579		3,046,811		-		13,150,390		-
Compensated absences		1,944,147		2,025,256		1,749,732		2,219,671		1,997,704
Business-type activity long term liabilities	$	66,880,533	$	5,093,067	$	13,114,148	$	58,859,452	$	13,906,752

* Net Pension Liability beginning balance was added upon implementation of GASB 68.

**Compensated absences of $24,298 was added to governmental activities due to moving a fund presented as a fiduciary fund in 2014 into Governmental Activities. This was done after reviewing criteria used to classify use of fiduciary funds.

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 $984,418 of internal service funds compensated absences are included in the above amounts. For the governmental activities, claims and judgments and compensated absences are generally liquidated by operating funds, such as the General Fund, Consolidated Fire and the Street funds. The General Fund provides funding for the payment of benefits related to OPEB.

4. COMPONENT UNIT DEBT:

In 2003, the Downtown Redevelopment Authority (DRA), a component unit of the City, issued bonds in which it pledged income derived from the acquired or constructed assets to pay debt service. The revenue bonds were authorized by resolution adopted by the DRA Board, and financed from operating revenues. The revenue bonds were issued to finance construction of the Conference Center and Hotel capital project. In June 2013, the remaining outstanding balance of $63,105,000 of the 2003 DRA Revenue bonds were refunded by issuing two series of revenue refunding bonds.

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

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

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

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

Outstanding DRA Revenue Bond Debt

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

In order to make the 2013 refunding economically viable, ACA contributed $4,000,000 to the Authority, $1,430,555 of which is in consideration of the execution of a Note issued by the Authority to ACA, and the balance of which is in consideration for the elimination of any exposure ACA may have in respect to the Series 2003A Bonds. This Note is subordinate to the Project Revenue and Tax Revenue Bonds. There is a note associated with this contribution. Depending on the cash flows of the project, payments may start on 1/1/2033.

Under an Interlocal agreement with the Clark County PFD, DRA is liable to the Clark County PFD for state sales credit monies received by the DRA. Payments under this agreement are received by Clark County PFD monthly and forwarded to the DRA. This creates a liability for the DRA to repay these funds via two methods. The first is a predetermined tax cap in the 2003A Bond Indenture, which is carried forward to the 2013 Bond Indenture. The tax cap amount changes each year through 2034, for Clark County PFD, Vancouver PFD, and City of Vancouver lodging taxes, so that the funds in excess of the tax cap are returned to the Clark County PFD. The second method occurs after funds flow through the 2003A (replaced by the 2013 Bond Indenture) distribution requirements. The monies available in the end are split equally between the Authority and the Clark County PFD, and any amounts so distributed to the Clark County PFD will decrease the DRA liability to Clark County PFD after each payment.

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

	2013 Project Revenue Refunding Bonds			2013 Tax Revenue Refunding Bonds		
	Principal	**Interest**	**Total Requirements**	**Principal**	**Interest**	**Total Requirements**
2016	$ 170,000	$ 1,794,713	$ 1,964,713	$ 730,000	$ 786,650	$ 1,516,650
2017	290,000	1,787,812	2,077,812	795,000	763,775	1,558,775
2018	360,000	1,778,063	2,138,063	860,000	730,350	1,590,350
2019	740,000	1,761,562	2,501,562	945,000	685,225	1,630,225
2020	895,000	1,737,037	2,632,037	1,035,000	635,725	1,670,725
2021-2025	5,090,000	8,007,062	13,097,062	6,720,000	2,293,650	9,013,650
2026-2030	6,465,000	6,625,962	13,090,962	4,895,000	894,812	5,789,812
2031-2035	7,920,000	5,145,562	13,065,562	2,065,000	207,413	2,272,413
2036-2040	9,755,000	3,263,281	13,018,281	-	-	-
2041-2044	9,500,000	878,625	10,378,625	-	-	-
	$ 41,185,000	$ 32,779,681	$ 73,964,681	$ 18,045,000	$ 6,997,600	$ 25,042,600

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**
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021-2025	-	-	-
2026-2030	-	-	-
2031-2035	$ 146,098	$ 132,916	$ 279,014
2036-2040	506,828	557,885	1,064,713
2041-2044	777,629	1,001,805	1,779,434
	$ 1,430,555	$ 1,692,607	$ 3,123,161

<u>Component Units Changes in Long Term Liabilities</u>

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

	Beginning Balance 1/1/15	Additions	Reductions	Ending Balance 12/31/15	Due Within One Year
Bonds payable:					
Revenue bonds	$ 59,230	$ -	$ -	$ 59,230	$ 900
Premiums (discounts)	565	-	29	536	29
Due to other governments	6,951	1,132	675	7,408	-
Total bonds payable	66,746	1,132	704	67,174	929
Other long-term loans and notes	1,431	-	-	1,431	-
Subordinate management fee (see note V.B.3 for more detail)	916	-	108	808	-
Component units long term liabilities	$ 69,093	$ 1,132	$ 812	$ 69,413	$ 929

F. FUND BALANCE REPORTING

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

Categories of fund balance:

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

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

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

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

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

Fund balances by classification for the year ended December 31, 2015, are as follows:

Fund Balance Classifications:	General Fund	Consolidated Fire Fund	Street Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable					
Inventory/Prepaid	$ 88,348	$ -	$ -	$ 7,593	$ 95,941
Capital assets held for resale	228,400	-	-	-	228,400
	316,748	-	-	7,593	324,341
Restricted					
Federal Grants	78,647	-	-	5,187,802	5,266,449
Capital purposes	-	-	-	27,838,109	27,838,109
Economic development	-	-	-	3,012,156	3,012,156
Fire Services	-	16,835,155	-	2,070,225	18,905,380
Debt Service	-	-	-	2,110,820	2,110,820
Culture and recreation	-	-	-	47,676	47,676
	78,647	16,835,155	-	40,266,788	57,180,590
Committed					
Capital purposes	861,114	-	-	6,140,388	7,001,502
Emergency reserves	10,719,912	-	-	-	10,719,912
Revenue Stabilization	3,618,878	-	-	-	3,618,878
Working capital	29,744,204	-	-	-	29,744,204
Economic development	-	-	-	1,234,590	1,234,590
Cemetary	-	-	-	411,058	411,058
Street-oriented maintenance and construction	-	-	7,311,198	-	7,311,198
	44,944,108	-	7,311,198	7,786,036	60,041,342
Assigned					
Grants	127,500	-	-	-	127,500
Capital purposes	-	-	-	20,326,917	20,326,917
Economic development	-	-	-	100,000	100,000
Compensated absences	3,659,563	-	-	-	3,659,563
	3,787,063	-	-	20,426,917	24,213,980
Unassigned	7,896,174	-	-	-	7,896,174
Total	$ 57,022,740	$ 16,835,155	$ 7,311,198	$ 68,487,334	$ 149,656,427

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 IV. OTHER DISCLOSURES

A. RELATED PARTY TRANSACTIONS

In December 2004, the Downtown Redevelopment Authority, a component unit of the City of Vancouver, began construction of a Convention Center and Hotel in downtown Vancouver. The project was funded by proceeds from the sale of tax exempt bonds issued by the Vancouver Downtown Redevelopment Authority. The bonds were secured by project revenues, together with a credit from the State of Washington equal to 0.033% of 1% of the sales and use tax collected within the City and Clark County, and a dedication of 50% of the lodging taxes collected within the City. During 2015, the City has recognized $1,060,374 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, 2015. 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 $70,214,085.

Related Party Commitments:

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

The City signed an agreement on December 1, 2003, to participate in the construction and operation of the Vancouver Conference Center, using tourism funds.

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

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

During 2015, the City made no payments under its contingent payment obligation. The city has no current expectation of having to make any such payments, as it expects project revenues and tax revenues to be sufficient for such purposes.

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

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

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

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

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

The DRA signed an agreement on December 1, 2003, for the operation of the Vancouver Conference Center. In that agreement, during the fourth full year of operation, which was 2009, the Manager of the Vancouver Conference Center (Hilton Hotels) would earn a subordinate management fee for its services. These fees would be paid subject to the availability of amounts in the Subordinate Management Fee Fund. Also, during the sixth full year of operation, the Manager would earn a super-subordinate management fee for its services. These fees would be paid subject to the availability of amounts in the Super-subordinate Management Fee Fund. Hotel operating results prior to the DRA debt refinancing completed in June 2013, were not sufficient to funds these fees.

As part of the refinancing of the DRA debt in June 2013, a new agreement was signed with the Manager of the Vancouver Conference Center (Hilton Hotels) that provides for forgiveness of the above fee amounts over a 10-year period, on a straight-line basis. The forgiveness of these fees is recorded as a Special Item, Forgiveness of Debt on the Statement of Activities. During December 31, 2015, $107,813 had been forgiven. The outstanding obligation recorded on the Statement of Net Position as of December 31, 2015, is $808,597.

4. Commitment to the IRS, with respect to Arbitrage

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The City of Vancouver carefully monitors its investments to restrict earnings to a yield less than the bond issue, and therefore limit any arbitrage liability. As of December 31, 2015, 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 2014 values. In 2014, the Agency had an increase in net position totaling $2,952,182. The City's share of 2014 operations was a gain of $1,180,873. However, due to the Agency restating the of prior year financial statements, the City's prior equity interest was reduced $14,226 for a total equity interest of $6,158,680 at the end of 2015. 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, 2015, the City made subrecipient grant payments to the Council totaling $61,021. The relationship between the City and the Council does not create an ongoing financial interest or financial responsibility.

D. RISK MANAGEMENT

During 1977, the City became a qualified self-insurer for workers' compensation as an alternative to the state program. In 1978, all local governments within Washington State were brought under the state unemployment tax coverage, which also allowed qualified cities to become self-insured. The City qualified and became self-insured for unemployment in 1978. The City established a Self-Insurance Internal Service fund to account for and finance its insured and uninsured risks of loss. The fund addresses claims in four areas of risk that include general liability, workers' compensation, unemployment, and property. Commercial insurance is purchased to handle risk of loss. In the past three years, no settlement has exceeded the City's insurance limits. Beginning in 2015, the City also became self-insured for certain employees' healthcare coverage. The City provides insurance coverage deemed as adequate and appropriate. In the case of City self-insurance activity, non-incremental claims adjustment expenses are not included as a part of the accrued claims liabilities in the financial statements.

General liability and Property

The self-insurance cost for liability claims and claims administration through December 31, 2015, is $735,833 with 105 new claims filed for 2015. 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 $403,336. 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 $13,600 and inland marine coverage for the equipment fleet at an annual cost of $44,615. The deductible for fleet physical damage is 5% subject to $10,000 minimum.

Property claim costs in 2015 were $121,741, with 42 new first party property and vehicle claims reported in 2015. 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 $394,393 for all City buildings and contents. Policy coverage for property damage is up to $400 million with adjustable deductibles based on specific event types. This represents replacement cost for City buildings and contents.

Worker's compensation

The cost for Workers' Compensation claims and claims administration was $1,449,183 in 2015, with 89 new claims processed. Reportable claims costs for 2015 are $525,949 with 30 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 $88,506. The policy has a $1,000,000 deductible.

Contributions and reserves

City fund contributions to the Self-Insurance Fund are determined using information from the contributing funds past claims experience and loss exposures. The claims liability reported in the fund totaled $5,169,177 at December 31, 2015.

The claims liability, as reported in the fund, is based on the requirements of GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The following was prepared based on an actuarial analysis by Bickmore dated April 3, 2015. These are actuarial estimated amounts reflecting expected losses; actual losses may vary slightly. Changes in the fund's claims liability amount in 2015, 2014, and 2013 are as follows:

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2015	$ 4,323,000	$ 3,152,934	$ 2,306,757	$ 5,169,177
2014	3,153,529	4,200,529	3,031,058	4,323,000
2013	2,983,490	2,944,442	2,774,403	3,153,529

Employee healthcare

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

The City is obligated to establish a 16 week contingency reserve of $2,058,502 for this internal service fund. As of December 31, 2015, fund balance for the self-insured health insurance fund is $4,018,343 after a full year of operations. The City is confident the reserve is adequate.

E. PROPERTY TAXES

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

Property Tax Calendar

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

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

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

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

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

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

For 2015, the City's regular tax levy was $2.7996 per $1,000 on a total taxable 2015 assessed valuation of $15,812,154,819 for a total regular levy of $44,267,755.

Outstanding property taxes at December 31, 2015 amount to $900,974. The City does not establish an allowance for doubtful accounts since state law has authorized sales of taxed property to satisfy delinquent property taxes.

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

F. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$32,241,831
Pension assets	17,238,178
Deferred outflows of resources	6,651,804
Deferred inflows of resources	9,498,927
Pension expense/expenditures	4,648,104

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1 Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

The City's actual contributions to the plan were $26,850 for the year ended December 31, 2015.

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

- With a benefit that is reduced by three percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3 **Actual Contribution Rates:**	**Employer 2/3**	**Employee 2***
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

The City's actual contributions to the plan were $3,920,974 for the year ended December 31, 2015.

<u>Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)</u>

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF Plan 2 Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The City's actual contributions to the plan were $2,042,874 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed $58,339,032 to LEOFF Plan 2. At December 31, 2015, the City recorded Operating Contributions totaling $1,257,591 for the special funding situation.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	**Target Allocation**	**% Long-Term Expected Real Rate of Return Arithmetic**
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of Net Pension Liability

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$20,698,818	$17,001,046	$13,821,301
PERS 2/3	43,179,520	14,767,016	(6,987,373)
LEOFF 1	(1,901,464)	(2,972,183)	(3,884,772)
LEOFF 2	13,356,408	(13,337,267)	(33,425,271)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the City reported a total pension liability of $31,768,062 and 16,309,450 for its proportionate share of the net pension liabilities and net pension assets, respectively, as follows:

	Liability (or Asset)
PERS 1	$17,001,046
PERS 2/3	14,767,016
LEOFF 1	(2,972,183)
LEOFF 2	(13,337,267)

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

	Liability (or Asset)
LEOFF 2 – employer's proportionate share	$(13,337,267
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	(8,818,610)
Total	$(22,155,877)

At June 30, 2015, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share June 30, 2014	Proportionate Share June 30, 2015	Change in Proportion
PERS 1	0.3213490%	0.3250100%	(0.003661%)
PERS 2/3	0.4066380%	0.4132880%	(0.006650%)
LEOFF 1	0.2481670%	0.2466090%	0.001558%
LEOFF 2	1.281662%	1.297652%	(0.015990%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30,2015, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the City recognized pension expense as follows:

	Pension Expense
PERS 1	1,243,646
PERS 2/3	1,849,288
LEOFF 1	(575,866)
LEOFF 2	823,596
Total	3,340,664

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 930,143
Contributions subsequent to the measurement date	1,012,901	-
TOTAL	$ 1,012,901	$ 930,143

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,569,738	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	3,942,094
Changes of assumptions	23,793	-
Changes in proportion and differences between contributions and proportionate share of contributions	213,974	-
Contributions subsequent to the measurement date	1,294,949	-
TOTAL	$ 3,102,454	$ 3,942,094

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 501,763
TOTAL	$ -	$ 501,763

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,167,900	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	4,041,122
Changes of assumptions	35,179	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	83,805
Contributions subsequent to the measurement date	1,079,630	-
TOTAL	$ 2,282,709	$ 4,124,927

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2016	$ (360,491)	$ (1,007,363)	$ (194,703)	$ (1,364,494)
2017	(360,491)	(1,007,363)	(194,703)	(1,364,494)
2018	(360,491)	(1,007,363)	(194,703)	(1,364,507)
2019	151,331	887,499	82,345	913,340
2020	-	-		215,255
Thereafter	-	-		43,051

POLICE OFFICERS AND FIREFIGHTERS' PENSION FUNDS

Plan Description

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

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

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

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

Plan membership. At December 31, 2015, pension plan membership consisted of only inactive plan members oar beneficiaries currently receiving benefits. Of the 113 members, 66 are fire members and 47 are police members.

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

- Pension and medical expenses for police officers and firefighters retired prior to March 1, 1970, continue to be paid in their entirety by the City under the old pension laws.
- Police officers and firefighters hired before, but not retired on March 1, 1970, received at retirement the greater of the pension benefit provided under the old pension laws and under the LEOFF Act. Any excess of the old benefit over the LEOFF benefit is provided by the City. The City also pays the reasonable cost of necessary medical expenses of the retiree for life.

- For police officers and firefighters hired on or after March 1, 1970, and prior to October 1, 1977, the City is obligated for lifetime medical expenses only. The LEOFF system pays the entire retirement allowance.
- Police officers and firefighters hired on or after October 1, 1977, are covered entirely by the LEOFF system with no City obligation for either retirement allowance or medical expenses.
- The benefits are directly correlated to the salaries of active employees. Cost of Living Adjustments (COLAs) provided at the state level do not impact the total pension benefits provided to the members. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the City's Plan. There were no changes in benefit provisions in the current year.

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

Contributions are determined on a pay-as-you-go basis. Milliman Consultants and Actuaries completed actuarial studies of the two funds as of December 31, 2015; however, no actuarially determined contributions are provided. The General Fund is responsible for the costs of administering the plans, however the valuations assume this is coming from plan assets. If assets are depleted, the General Fund responsible for the costs. There have been no required employee contributions to the plans since March 1, 1970. For the year ended December 31, 2015, contributions made by the general fund to the Police and Fire Pension Funds were $1,080,000 and $1,755,996, respectively. These contributions came from the General Fund.

The state contributes 25% of taxes on fire insurance premiums to the Fire Pension Fund and is considered a non-employer contributing entity. The amount contributed in 2015 to the Fire Pension Fund was $171,592.

As of December 31, 2015, the Police Pension Funds and the Firefighters Pension Fund reported net position reserved for payment of future claims of $2,028,845 and $8,493,695, respectively.

Investments

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

As of December 31, 2015, the Firefighters Pension fund had an investment portfolio with fair value of $6,152,279, which was invested in Corporate Bonds, and in Municipal Bonds on behalf of the Firemen's Pension Fund. In addition to these investments, the Firefighters Pension fund had cash and cash equivalents invested in the City's internal investment pool totaling $2,275,772. Investments in the City's internal investment pool are invested in the Washington State Treasurer Local Government Investment Pool (LGIP), which operates within the parameters outlined in GASB 79, and qualifies to report investments at amortized cost. The State Investment Pool's investment objective is to effectively maximize the yield while maintaining liquidity and a stable share price of $1. The State Pool's portfolio's average maturity was 35 days on 12/31/15. The State Investment Pool in an unrated fund. The City's internal investment pool also invests in the Clark County Local Government Investment Pool, which is unrated, and in US Agencies and Municipal Bonds. All investments are valued at fair value. The average maturity of the City's Internal Investment Pool is nine months. The fair value of the investment portfolio is obtained using the market approach. Pricing is obtained through the City's third-party safekeeping custodian, US Bank Corporate Trust Services, who obtains pricing on Federal Agencies and Corporate Bonds through IDC Institutional Bond Quotes, and uses Standard & Poor's for pricing Municipal Bonds.

The Police Pension fund reported no investments at December 31, 2015, but did have $1,993,609 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.

Rate of return. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.   For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows:

Year ending December 31, 2015	Net Money-Weighted Rate of Return
Fire Pension Trust Fund	0.42%
Police Pension Trust Fund	0.00%

Net Pension Liability

The components of the net pension liability of the City at December 31, 2015, were as follows:

	Fire	Police
Total pension liability	$ 7,564,968	$ 2,502,613
Plan fiduciary net position	8,493,695	2,028,845
Net pension liability (asset)	$ (928,727)	$ 473,768
Fiduciary net position as a % of total pension liability	112.28%	81.07%
Covered payroll	0	0
Net pension liability as a % of covered payroll	N/A	N/A

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

FIRE PENSION TRUST FUND

Changes in Net Pension Liability (Asset)	Increase (Decrease) Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of December 31, 2014	$ 7,825,761	$ 7,949,189	$ (123,428)
Changes for the year:			
Service Cost	-	-	-
Interest on total pension liability	264,784	-	264,784
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions, changes or inputs	-	-	-
Benefit payments	(525,577)	(525,577)	-
Medical payments from fund	-	(836,230)	836,230
Employer contributions	-	1,755,996	(1,755,996)
Contributions from state fire insurance premium ta:	-	171,592	(171,592)
Net investment income	-	34,754	(34,754)
Administrative expenses	-	(56,029)	56,029
Balance as of December 31, 2015	$ 7,564,968	$ 8,493,695	$ (928,727)

POLICE PENSION TRUST FUND

Changes in Net Pension Liability (Asset)	Increase (Decrease) Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of December 31, 2014	$ 2,632,471	$ 1,681,660	$ 950,811
Changes for the year:			
Service Cost	-	-	-
Interest on total pension liability	88,350	-	88,350
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions, changes or inputs	-	-	-
Benefit payments	(218,208)	(218,208)	-
Medical payments from fund	-	(474,502)	474,502
Employer contributions	-	1,080,000	(1,080,000)
Police auction income	-	7,526	(7,526)
Net investment income	-	19	(19)
Administrative expenses	-	(47,650)	47,650
Balance as of December 31, 2015	$ 2,502,613	$ 2,028,845	$ 473,768

Actuarial assumptions. The total pension liability for each plan was determined by an actuarial valuation as of January 1, 2015, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There were no significant changes during this period. The following actuarial assumptions were applied to all periods included in the measurement:

Discount rate	3.50%
Long-term expected rate of return, net of investment expense	3.50%
Municipal bond rate	3.50%
Inflation	2.25%
Salary increases	3.25%
Actuarial cost method	Entry Age Normal

Mortality rates were based on the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members). The best-estimate range for the long-term expected rate of return is determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2015.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2015 are summarized in the following table:

Asset Class	Index	Long-term Expected Rate of Real Return
Cash	Citigroup 90-day T-bills	0.65%
Short-term bonds	Citigroup 1-3 Year Gov/Cred	1.49%
Long-term bonds	Barclays Long Gov/Cred	3.05%
Assumed inflation - Mean		2.25%
Long-term expected rate of return		**3.50%**

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

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

The assumption of 3.50% as of December 31, 2015 is an appropriate long-term expected rate of return on investments such as those in the City's trust. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years is 3.57% as of December 31, 2015. Rounding this to the nearest 1/4% results in a discount rate of 3.50%. Using 3.50% for both the long-term expected rate of return and the bond index will mean that 3.50% could be used as the single discount rate. This will need to be re-evaluated as of later valuation dates. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month.

The discount rate as of December 31, 2014 was 3.75%. The discount rate at December 31, 2015 represents a 0.25% decrease in rate.

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

	1% Decrease 2.50%	Current rate 3.50%	1% Increase 4.50%
Fire	(170,462)	(928,727)	(1,576,779)
Police	690,631	473,768	285,551

Pension Expense

Pension expense recognized related to the City's own pension trust funds for the year ended December 31, 2015, was as follows:

Plan	Pension expense
Fire Pension Trust Fund	748,847
Police Pension Trust Fund	558,593
Total	$ 1,307,440

Deferred Outflows of Resources

At December 31, 2015, the City reported deferred outflows of resources related to pension trust funds from the following sources:

Source of Deferred Outflows of Resources	Fire Pension Trust Fund	Police Pension Trust Fund
Net difference between projected and actual investment earnings on pension plan investments	$201,850	$51,890

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

Year ended December 31:	Fire Pension Trust Fund	Police Pension Trust Fund
2016	$50,462	$12,972
2017	50,462	12,972
2018	50,462	12,972
2019	50,462	12,972
2020	-	-
Thereafter	-	-

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

	Police Pension	Fire Pension
ASSETS		
Cash and cash equivalents	$ 1,993,609	$ 2,275,772
Investments (at fair value)		
Certificate of Deposit	-	1,031,720
Federal Agency Coupon Securities	-	1,974,260
Corportate Bond	-	3,146,299
Receivables (net):		
Accounts	5,810	-
Interest	-	42,426
Prepaid expenses	30,000	30,000
TOTAL ASSETS	$ 2,029,419	$ 8,500,477
LIABILITIES		
Accounts and accrued employee payables	$ 574	$ 6,783
TOTAL LIABILITIES	574	6,783
TRUST FOR PENSION	$ 2,028,845	$ 8,493,694

	Police Pension	Fire Pension
ADDITIONS:		
Employer Contributions		
For pension benefits	$ 605,499	$ 919,766
For healthcare benefits	474,501	836,230
Other Sources	7,526	171,592
Total Contributions	1,087,526	1,927,588
Investment Income		
Interest earnings	19	34,754
Total Investment Income	19	34,754
Total Additions	1,087,545	1,962,342
DEDUCTIONS:		
Pension benefits	218,208	525,578
Healthcare premium subsidies	474,501	836,230
Administrative expense	47,423	56,029
Total Deductions	740,132	1,417,837
Change in net position	347,413	544,505
NET POSITION HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	1,681,432	7,949,189
END OF YEAR	$ 2,028,845	$ 8,493,694

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, 113 retirees (47 Police and 66 Fire) meet those eligibility requirements. This is considered a closed group with no new members. There were no active employees who had not retired as of December 31, 2015.

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 2015 were $1,310,732.

Annual OPEB costs and Net OPEB Obligation:

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

	Police	Fire
Annual required contribution	$ 1,133,672	$ 1,816,017
Interest on net OPEB obligation	99,238	153,224
Adjustment to annual required contribution	(180,620)	(278,878)
Annual OPEB cost	1,052,290	1,690,363
Contributions made	(474,502)	(836,230)
Increase in net OPEB obligation	577,788	854,133
Net OPEB obligation - beginning of year	2,835,368	4,377,822
Net OPEB obligation - end of year	$ 3,413,156	$ 5,231,955

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 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, 2015	$ 1,052,290	53%	$ 3,413,156
	December 31, 2014	1,028,116	57%	2,835,368
	December 31, 2013	1,043,865	53%	2,388,191
Fire	December 31, 2014	$ 1,690,363	49%	$ 5,231,955
	December 31, 2014	1,683,680	54%	4,377,822
	December 31, 2013	1,706,238	60%	3,602,740

Funding Status and Funding Progress:

The actuarial updates on the funding status are as follows:

Police:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
January 1, 2015	$ -	$ 17,195	$ 17,195	0%	N/A	N/A
January 1, 2013	-	17,048	17,048	0%	N/A	N/A
January 1, 2011	-	17,272	17,272	0%	N/A	N/A

Fire:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
January 1, 2015	$ -	$ 27,544	$ 27,544	0%	N/A	N/A
January 1, 2013	-	27,794	27,794	0%	N/A	N/A
January 1, 2011	-	26,545	26,545	0%	N/A	N/A

Actuarial Methods and Assumptions:

The actuarial assumptions used in the January 1, 2015, OPEB actuarial valuations include techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. In the January 1, 2015 actuarial valuation, the entry age normal cost method was used. The assumptions included a 3.50% investment rate of return, a medical inflation rate that ranges between 5.4-7.5% over the next 15 years, and a long-term care inflation rate of 3.25% for both plans. The plans unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2015 is twenty-one years.

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, service retirement, disability, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents the results of OPEB valuations as of December 31, 2015, and looking forward, the schedule of funding progress will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and the plan members to that point.

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

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. SPECIAL ITEMS

COMPONENT UNIT:

Forgiveness of Debt
As part of the refinancing of the DRA debt in June 2013, a new agreement was signed with the Manager of the Vancouver Conference Center (Hilton Hotels) that provides for forgiveness of the above fee amounts over a 10-year period, on a straight-line basis. The forgiveness of these fees is recorded as a Special Item, Forgiveness of Debt on the Statement of Activities. During December 31, 2015, $107,813 had been forgiven. The outstanding obligation recorded on the Statement of Net Position as of December 31, 2015, is $808,597.

Claims settlement
On January 2, 2009, Lehman Brothers Special Finance Inc. failed to tender for sale to the Downtown Redevelopment Authority the Qualified Securities pursuant to the terms of the Forward Purchase Agreement (FPA), and did not correct the issue in the Cure Period. Based on this, the Authority reinvested the investment balance held with the Trustee for 6-months in qualified investments, which matured on July 1, 2009, and was reinvested thereafter with maturities to coincide with the semi-annual interest and principal payments. The rate of return on the reinvestment was substantially below the 5.05%. The Authority pursued a claim with the Bankruptcy Court against Lehman Brothers Inc., and Lehman Brothers Special Finance Inc. for the difference between the fixed rate of 5.05% and the rate that a new Forward Purchase Agreement will generate. During 2015, the Authority received a distribution in the amount of $41,443 as a result of the bankruptcy claim. If the Lehman bankruptcy estate receives additional funds, more distributions are possible.

J. PRIOR PERIOD ADJUSTMENTS

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

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

Record long-term assets and liabilities of funds now presented in compliance with GASB 54	$ 588,808
Capital asset corrections	(3,857,930)
	$ (3,269,122)

Government-wide : Governmental Funds

	General Fund	Non-Major Governmental Funds	Internal Service Funds	Total
Record transactions for compliance with GASB 54	$ (496,334)	$ 379,682	$ (13,018)	$ (129,670)
Capital asset corrections	-	-	5,945	$ 5,945
Recording of revenue related to utility taxes due but not accrued in prior year	219,901	-	-	219,901
	$ (276,433)	$ 379,682	$ (7,073)	$ 96,176

Combined Government Wide Prior Period Adjustments	$ (3,172,946)

Government-wide : Business Type Activities

	Water Sewer Fund	Non-Major Enterprise Funds	Total
Recording of expenses related to utility taxes due but not accrued in prior year	$ (219,901)	$ -	(219,901)
Capital asset corrections	(1,204,988)	(5,702)	(1,210,690)
	$ (1,424,889)	$ (5,702)	$ (1,430,591)

Component Unit - Downtown Redevelopment Authority

Capital asset corrections	$ (1,949,854)

K. SUBSEQUENT EVENTS

The City has evaluated events subsequent to the fiscal year-end December 31, 2015, and has identified the following events:

The City sold LTGO Refunding bonds in May 26, 2016, to (i) advance refund and defease a portion of the City's outstanding Limited Tax General Obligation Bonds, 2009 to obtain the benefit of debt service savings and (ii) pay costs of issuance for the Bonds. Proceeds of the 2009 Bonds were used to fund certain transportation improvement projects. The transactions will close on June 22, 2016.

CITY OF VANCOUVER

Required Supplementary Information

Police and Fire Pension Funds

December 31, 2015

Schedule of Funding Progress

(in thousands)

*Six year trend **

Retirement System	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Police Relief and Pension Fund	1/1/2015	$ -	$ 17,195	$ 17,195	0%	N/A	N/A
	1/1/2013	-	17,048	17,048	0%	N/A	N/A
	1/1/2011	-	17,272	17,272	0%	N/A	N/A
	1/1/2009	-	14,518	14,518	0%	N/A	N/A
	1/1/2007	-	9,734	9,734	0%	N/A	N/A
Fireman's Pension Fund	1/1/2015	$ -	$ 27,544	$ 27,544	0%	N/A	N/A
	1/1/2013	-	27,794	27,794	0%	N/A	N/A
	1/1/2011	-	26,545	26,545	0%	N/A	N/A
	1/1/2009	-	21,587	21,587	0%	N/A	N/A
	1/1/2007	-	16,244	16,244	0%	N/A	N/A

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

Schedule of Proportionate Share of the Net Pension Liability

Last Two Fiscal Years

PERS Plan 1

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.325010%	$ 17,001,046	$ 246,333	6901.65%	59.10%
2014	0.321349%	16,188,107	280,429	5772.62%	61.19%

PERS Plan 2/3

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

Schedule of Proportionate Share of the Net Pension Liability

Last Two Fiscal Years

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

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored LEOFF Plan 2

December 31, 2015

Schedule of Proportionate Share of the Net Pension Liability

Last Two Fiscal Years

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

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored PERS Plans

December 31, 2015

Schedule of Employer Contributions

Last Two Fiscal Years

PERS Plan 1

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	$ 1,745,867	$ (1,745,867)	$ -	$ 270,075	646.44%
2014	1,548,817	(1,548,817)	-	255,381	606.47%

PERS Plan 2/3

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

Schedule of Employer Contributions

Last Two Fiscal Years

LEOFF 1

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

LEOFF 2

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

Note 1: Information Provided

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

Note 2: Significant Factors

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

Note 3: Change in contribution rate

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

Note 4: Employer Contributions

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

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2015

Fire Pension Trust Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last Two Fiscal Years

In thousands

	2015	2014
TOTAL PENSION LIABILITY		
Service cost	$ -	$ -
Interest	265	272
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of contributions	(526)	(477)
Net change in total pension liability	(261)	(205)
Total pension liability - beginning	7,826	8,031
Total pension liability - ending (a)	$ 7,565	$ 7,826
PLAN FIDUCIARY NET POSITION		
Contributions - employer	1,756	1,756
Contributions - state fire insurance premium tax	172	185
Net investment income	35	35
Prior period adjustment	-	17
Benefit payments, including refunds of contributions	(526)	(477)
Medical payments from fund	(836)	(924)
Administrative expense	(56)	(29)
Net change in plan fidiciary net position	545	563
Plan fiduciary net position - beginning	7,949	7,386
Plan fiduciary net position - ending (b)	8,494	7,949
Net pension liability ending (a) - (b)	(929)	(123)
Plan fiduciary net position as a % of total pension liability (b)/(a)	112.28%	101.57%
Covered-employee payroll	-	-
Net pension liability as a % of covered employee payroll	N/A	N/A

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2015

Police Pension Trust Fund

Schedule of Changes in Net Pension Liability and Related Ratios

(In thousands)

Last Two Fiscal Years

	2015	2014
Total pension liability		
Service cost	$ -	$ -
Interest	88	93
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of contributions	(217)	(301)
Net change in total pension liability	(129)	(208)
Total pension liability - beginning	2,632	2,841
Total pension liability - ending (a)	$ 2,503	$ 2,633
Plan fiduciary net position		
Contributions - employer	$ 1,080	$ 1,080
Contributions - state fire insurance premium tax	8	2
Net investment income	-	-
Prior period adjustment	-	9
Benefit payments, including refunds of contributions	(218)	(301)
Medical payments from fund	(475)	(587)
Administrative expense	(48)	(36)
Net change in plan fiduciary net position	347	167
Plan fiduciary net position - beginning	1,682	1,515
Plan fiduciary net position - ending (b)	2,029	1,682
Net pension liability ending (a) - (b)	$ 474	$ 951
Plan fiduciary net position as a % of total pension liability (b)/(a)	81.06%	63.88%
Covered-employee payroll	-	-
Net pension liability as a % of covered employee payroll	N/A	N/A

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2015

Schedule of Employer Contributions

Last Two Fiscal Years

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

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2015

Schedule of Investment Returns

Last Two Fiscal Years

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

Note 1: Information Provided

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

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions. Under the Police and Fire Pension funds requirement of State law, most adjustments are based on the change in salary for the rank of the members held at retirement or based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26.

Note 3: Covered Payroll

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

Note 4: Significant Assumptions

Valuation date: January 1,2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age
Amortization method	30 year closed
Remaining amortization period	16 years
Asset valuation method	Fair Value
Inflation	2.25%
Salary increases	3.25%
Investment rate of return	3.5%, net of pension plan investment expense, including inflation
Retirement age	53
Mortality	RP-2000 Mortality Table (combined healthy)

CITY OF VANCOUVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Table 20

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures	Passed through to Subrecipeints	Foot-Note Ref.
Department of Agriculture:							
Passed through Department of Natural Resources:							
Cooperative Forestry Assistance	10.664	IAA-14-51 / K244-12-DG-010		$ 1,899			
		Total Department of Agriculture:		1,899	**1,899**		
Department of Environmental Protection Agency:							
Brownfields Training, Research and Technical Assistance Grants	66.814	TR-00J80101-0	$ 94,268				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00J80201-0	69,703				
		Total Department of Environmental Protection Agency:	163,971		**163,971**		
Department of Housing and Urban Development:							
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-53-0013	168,774			140,301	3
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-53-0013	390,346			46,505	3
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-53-0013	668,566			436,419	3
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-53-0013	246,199			95,367	3
Total CFDA 14.218			1,473,885			718,592	
Home Investment Partnerships Program	14.239	M-12-MC-53-0208	543				
Home Investment Partnerships Program	14.239	M-13-MC-53-0208	215,335			203,146	3
Home Investment Partnerships Program	14.239	M-14-MC-53-0208	232,406			202,626	3
Home Investment Partnerships Program	14.239	M-15-MC-53-0208	21,840				
Passed through Department of Commerce:							
Home Investment Partnerships Program	14.239	14-42404-005		5,476			
Total CFDA 14.239			470,124	5,476		405,772	
Congressional Grants / Neighborhood Initiatives Grants	14.251	B-09-NI-WA-0010	1,917,303				
		Total Department of Housing and Urban Development:	3,861,312	5,476	**3,866,788**	1,124,364	
Department of Justice:							
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2012-WE-AX-0023	37,326			18,860	
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2014-WE-AX-0039	54,233			35,332	
Total CFDA 16.590			91,559			54,192	
Public Safety Partnership & Community Policing Grants	16.710	2010-CS-WX-0015	68,493				
Congressionally Recommended Awards	16.753	2009-D1-BX-0217	114,398				
Congressionally Recommended Awards	16.753	2010-DD-BX-0508	225,434				
Total CFDA 16.753			339,832				
Passed through City of Seattle:							
Missing Children's Assistance	16.543	2012-MC-FX-K046		1,470			
Passed through Clark County:							
Violence Against Women Formula Grants	16.588	F-14-31103-073		6,520			
Passed through Clark County:							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0717		26,044			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0841		28,446			
Total CFDA 16.738				54,490			
		Total Department of Justice:	499,884	62,480	**562,364**	54,192	

CITY OF VANCOUVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Department of Transportation:						
Passed through Washington State Department of Transportation:						
Highway Planning and Construction	20.205	HSIP-4242(025)		141,929		
Highway Planning and Construction	20.205	STPUL-4221(004)		250,623		
Highway Planning and Construction	20.205	CM-4451(013)		12,835		
Highway Planning and Construction	20.205	HSIP-000S(314)		224,623		
Highway Planning and Construction	20.205	CM-4253(013)		60,270		
Highway Planning and Construction	20.205	STPE-4228(001)		656,250		
Highway Planning and Construction	20.205	CM-9906(041)		214,766		
Highway Planning and Construction	20.205	TAP-4228(002)		31,057		
Highway Planning and Construction	20.205	STPUL-4266(002)		39,855		
Highway Planning and Construction	20.205	STPUL-4254(005)		454,014		
Highway Planning and Construction	20.205	CM-1350(021)		80,488		
Highway Planning and Construction	20.205	STPUL-1350(025)		131,301		
Total CFDA 20.205				2,298,011		
Passed through Washington Association of Sheriffs & Police Chiefs:						
State and Community Highway Safety	20.600	Traffic Safety Equipment Grant		6,827		
Passed through State of Washington Traffic Safety Commission:						
State and Community Highway Safety	20.600	Distracted Driving Emphasis		2,035		
Total CFDA 20.600				8,862		
Passed through State of Washington Traffic Safety Commission:						
National Priority Safety Programs	20.616	Safety Belt Patrol		341		
		Total Department of Transportation:		2,307,214	**2,307,214**	
Department of Homeland Security:						
Assistance to Firefighters Grant	97.044	EMW-2013-FO-02280	56,604			
Passed through Clark Regional Emergency Services Agency:						
Homeland Security Grant Program	97.067	SHSP FY E13-148		1,450		
Homeland Security Grant Program	97.067	E14-156		4,066		
Total CFDA 97.067				5,516		
		Total Department of Homeland Security:	56,604	5,516	**62,120**	
Department of Justice, Office of Community Oriented Policing Services (COPS)						
ARRA - Public Safety Partnership & Community Policing Grants	16.710	2009-RJ-WX-0086	216,915			5
Total Department of Justice, Office of Community Oriented Policing Services (COPS)			216,915		**216,915**	
		TOTAL FEDERAL EXPENDITURES			**$ 7,181,271**	

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

Schedule of Federal Awards

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

Schedule of Expenditures of Federal Awards (SEFA) Table 20

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

NOTE 1 **BASIS OF ACCOUNTING**
The Schedule of Financial Assistance is prepared on the same basis of accounting as the City's financial statements.

NOTE 2 **PROGRAM COSTS**
The amounts shown as current year expenditures represent only federal grant portions of the program costs. Entire program costs, including the City's portion may be more than shown.

NOTE 3 **PROGRAM INCOME**
Revolving Loan - The City has a revolving loan program for low income housing. Under this federal grant, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures.

NOTE 4 **INDIRECT COST RATE**
The City does not have an approved indirect cost rate and has elected to use the 10-percent de mimimis indirect cost rate allowed under the Uniform Guidance.

NOTE 5 **AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009**
The City has received Federal awards made under the Recovery Act which have been identified separately on the Schedule of Expenditures of Federal Awards (SEFA). These awards are entered by CFDA number and have included the prefix "ARRA" to identify the name of the Federal program.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

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

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

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