



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
City of Vancouver

For the period January 1, 2019 through December 31, 2019

Published October 29, 2020

Report No. 1027245





**Office of the Washington State Auditor
Pat McCarthy**

October 29, 2020

Mayor and City Council
City of Vancouver
Vancouver, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Vancouver's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Vancouver January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

| <u>CFDA No.</u> | <u>Program or Cluster Title</u> |
|-----------------|-------------------------------------------------------------------------------|
| 20.106 | Airport Improvement Program |
| 20.205 | Highway Planning and Construction Cluster – Highway Planning and Construction |

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

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2019-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Vancouver

January 1, 2019 through December 31, 2019

2019-001 The City's internal controls were not adequate to ensure accurate financial reporting.

Background

City management, state and federal agencies and the public rely on the information included in financial statements and reports to make decisions. City management is responsible for designing, implementing and maintaining internal controls to ensure the City's financial statements, notes and required schedules are prepared and presented fairly in accordance with generally accepted accounting principles (GAAP) and provide reasonable assurance regarding the reliability of these statements.

Our audit identified internal control deficiencies that hinder the City's ability to produce accurate financial statements. *Government Auditing Standards* requires auditors to communicate significant deficiencies, as defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

We identified the following deficiencies in internal controls over financial preparation that, when taken together, represent a significant deficiency:

- The City allocates costs from central services, such as administration, human resources, finance, insurance and purchasing, to funds that benefit from the services based on estimates. Periodically, the City adjusts allocations to reflect actual amounts through a true-up. The City performed a true-up of its allocations during 2019 that resulted in an adjustment of over \$8 million. The City's process for reporting this transaction was not sufficient to comprehensively evaluate the financial statement presentation for accuracy and compliance with GAAP.
- The City did not sufficiently research Governmental Accounting Standards Board Statement (GASB) No. 83, *Certain Asset Retirement Obligations*, to ensure proper implementation.
- The City's review process of the financial statements and schedules was not adequate to detect all errors.

Cause of Condition

The City recently implemented a new accounting system and has experienced significant turnover in its accounting department the last few years. As a result, City employees were unable to dedicate sufficient time and resources to preparing and reviewing its financial statements.

Effect of Condition

The City's financial information contained errors that City management did not detect. During our audit of the City's financial statements, we found the following significant errors:

- The City recorded a material prior-period adjustment for the true-up of its 2019 cost allocations. However, because this adjustment was not a correction of an error, it should have been recorded as operating activity instead.
- The amounts reported for the Governmental Activities' current and noncurrent liabilities did not agree to supporting documentation resulting in an understatement of \$7,838,924 and overstatement of \$10,555,154, respectively. In addition, the deferred inflows related to pensions was understated by \$2.6 million due to the City using incorrect support for the journal entry that recorded the transaction.
- The Governmental Activities and Parking funds misclassified more than \$39 million and \$960,000, respectively, between Net Investments in Capital Assets and Unrestricted Net Position due to calculation errors.
- A liability for estimated decommissioning costs related to 41 City-owned wells was not reported in accordance with GASB 83.

In addition, we identified several other presentation errors, such as amounts not agreeing between the financial statements and note disclosures, duplicate note disclosures and budget to actual statements/schedules, and information not updated from the prior year, that were individually not significant, but when taken together, impair the understandability of the financial report. The City corrected all of these errors, except for the error related to reporting wells in accordance with GASB 83, in the final financial statements presented for audit.

Recommendation

We recommend the City improve internal controls over financial statement preparation processes to ensure accurate financial reporting in accordance with GAAP. Specifically, we recommend the City dedicate sufficient time and resources

to preparing the financial statements and ensure a detailed final review is performed.

City's Response

The City appreciates the opportunity to respond to recommendations provided by the Office of the Washington State Auditor. In summary, the Auditor questioned the classification of one material transaction and identified several less significant misstatements and presentation issues in the City's 2019 CAFR as reflected in the "Effects of Condition" above.

The primary cause of these "Effects" was the mid-2019 conversion of the City's ERP system, which serves as the accounting ledger. The conversion required a mid-year transfer of all accounting records and transactions between ERP systems, a complete overhaul of the City's chart of accounts (codes used to record accounting transactions) and software accounting parameters, and revamping accounting methods and controls. The City Accounting Staff worked diligently and successfully accomplished each of these tasks but they caused changes to CAFR preparation.

Many established CAFR preparation tools were incompatible with the new ERP system after the conversion. The City Accounting Staff developed innovative new preparation tools and methods for the City's CAFR and also implemented a new CAFR compilation software in order to streamline the presentation and transparency of information for citizens.

A secondary, albeit significant, cause is the lack of clear, authoritative guidance specifically regarding the adjustment of prior year estimated interfund billings. Lesser contributing causes include: 1) staff turnover requiring the City Accounting Staff to perform additional research, reassign duties and obtain external assistance; 2) during CAFR preparation in 2020, remote working related to COVID-19 pandemic orders impacted the City's ability to communicate, collaborate and access remote systems.

To address the items included in the "Description of the Condition":

- *The material classification item identified during the audit concerns the presentation of the City's cost allocation adjustments. To provide background, the City has internal service funds which provide administrative services, such as payroll, human resources, etc. These internal service funds bill other departments for services using estimated billing rates. In a following year, the estimated bills are trued up to match the actual, audited financial activity.*

The true-up is either refunding amounts departments overpaid in the previous year or charging them more if they underpaid. Since the true-up represents refunds and bills for services which departments received in previous years, the City recorded this activity as a prior period adjustment on the income statement and provided a detailed note disclosure. Given the lack of clear authoritative guidance on this situation, the City took what it felt was the most conservative and transparent option for presentation.

The Office of the Washington State Auditor concluded that this true-up should be reported as current, not prior year, revenues and expenses. This represents a presentation issue whereby the correctly calculated adjustment is presented on incorrect lines of the statement.

The true up entries are composed of:

- The Internal Administrative Services Fund net refund for services provided in 2017 and 2018 of \$4.5 million, which represents 13% of the \$33.7 million estimated costs billed during those years.*
- The Self-Insured Worker's Comp and Liability Fund net of collection of additional revenue for services provided in 2018 of \$924,000.*
- The Benefits Fund net of collection of additional revenue for services provided in 2018 of \$540,000.*
- The Self-Insured Health Insurance Fund net collection of additional revenue for services provided in 2018 of \$819,000.*

The presentation error was only material to the Parking Services Fund, which had a net overpayment of \$517,118 refunded to them, which is 16% of total fund expenses and 11% of total fund revenues.

- Each year the Governmental Accounting Standards Board (GASB) issues multiple new accounting requirements. For 2019, a new pronouncement, GASB 83, required governments to record the estimated cost of decommissioning assets in the future, if an external entity imposes decommissioning requirements. These are called asset retirement obligations (AROs).*

The City Accounting Staff completed a thorough review and recorded many AROs in accordance with the requirements. The City Accounting Staff interpreted the guidance implied that assets potentially held in perpetuity would not have an ARO recorded since a disposal date may not be reached. City Accounting Staff considered this to apply to City wells since, for example, the City's oldest operating well was created in 1938. GASB 83 does not provide for an exception for these types of assets. Our estimate of the total externally required decommissioning costs is a \$210,000 liability

for the Water Sewer Fund, which is about 0.9% of the fund's reported liabilities.

- *Of the remaining, less significant issues, the majority are related to the City presenting supported and accurately calculated amounts on different lines than should be used. In total all liabilities and fund balances were reported correctly. However, they were presented on the incorrect lines in the financial statements. For example, \$39 million in one fund and \$960,000 in another fund were shown on the "Net investment in capital assets" line rather than the "Unrestricted" line due to calculation errors in CAFR preparation tools.*

In conclusion, the City made every effort to proactively address each of the challenges faced for 2019 reporting and developed innovative processes, tools, and controls in an effort to ensure the accuracy, completeness, and understandability of the CAFR. These processes and tools streamlined many procedures and served to provide better support for amounts recorded. This year the City Accounting Staff also provided vastly greater clarity in the Notes to the Financial Statements to increase transparency to citizens. Ultimately, all of the cash for the City was accounted for and financial activity was appropriately calculated. However, some balances were reported on incorrect lines. The City takes great pride in its unrelenting commitment towards continuous process improvement. The City Accounting Staff will continue to innovate and improve controls and financial statement preparation processes to provide citizens with accurate, complete, and understandable financial statements.

Auditor's Remarks

We understand the City faced challenges that affected their ability to produce accurate financial statements for audit and appreciate the background provided to further illuminate those challenges. We also appreciate the City's commitment to establishing effective internal controls and will review the corrective action taken during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – uniform system of accounting

Budgeting, Accounting and Reporting Systems manual – Accounting, Accounting Principles and General Procedures, Internal Control

Government Auditing Standards, December 2011 Revision, paragraph 4.23

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265

Audit and Accounting Guides (AICPA), State and Local Governments, Chapter 16
– Audit Reporting, paragraph 53



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**City of Vancouver
January 1, 2019 through December 31, 2019**

This schedule presents the status of federal findings reported in prior audit periods.

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------------------------|
| Audit Period: January 1, 2018 through December 31, 2018 | Report Ref. No.: 1024608 | Finding Ref. No.: 2018-001 |
| Finding Caption: The City’s internal controls over accounting and financial preparation were not adequate to ensure accurate financial reporting. | | |
| Background: In 2018, our audit identified deficiencies in internal controls which resulted in the following errors: <ul style="list-style-type: none"> • The Parks Impact Fees Fund was omitted as a major fund from the governmental fund statements. • There were several fund balance classification errors in governmental funds. • There were not note disclosures for prior period adjustments that materially restated the beginning balances of the General and Capital Improvements funds. | | |
| Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid | | |
| Corrective Action Taken: <i>For 2019 financial reporting the City has taken the following measures to address the control issues that lead to the misstatements identified above”</i> <ul style="list-style-type: none"> • <i>The City worked on fully staffing the accounting team but continued to experience turnover and vacancies. In response to this and the conversion to a new computer system, the City obtained CAFR preparation software and hired a consultant to build new CAFR calculation tools and provide expert instruction.</i> | | |

- *The City created a new major fund determination process and now performs the calculation after fund reviews and all expected adjustments have been completed, rather than before these processes.*
- *The City created new fund balance classification tools for all fund types and statements. Additionally, the City worked with the Office of the Washington State Auditor after the 2018 audit to gain a better understanding of the Office's interpretation of classification guidance.*
- *Using the new general ledger system, the City is better able to track and recall data. The accounting team has also established practices to attach more detailed support to journals. As a result, detailed prior period adjustments notes have been created.*

**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
January 1, 2019 through December 31, 2019**

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, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 28, 2020.

Our report includes a reference to other auditors who audited the financial statements of the Vancouver Hotel and Convention Center Project, (the Project) which is included in the City's financial statements as part of the Downtown Redevelopment Authority component unit, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors' 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 report of the other auditors. The financial statements of the 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 Project.

As discussed in Note 2 to the financial statements, during the year ended December 31, 2019, the City implemented Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 84, *Fiduciary Activities*.

As discussed in Note 21 to the financial statements, in February 2020, a state of emergency was declared that could have a negative effect on the City.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001 that we consider to be significant deficiencies.

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*.

CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

October 28, 2020

**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
January 1, 2019 through December 31, 2019**

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, 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, 2019. 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, 2019.

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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy
State Auditor
Olympia, WA

October 28, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Vancouver January 1, 2019 through December 31, 2019

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, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 24.

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 (the Project), which is included in the City's financial statements as part of the Downtown Redevelopment Authority component unit and which represents 2 percent, 18 percent and 80 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Project, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Project were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Vancouver, as of December 31, 2019, 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 2 to the financial statements, in 2019, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 21 to the financial statements, in February 2020, a state of emergency was declared that could have a negative effect on the City. 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 and required supplementary information listed on page 24 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 as a whole. 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 October 28, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

October 28, 2020

FINANCIAL SECTION

City of Vancouver January 1, 2019 through December 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Activities – 2019

Governmental Funds Balance Sheet – 2019

Reconciliation of the Balance Sheet of Governmental Funds to the Government Wide
Statement of Net Position – 2019

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2019

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Government Wide Statement of Activities – 2019

Statement of Revenues, Expenditures, and Changes in Fund Balances Compared to
Budget (GAAP Basis) and Actual – General Fund – 2019

Statement of Revenues, Expenditures, and Changes in Fund Balances Compared to
Budget (GAAP Basis) and Actual – Consolidated Fire Fund – 2019

Statement of Revenues, Expenditures, and Changes in Fund Balances Compared to
Budget (GAAP Basis) and Actual – Street Fund – 2019

Statement of Net Position – Proprietary Funds – 2019

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds –
2019

Statement of Cash Flows – Proprietary Funds – 2019

Statement of Fiduciary Net Position – 2019

Statement of Changes in Fiduciary Net Position – 2019

Notes to Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – Fire and Police OPEB
Pension Funds – 2019

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1,
LEOFF 2 – 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2019

Notes to Required Supplemental Information – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2019

Schedule of Changes in Net Pension Liability and Related Ratios – Fire and Police Pension
Trust Funds – 2019

Schedule of Investment Returns – Police and Fire Pension Trust Funds – 2019

Notes to Required Supplementary Information – Police and Fire Pension Trust Funds – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

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, 2019. 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. The net increase or decrease in activity since the prior year is shown as a positive or (negative) number respectively.

FINANCIAL HIGHLIGHTS

- City of Vancouver assets plus deferred outflows exceeded its liabilities plus deferred inflows at fiscal yearend (FYE) by over \$1.42 billion.
- Net investment in capital assets accounts for 75.7% of the total net position, with a value of \$1.07 billion.
- Of the remaining net position, \$206.6 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 a net change of \$114.7 million in current operations since the prior FYE.
- Total program revenues were \$240.8 million, a net change of \$19.6 million from the prior FYE. The change is comprised of a \$14.5 million change in Charges for Services, Fees, Fines and Forfeitures and a \$5.2 million change in Operating and Capital Grants and Contributions.
- Program expenses were \$319.3 million, a net change of \$16.1 million since the prior FYE.
- General revenues, special items, extraordinary items and transfers were \$186.5 million, a net change of \$9.2 million since the prior FYE.
- The City of Vancouver's governmental funds report a combined ending fund balance of \$233.0 million, which was a net change of \$40.9 million since the prior FYE. Of that, \$112.2 million is unrestricted by external parties or formal commitments - comprised of assigned and unassigned fund balances of \$61.1 million for the General Fund and \$51.1 million for all other governmental funds.
- The City of Vancouver's total bonded debt was \$68.87 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, storm water management and control, downtown parking, an airport, 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 2019. 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 five entities as component units in the government-wide financial statements. When there is financial activity to report, three of these entities will be shown in the government-wide financial statements as discretely presented component unit funds. These entities are the Vancouver Downtown Redevelopment Authority (DRA), Vancouver Public Facilities District (PFD) and City Center Redevelopment Authority (CCRA). The fourth and fifth component unit, Vancouver Transportation Benefit District (TBD) and the Culture, Arts and Heritage Commission (CAHC), are treated as a blended component units presented as a special revenue fund. The City has also reported two jointly governed organizations: Clark Regional Emergency Services Agency (CRESA) and Council for the Homeless. See Note 1 for additional information on these organizations.

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, Street Fund, Consolidated Fire Fund, Park Impact Fee Fund and Capital Improvement Fund. These are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation.

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

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

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

Proprietary Funds

The City has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water/sewer/drainage utility, solid waste utility, airport, building inspection, parking, and tennis center operations. Internal service funds accumulate and allocate costs among the City's various functions. The City uses internal service funds to account for its facilities replacement, rolling stock repair and replacement, computer repair and replacement, self-insurance, administrative services, benefits, health insurance benefits and mail room services.

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

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Vancouver's progress in funding its obligations to the citizenry and its employees. Required supplementary information can be found beginning on page 90 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 begin on page 103 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 \$1,418,229,403 at December 31, 2019. 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 | |
|--------------------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-------------------------|-------------------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Current and other assets | \$ 308,235,974 | \$ 357,187,673 | \$ 124,395,413 | \$ 140,048,861 | \$ 432,631,387 | \$ 497,236,534 |
| Capital assets (net of accumulated depreciation) | 699,972,618 | 729,391,879 | 406,010,099 | 424,813,162 | 1,105,982,717 | 1,154,205,041 |
| TOTAL ASSETS | 1,008,208,592 | 1,086,579,552 | 530,405,512 | 564,862,023 | 1,538,614,104 | 1,651,441,575 |
| DEFERRED OUTFLOWS OF RESOURCES | 9,111,067 | 11,702,591 | 2,445,145 | 3,179,748 | 11,556,212 | 14,882,339 |
| Long-term liabilities | 164,498,929 | 165,613,674 | 26,721,003 | 20,260,530 | 191,219,932 | 185,874,204 |
| Other liabilities | 27,797,485 | 28,201,149 | 6,655,854 | 11,218,176 | 34,453,339 | 39,419,325 |
| TOTAL LIABILITIES | 192,296,414 | 193,814,823 | 33,376,857 | 31,478,706 | 225,673,271 | 225,293,529 |
| DEFERRED INFLOWS OF RESOURCES | 17,431,903 | 18,828,615 | 3,551,399 | 3,972,367 | 20,983,302 | 22,800,982 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 680,671,243 | 659,169,955 | 391,430,492 | 415,085,644 | 1,072,101,735 | 1,074,255,599 |
| Restricted | 107,509,296 | 128,395,605 | 8,597,014 | 8,936,671 | 116,106,310 | 137,332,276 |
| Unrestricted | 19,410,807 | 98,073,145 | 95,894,895 | 108,568,383 | 115,305,702 | 206,641,528 |
| TOTAL NET POSITION | \$ 807,591,346 | \$ 885,638,705 | \$ 495,922,401 | \$ 532,590,698 | \$ 1,303,513,747 | \$ 1,418,229,403 |

During 2019, the City's total assets changed by \$112.8 million and deferred outflows of resources increased by \$3.3 million, while total liabilities changed by \$(0.4) million and deferred inflows of resources changed by \$1,818 thousand, primarily related to the continued impacts of the GASB 68 implementation effective December 31, 2015 and increases in Capital Assets. The net result is an increase in total net position of \$114.7 million, or 8.8%.

Of the City's total assets, cash increased by \$45.3 million and restricted cash decreased by \$0.4 million; receivables increased by \$9.2 million, capital assets increased by \$48.2 million, and other assets increased by \$9.72 million from 2019.

The largest portion of the City's net position, 75.7%, 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 9.7% of the total, and net position that is unrestricted represents the remaining 14.6%.

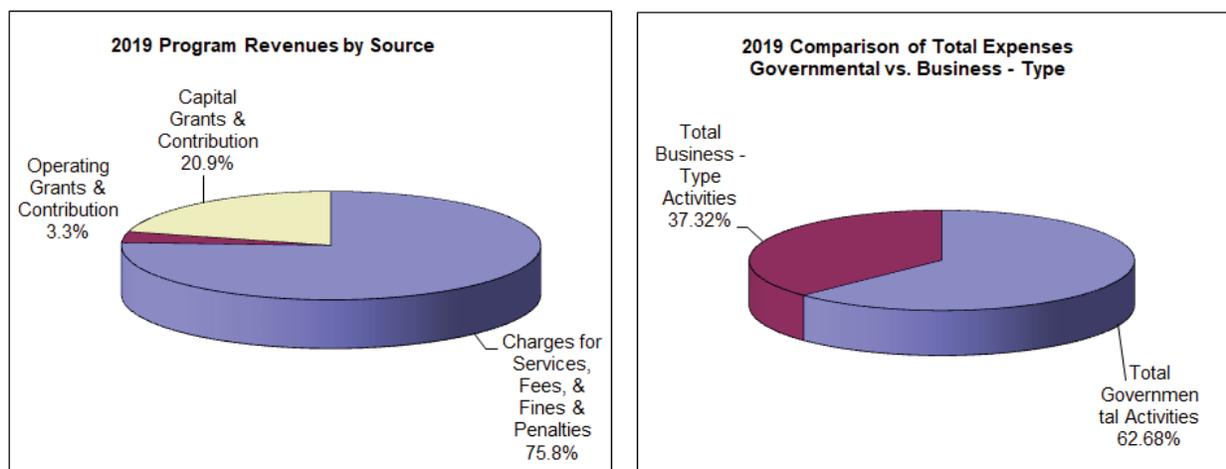
At December 31, 2019, the City of Vancouver reports positive balances in all three categories of net position, for the government as a whole.

Analysis of Changes in Net Position

Total change in net position from prior year was \$114.7 million, inclusive of the impact of prior period adjustments and changes in accounting principles. This is split between governmental change of \$78.0 million and business-type activities change of \$36.7 million. The Statement of Activities depicts the relationship of revenues and expenses for the City's governmental activities and proprietary funds. A condensed and comparative version of the Statement of Activities is shown below.

| Revenues | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---------------------------------------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-------------------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Program revenues: | | | | | | |
| Charges for Services, Fees, Fines & Forfeitures | \$ 50,481,540 | \$ 57,540,769 | \$ 117,545,540 | \$ 124,969,083 | \$ 168,027,080 | \$ 182,509,852 |
| Operating Grants & Contributions | 5,877,556 | 8,060,222 | 86,186 | 77,136 | 5,963,742 | 8,137,358 |
| Capital Grants & Contributions | 21,515,909 | 25,469,967 | 25,666,397 | 24,692,739 | 47,182,306 | 50,162,706 |
| General Revenues | | | | | | |
| Property Taxes Levied for General Purposes | 54,726,879 | 55,787,730 | - | - | 54,726,879 | 55,787,730 |
| Sales & Use Taxes | 43,910,649 | 49,513,857 | - | - | 43,910,649 | 49,513,857 |
| Utility, Excise, Lodging & Other Taxes | 61,163,162 | 66,268,160 | - | - | 61,163,162 | 66,268,160 |
| Unrestricted Investment Earnings | 4,371,966 | 6,436,552 | 2,060,437 | 3,225,922 | 6,432,403 | 9,662,474 |
| Miscellaneous | 3,899,769 | 2,542,488 | 686,676 | 2,543,964 | 4,586,445 | 5,086,452 |
| Total Revenues | 245,947,430 | 271,619,745 | 146,045,236 | 155,508,844 | 391,992,666 | 427,128,589 |
| Program Expenses | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | 20,777,062 | 35,056,021 | - | - | 20,777,062 | 35,056,021 |
| Security/Persons & Property | 94,439,914 | 99,143,086 | - | - | 94,439,914 | 99,143,086 |
| Physical Environment | 293,331 | 89,531 | - | - | 293,331 | 89,531 |
| Transportation | 45,456,332 | 27,469,791 | - | - | 45,456,332 | 27,469,791 |
| Mental & Physical Health | 3,670,072 | 585,604 | - | - | 3,670,072 | 585,604 |
| Economic Environment | 13,300,235 | 13,514,444 | - | - | 13,300,235 | 13,514,444 |
| Intergovernmental Facilities | - | 5,698,948 | - | - | - | 5,698,948 |
| Culture & Recreation | 11,347,659 | 16,940,568 | - | - | 11,347,659 | 16,940,568 |
| Interest on Long-Term Debt | 2,620,128 | 2,206,372 | - | - | 2,620,128 | 2,206,372 |
| Business-Type Activities: | | | | | | |
| Water Sewer | - | - | 96,312,293 | 104,891,094 | 96,312,293 | 104,891,094 |
| Parking | - | - | 3,037,896 | 3,190,832 | 3,037,896 | 3,190,832 |
| Airport | - | - | 893,541 | 691,335 | 893,541 | 691,335 |
| Building Inspection | - | - | 5,688,006 | 6,359,292 | 5,688,006 | 6,359,292 |
| Solid Waste | - | - | 2,779,319 | 2,230,304 | 2,779,319 | 2,230,304 |
| Tennis Center | - | - | 2,604,840 | 1,278,646 | 2,604,840 | 1,278,646 |
| Total Expenses | 191,904,733 | 200,704,365 | 111,315,895 | 118,641,503 | 303,220,628 | 319,345,868 |
| Excess (deficiency) of revenues over expenses | 54,042,697 | 70,915,380 | 34,729,341 | 36,867,341 | 88,772,038 | 107,782,721 |
| Transfers - Governmental | (600,861) | 909,053 | - | - | (600,861) | 909,053 |
| Transfers - Business-Type | - | - | 600,861 | (909,053) | 600,861 | (909,053) |
| Income (loss) before special & extra | 53,441,836 | 71,824,433 | 35,330,202 | 35,958,288 | 88,772,038 | 107,782,721 |
| Special Items: Remove pension liability due to change in operations | - | - | - | 167,687 | - | 167,687 |
| Annexation | - | - | 6,457,499 | - | 6,457,499 | - |
| Total Special Items | - | - | 6,457,499 | 167,687 | 6,457,499 | 167,687 |
| Change in Net Position | 53,441,836 | 71,824,433 | 41,787,701 | 36,125,975 | 95,229,537 | 107,950,408 |
| Net Position - Beginning | 790,730,951 | 807,591,339 | 454,134,700 | 495,922,401 | 1,244,865,651 | 1,303,513,740 |
| Prior year adjustments | - | 6,222,933 | - | 542,322 | - | 6,765,255 |
| Change in accounting principles | (36,581,448) | - | - | - | (36,581,448) | - |
| Net Position - Ending | \$ 807,591,339 | \$ 885,638,705 | \$ 495,922,401 | \$ 532,590,698 | \$ 1,303,513,740 | \$ 1,418,229,403 |

The following graphs illustrate the sources of revenue and the balance of governmental vs. business type expenses for 2019.



Governmental Activity Analysis

Governmental net position increased by \$78.0 million in 2019 from operations.

Revenues from Charges for Services, Fees, and Fines and Forfeitures saw a change from the prior year of \$7.1 million, or 14.0%; while revenues from Property Taxes changed by \$1.1 million, or 1.9%. A continued improving local economy is the driving force behind the tax increase. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation plus new constructions. Total governmental activities revenues changed by \$25.7 million, or 10.4%, including a change of \$5.1 million, or 8.3%, in revenues associated with Utility, Excise, Lodging and Other Taxes received by the City in 2019 compared to 2018.

Governmental activities expenses in total changed by \$8.8 million, or 4.6%. The major influencing factors of this increase are as follows:

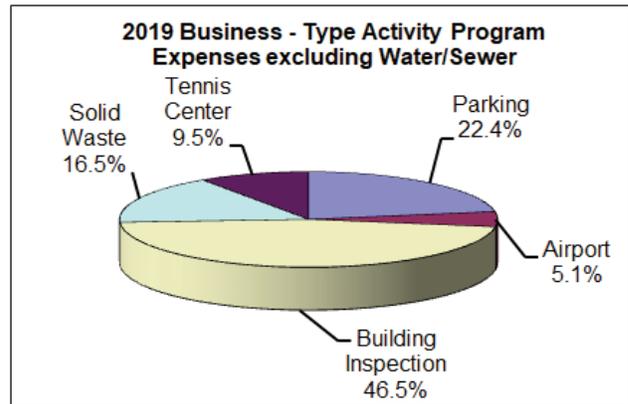
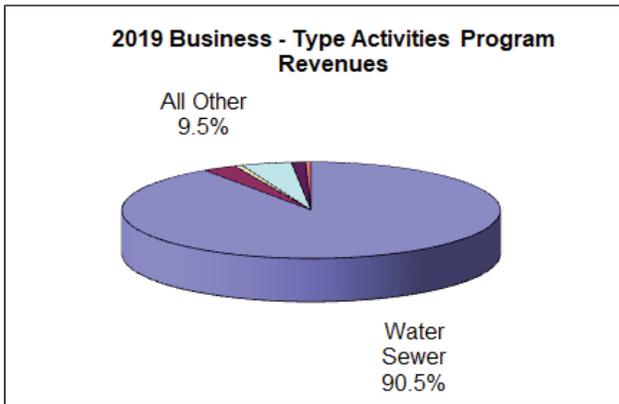
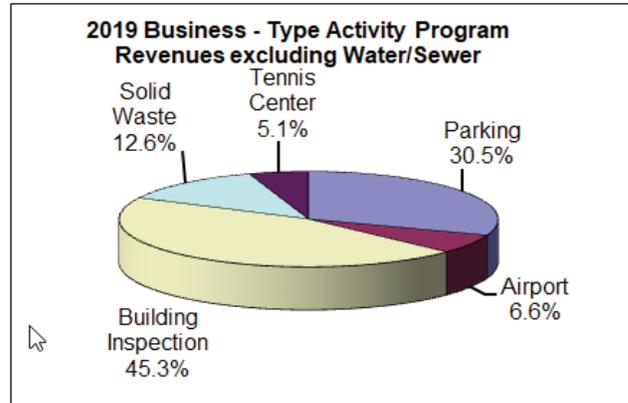
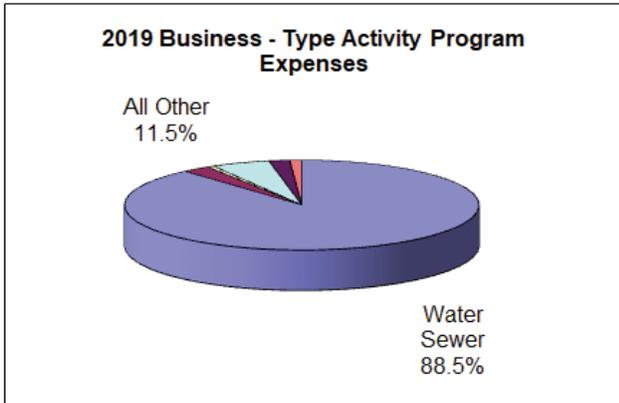
- Security/Persons and Property expense increased due to increased personnel costs within the police and fire departments, along with an increase in supplies including protective clothing and minor tools and equipment, as well as an increase in the indirect cost allocation for police.
- The increase in Transportation expense was due to increased personnel costs, repairs and maintenance, operating supplies, and professional services related to construction projects.

Business-Type Activities Analysis

Business-type net position changed by \$36.7 million in 2019 from operations.

The Business-Type Activity revenue and expenses experienced an increase of \$9.5 million and \$7.3 million, respectively. 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 change from prior year of \$4.5 million in operating revenue and a \$8.6 million in operating expenses. Revenue increased primarily from the increase in water and sewer rates, along with an increase in usage. Water and sewer expenses increased as a result of increase in taxes on utilities both at the state and local level, along with an increase in professional services relating to the increased cost of treatment plant operations and maintenance projects performed throughout the year.

Other business-type activities had changes in expenses, including the Building Inspection fund at \$671 thousand, and the Solid Waste fund at \$(549) thousand compared to last year due to increase in city-wide cost allocation and professional services.



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, Street Fund, Capital Improvement Fund and Park Impact Fees 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 experienced a change of 4.2% over the prior year due primarily to the change in Sales and Use taxes and Other Taxes for \$2.9 million and \$4.2 million, respectively. The change associated with Sales and Use taxes is based on changes to sales construction and sales activity, a direct result of an improving economy. The change to other taxes of is primarily due to an increase in taxes paid to the general fund from utilities operating within the city limits.

General Fund expenditures accounted for 48.6% of total governmental fund expenditures for the year, and experienced a change \$5.2 million or 5.0% from the prior year. Ending fund balance of the General Fund changed by \$14.6 million.

The Consolidated Fire Fund is a special revenue fund that encompasses both the operations and the equipment for the City's fire departments and Clark County Fire Protection District No. 5. Services provided by this fund include firefighting, emergency medical services, rescue, and public safety education. As reported in the Statement of Revenues, Expenditures and 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 2019 accounted for 20.8% of the governmental funds expenditures; a change of \$3.7 million from the prior year due primarily to personnel costs and supplies. The fund balance changed by \$3.2 million as expenses were slightly higher than revenues and transfers in.

The Street Fund is a special revenue fund established in accordance with State RCW 35A.37.010 for the administration of street-oriented maintenance and construction. Revenues have historically been derived from tax contributions distributed from the General Fund, state shared gasoline tax, an excise tax of ¼ of 1% of property value of transferred property and rents and royalties. In 2016, after the City spent a great deal of time finding a long-term solution to the street infrastructure funding, an intensive community engagement process took place resulting in a new revenue package to fund enhancements in the service level. A total of 12.5% of governmental fund expenditures was attributable to the Street fund in 2019; with a change due primarily to capital outlay, of \$3.2 million from last year. Fund balance changed by \$(21) thousand.

The Capital Improvement Fund, established in 1977 to fund major capital projects in the City, is being reported as a major fund in 2019 due to the amount of capital projects during the year. Fund expenditures accounted for 1.59% of total governmental fund expenditures, a change of \$(16) thousand from 2018. Fund balance changed by \$8.65 million.

The Park Impact Fees Fund was established in 1995 to account for the accumulation and disposition of impact fees assessed against new development under the Growth Management Act of 1990. Fund expenditures accounted for 0.02%, less than 1% of total governmental operating expenditures. Fund balance changed by \$(1.1) million from last year due entirely to transfers out of fund resources.

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

Business-Type Funds Analysis

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

The Water/Sewer Fund is the largest business-type fund in the City, accounting for 95.24% of net position for the enterprise funds at \$507.2 million. This fund encompasses three legally consolidated utilities: water, sewer, and drainage operations. The Water/Sewer Fund's net position increased by \$32.9 million in 2019. This fund also reported operating income of \$5.1 million in 2019, a change of \$(3.75) million from 2018; of which operating revenue increased \$5.5 million or 5.3% over 2018 primarily due an increase in water and sewer rates, while operating expenses also increased \$9.3 million or 9.8% from 2018 related to an increase in taxes and professional services for maintenance. Additionally, Water/Sewer total net capital assets increased to \$406.7 million.

The Parking Services Fund reported a positive net position of \$9.5 million. Operating income totaled \$1.35 million and is attributed to parking permit rate increases and pay station rate increases in 2019, along with active enforcement.

The non-major business-type funds present a total operating income of \$247 thousand. The Building Inspection and Airport funds both reported operating income while the Tennis Center and Solid Waste funds had significant operating losses. The Tennis Center Fund reported a \$(416) thousand operating loss, which is less than the 2018 loss of \$1.3 million and due to a decrease in operating expenses related to supplies and contractual services. The Solid Waste fund presented an operating loss of \$(642) thousand, which is less than the \$1.1 million operating loss reported in 2018; a result of a decrease in operating expenses related to Supplies and Contractual services in 2019.

The Airport fund (formerly named the Airport fund) reported a \$0.5 thousand net operating income which was a \$228.1 thousand increase from 2018, primarily due to an decrease in Supplies and Contractual expenses.

The Building Inspection Fund had \$1.3 million in operating income, which was a change of \$824 thousand from 2018. The increase was primarily due to an increase in charges for services.

The non-major business-type funds represent \$1.1 million of the Net Pension Liability in 2019.

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 break-even point. City Internal Service funds as reported in 2019 realized a net position increase of \$5.6 million. In total Internal Service funds reported an operating income of \$(3.0) million. The Internal Service Funds proportionate share of the Pension Liability is \$4.6 million at the end of 2019.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City has been enjoying several years of revenues in the General Fund coming in above forecasts mostly due to elevated levels of Sales Tax revenue. On an on-going basis, the budget anticipates an ongoing structural deficit each biennium that is a result of growth in on-going expenditures outpacing growth in on-going revenues. Contributing factors to this deficit include the following:

- Voters' passage of Initiative 695, which eliminated the motor vehicle excise tax in 2000.
- Initiative 747, which beginning in 2002 limited increases in property taxes to the lower of 1 percent or the implicit price deflator.
- The phase out and elimination of the city's Business and Occupation Tax beginning in 1993.
- Significantly greater City reliance on revenues that fluctuate with the economy.

The City has had relative financial stability from 2011 through 2018 fiscal year. There were no service-level or staffing reductions taken during this period of time. The City has taken this time to evaluate and reinforce its Financial Policies for the General Fund and other funds and re-build its General Fund balance to allow for future fluctuations of the economy. These policies are reviewed every two years during the budget development process. The policies ensure that the City maintains a healthy financial foundation into the future. These policies address such items as debt, future capital needs, and adequate reserves to build a stable and sustainable future and guide creation of City budgets.

Some significant changes between the original and final budget in 2019 include a total of 29 FTEs added during various budget actions of the City. Staffing has been added in Police, funded by fund the increased Business License Surcharge and Utility Tax revenues authorized by Council in response to recommendations from the extended community engagement process. A corresponding increase in purchases of police vehicles occurred in relation to the increase in staff.

The final 2019-2020 biennial budget totals \$1.26 billion in operating and capital expenditures, including 1,114 positions.

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, 2019, amounts to \$1.07 billion (net of accumulated depreciation).

The table that follows is a comparison of the summary information for year-end 2018 and 2019 capital assets.

Capital Assets, Net of Depreciation

| | Governmental Activities | | Business-type Activities | | Total Activities | |
|--------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-------------------------|-------------------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Land | \$ 107,571,134 | \$ 123,344,999 | \$ 40,696,567 | \$ 35,959,472 | \$ 147,592,701 | \$ 159,304,471 |
| Capital artwork | - | 96,920 | - | - | - | 96,920 |
| Intangible - Easements | 8,776,072 | 8,985,207 | 11,680,926 | 14,187,750 | 20,456,998 | 23,172,957 |
| Buildings and systems | 100,659,054 | 104,991,771 | 18,543,781 | 17,724,302 | 119,202,835 | 122,716,073 |
| Machinery and equipment | 18,408,921 | 23,902,767 | 2,906,152 | 2,339,205 | 21,315,073 | 26,241,972 |
| Infrastructure | 447,526,564 | 446,391,250 | 300,290,664 | 330,643,513 | 747,817,228 | 777,034,763 |
| Intangible assets | 538,987 | 7,870,139 | 1,311,604 | 946,970 | 1,850,591 | 8,817,109 |
| Construction in progress | 16,491,886 | 13,808,826 | 31,255,405 | 23,011,950 | 47,747,291 | 36,820,776 |
| Total | <u>\$ 699,972,618</u> | <u>\$ 729,391,879</u> | <u>\$ 406,685,099</u> | <u>\$ 424,813,162</u> | <u>\$ 1,105,982,717</u> | <u>\$ 1,154,205,041</u> |

Total net capital assets changed 4.4% from prior year. Land assets increased \$11.7 million, or 7.9%, Intangible assets \$7.0 million, or 376.4%, and infrastructure increased \$29.2 million or 3.9%. Some of the major capital projects and acquisitions that took place during the year include the Workday software system, continued development of the downtown waterfront, purchase of fleet vehicles, and infrastructure additions related to the City's utility funds. Additional information on City of Vancouver's capital assets can be found in Note 4 of this report. As of fiscal year end, the City had \$36.8 of capital projects in various stages of completion. Of this amount, 37.5% are related to Governmental Activities with the remaining 62.5% benefiting Business-type Activities.

Long-Term Debt

At December 31, 2019, the City of Vancouver had total bonded debt outstanding of \$68.9 million. Of this amount, \$60.5 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 \$8.4 million represents bonds secured solely by specific revenue sources (i.e., revenue bonds) of 3.8 and issuance premiums and discounts of 4.5. The below table is a comparison of the summary information for year-end 2018 and 2019 bonded debt. The City of Vancouver's total bonded debt decreased by \$(10.1) million, the result of scheduled principal payments made throughout 2019.

City of Vancouver Outstanding Bonded Debt (in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|--------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| General obligation bonds | \$ 59,997 | \$ 54,367 | \$ 7,065 | \$ 6,120 | \$ 67,062 | \$ 60,487 |
| Revenue bonds | - | - | 7,490 | 3,840 | 7,490 | 3,840 |
| Net Amounts for: | | | | | | |
| Issuance premiums | | | | | | |
| (discounts) | 4,256 | 4,232 | 183 | 307 | 4,440 | 4,539 |
| Total | <u>\$ 64,253</u> | <u>\$ 58,598</u> | <u>\$ 14,738</u> | <u>\$ 10,267</u> | <u>\$ 78,991</u> | <u>\$ 68,866</u> |

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 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the end of 2019, revenue projections for 2020 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 2020. Additionally, the City expects impacts as a result of the COVID-19 pandemic. Financial impacts will be dependent on the length of time social distancing and stay at home measures are necessary and in place. The City is working with its partners at the state, federal and local level to understand the potential economic impacts related to the pandemic. 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, Navigation Center and future Tower Mall redevelopment.

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

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

Requests for Information

This financial report is designed to provide a general overview of City of Vancouver's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Financial and Management Services, City of Vancouver, P.O. Box 1995, Vancouver, WA, 98668-1995.

CITY OF VANCOUVER
STATEMENT OF NET POSITION
December 31, 2019

| | Primary Government | | | | |
|---------------------------------------------------------------------------------|-------------------------|--------------------------|--------------------------|--------------------------------------------|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total Primary Government | Vancouver Downtown Redevelopment Authority | Vancouver Public Facilities District |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 280,249,181 | \$ 111,648,689 | \$ 391,897,870 | \$ 91,401 | \$ 156,236 |
| Cash with fiscal/escrow agents | - | - | - | 8,499,981 | - |
| Restricted assets | | | | | |
| Accrued interest receivable | - | 16,989 | 16,989 | - | - |
| Cash with fiscal/escrow agent | - | 8,934,293 | 8,934,293 | 7,916,755 | - |
| Receivables (net of allowance for uncollectible accounts) | 30,073,578 | 14,140,843 | 44,214,421 | 1,383,288 | 304,639 |
| Inventories | 580,212 | 936,863 | 1,517,075 | 48,402 | - |
| Prepaid items | 279,179 | 4,778 | 283,957 | 130,719 | - |
| Internal Balances | 343,577 | (343,577) | - | - | - |
| Due from other governmental units | 786,311 | 322,990 | 1,109,301 | - | 372,610 |
| Noncurrent capital assets held for resale | 846,035 | 4,386,993 | 5,233,028 | - | - |
| Net pension asset | 44,029,600 | - | 44,029,600 | - | - |
| Capital assets (net of accumulated depreciation) | | | | | |
| Land & land improvements | 123,344,999 | 35,959,472 | 159,304,471 | - | 3,603,691 |
| Capital artwork | 96,920 | - | 96,920 | - | - |
| Easements | 8,985,207 | 14,187,750 | 23,172,957 | - | - |
| Buildings | 104,991,771 | 17,724,302 | 122,716,073 | 33,379,515 | - |
| Machinery and equipment | 23,902,767 | 2,339,205 | 26,241,972 | 2,298,837 | - |
| Infrastructure | 446,391,250 | 330,643,513 | 777,034,763 | - | - |
| Intangible assets | 7,870,139 | 946,970 | 8,817,109 | - | - |
| Construction work in progress | 13,808,826 | 23,011,950 | 36,820,776 | 93,784 | - |
| Total assets | 1,086,579,552 | 564,862,023 | 1,651,441,575 | 53,842,682 | 4,437,176 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Unamortized loss on refunding | 2,223,715 | 539,726 | 2,763,441 | 973,592 | - |
| Amounts related to pension | 9,028,876 | 2,315,022 | 11,343,898 | - | - |
| Amounts Related to asset retirement obligation | 450,000 | 325,000 | 775,000 | - | - |
| Total deferred outflows of resources | 11,702,591 | 3,179,748 | 14,882,339 | 973,592 | - |
| LIABILITIES | | | | | |
| Accounts payable and other current liabilities | 17,142,054 | 10,914,853 | 28,056,907 | 1,223,005 | - |
| Due to other governmental units | - | - | - | - | 817,851 |
| Accrued interest payable | 195,410 | 29,018 | 224,428 | 1,206,031 | - |
| Unearned revenue | 10,612,215 | 177,834 | 10,790,049 | 557,448 | - |
| Custodial accounts | 251,470 | 96,471 | 347,941 | - | - |
| Noncurrent liabilities | | | | | |
| Special assessment debt with governmental commitments due in more than one year | 15,000 | - | 15,000 | - | - |
| Pension liability | 11,506,746 | 6,957,146 | 18,463,892 | - | - |
| Total OPEB liabilities due in one year | 935,196 | - | 935,196 | - | - |
| Total OPEB liabilities due in more than one year | 43,513,770 | - | 43,513,770 | - | - |
| Asset retirement obligations | 450,000 | 325,000 | 775,000 | - | - |
| Due within one year | 21,012,638 | 7,547,360 | 28,559,998 | 2,067,117 | - |
| Due in more than one year | 88,180,324 | 5,431,024 | 93,611,348 | 60,026,999 | - |
| Total liabilities | 193,814,823 | 31,478,706 | 225,293,529 | 65,080,600 | 817,851 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Amounts related to pension | 18,828,615 | 3,972,367 | 22,800,982 | - | - |
| Total deferred inflows of resources | 18,828,615 | 3,972,367 | 22,800,982 | - | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 659,169,955 | 415,085,644 | 1,074,255,599 | (19,443,545) | 3,603,691 |
| Restricted for | | | | | |
| Capital purposes | 28,192,857 | 4,204,211 | 32,397,068 | 347,138 | - |
| Culture & recreation | 28,223 | - | 28,223 | - | - |
| Debt service | 48,645 | 4,732,460 | 4,781,105 | 7,569,617 | - |
| Economic environment | 21,475,163 | - | 21,475,163 | - | - |
| Grants | 7,531,970 | - | 7,531,970 | - | - |
| Intergovernmental facilities | 235 | - | 235 | - | - |
| Pension and OPEB | 60,057,851 | - | 60,057,851 | - | - |
| Physical environment | 9,491,434 | - | 9,491,434 | - | - |
| Security of persons & property | 1,569,227 | - | 1,569,227 | - | - |
| Unrestricted | 98,073,145 | 108,568,383 | 206,641,528 | 1,262,464 | 15,634 |
| Total net position | \$ 885,638,705 | \$ 532,590,698 | \$ 1,418,229,403 | \$ (10,264,326) | \$ 3,619,325 |

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

**CITY OF VANCOUVER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019**

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | | |
|--------------------------------------------------------------------------|---------------------------------------------------|----------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|------------------|-----------------------------------|--------------------------------------|
| | Charges for Services, Fees, Fines and Forfeitures | | Operating Grants and Contributions | | Primary Government | | Component Units | | |
| | Expenses | | | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | Vancouver Redevelopment Authority | Vancouver Public Facilities District |
| PRIMARY GOVERNMENT | | | | | | | | | |
| Governmental Activities: | | | | | | | | | |
| General government | \$ 35,056,021 | \$ 14,631,617 | \$ 119,939 | \$ 122,014 | \$ (20,182,451) | \$ - | \$ (20,182,451) | \$ - | \$ - |
| Security/persons & property | 99,143,086 | 17,054,400 | 5,930,870 | - | (76,157,816) | - | (76,157,816) | - | - |
| Physical environment | 89,531 | 138,463 | - | 1,012,000 | 1,060,932 | - | 1,060,932 | - | - |
| Transportation | 27,469,791 | 9,420,191 | 1,637,793 | 20,554,340 | 4,142,533 | - | 4,142,533 | - | - |
| Social Services | 585,604 | - | - | - | (585,604) | - | (585,604) | - | - |
| Economic environment | 13,514,444 | 11,663,007 | 327,209 | 534,489 | (989,739) | - | (989,739) | - | - |
| Intergovernmental facilities | 5,698,948 | - | - | - | (5,698,948) | - | (5,698,948) | - | - |
| Culture and recreation | 16,940,568 | 4,633,091 | 44,411 | 3,247,124 | (9,015,942) | - | (9,015,942) | - | - |
| Interest/fiscal charges | 2,206,372 | - | - | - | (2,206,372) | - | (2,206,372) | - | - |
| Total governmental activities | 200,704,365 | 57,540,769 | 8,060,222 | 25,469,967 | (109,633,407) | - | (109,633,407) | - | - |
| Business-type Activities: | | | | | | | | | |
| Water/Sewer | 104,891,094 | 109,665,838 | 75,219 | 24,476,884 | - | 29,326,847 | 29,326,847 | - | - |
| Parking | 3,190,832 | 4,497,140 | - | - | - | 1,306,308 | 1,306,308 | - | - |
| Airport | 691,335 | 691,818 | 1,917 | 215,855 | - | 218,255 | 218,255 | - | - |
| Building Inspection | 6,359,292 | 7,663,325 | - | - | - | 1,304,033 | 1,304,033 | - | - |
| Solid Waste | 2,230,304 | 1,588,283 | - | - | - | (642,021) | (642,021) | - | - |
| Tennis Center | 1,278,646 | 862,679 | - | - | - | (415,967) | (415,967) | - | - |
| Total business-type activities | 118,641,503 | 124,969,083 | 77,136 | 24,692,739 | - | 31,097,455 | 31,097,455 | - | - |
| Total Primary Government | \$ 319,345,868 | \$ 182,509,852 | \$ 8,137,358 | \$ 50,162,706 | (109,633,407) | 31,097,455 | (78,535,952) | - | - |
| COMPONENT UNITS | | | | | | | | | |
| Downtown Redevelopment Authority | 20,393,313 | 20,293,517 | - | - | - | - | - | (99,796) | - |
| Public Facilities District | 1,684,129 | - | 8,000 | - | - | - | - | - | (1,676,129) |
| Total Component Units | \$ 22,077,442 | \$ 20,293,517 | \$ 8,000 | \$ - | - | - | - | (99,796) | (1,676,129) |
| General Revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property Taxes Levied for General Purposes | | | | | 55,787,730 | - | 55,787,730 | - | - |
| Sales and Use Taxes | | | | | 49,513,857 | - | 49,513,857 | 3,006,056 | 1,676,894 |
| Utility Taxes | | | | | 51,357,891 | - | 51,357,891 | - | - |
| Excise, Lodging and Other Taxes | | | | | 14,910,269 | - | 14,910,269 | - | - |
| Unrestricted Investment Earnings (loss) | | | | | 6,436,552 | 3,225,922 | 9,662,474 | 263,783 | 1,213 |
| Miscellaneous | | | | | 2,542,488 | 2,543,964 | 5,086,452 | 15,180 | - |
| Special item - Gain on extinguishment of debt | | | | | - | - | - | 107,813 | - |
| Special item - Remove pension liability due to change in operations | | | | | - | 167,687 | 167,687 | - | - |
| Extraordinary item - Bankruptcy settlement | | | | | - | (909,053) | (909,053) | 3,753 | - |
| Transfers | | | | | 909,053 | - | 909,053 | - | - |
| Total General Revenues, Special Items, Extraordinary Items and Transfers | | | | | 181,457,840 | 5,028,520 | 186,486,360 | 3,396,585 | 1,678,107 |
| Change in Net Position | | | | | 71,824,433 | 36,125,975 | 107,950,408 | 3,296,789 | 1,978 |
| Net Position - Beginning | | | | | 807,591,339 | 495,922,401 | 1,303,513,740 | (13,561,115) | 3,617,348 |
| Prior period adjustment | | | | | 6,222,933 | 542,322 | 6,765,255 | - | - |
| Net Position - Ending | | | | | \$ 885,638,705 | \$ 532,590,698 | \$ 1,418,229,403 | \$ (10,264,326) | \$ 3,619,326 |

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

CITY OF VANCOUVER
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

| | Major Funds | | | | |
|---------------------------------------------------------------------------|-----------------------|------------------------|----------------------|--------------------------|----------------------|
| | General Fund | Consolidated Fire Fund | Street Fund | Capital Improvement Fund | Parks Impact Fees |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 94,501,240 | \$ 17,693,701 | \$ 13,598,421 | \$ 34,830,323 | \$ 10,747,189 |
| Receivables (net) | | | | | |
| Taxes/assessments | 13,401,930 | - | 1,004,907 | - | - |
| Accounts | 786,381 | 132,979 | 162,567 | 472,177 | - |
| Interest | 183,586 | 33,828 | 25,970 | 66,319 | 20,524 |
| Notes | - | - | - | - | - |
| Due from other funds | 428,920 | 101,184 | 43,715 | 2,704,808 | 26,882 |
| Due from interfund advances | 1,373,672 | - | - | - | - |
| Due from other governmental units | 266,793 | 2,646 | - | - | - |
| Prepaid items | 170,716 | - | - | - | - |
| Inventory | 774 | - | - | - | - |
| Total assets | <u>111,114,012</u> | <u>17,964,338</u> | <u>14,835,580</u> | <u>38,073,627</u> | <u>10,794,595</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Total deferred outflows of resources | - | - | - | - | - |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 111,114,012</u> | <u>\$ 17,964,338</u> | <u>\$ 14,835,580</u> | <u>\$ 38,073,627</u> | <u>\$ 10,794,595</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 2,545,027 | \$ 144,252 | \$ 940,652 | \$ 330,021 | \$ - |
| Due to other funds | 3,152,407 | 41,874 | 115,275 | - | 10,770 |
| Due to interfund advances | - | - | - | - | 1,292,391 |
| Due to other governmental units | 2,513,377 | 1,914 | - | - | - |
| Accrued interest payable | 28,380 | - | - | - | - |
| Accrued liabilities | 4,583,471 | 742,718 | 125,846 | - | - |
| Custodial accounts | 207,502 | 1,493 | 4,493 | - | - |
| Unearned revenue | 929,776 | 104,955 | 2,919 | 9,493,071 | - |
| Total liabilities | <u>13,959,940</u> | <u>1,037,206</u> | <u>1,189,185</u> | <u>9,823,092</u> | <u>1,303,161</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue-property taxes | 578,658 | - | - | - | - |
| Total deferred inflows of resources | <u>578,658</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable | 1,463,880 | - | - | - | - |
| Restricted | 16,098,889 | - | - | - | 9,491,434 |
| Committed | 17,882,109 | 14,211,240 | 1,358,208 | 1,326,360 | - |
| Assigned | 1,147,744 | 2,715,892 | 12,288,187 | 26,924,175 | - |
| Unassigned | 59,982,792 | - | - | - | - |
| Total fund balances | <u>96,575,414</u> | <u>16,927,132</u> | <u>13,646,395</u> | <u>28,250,535</u> | <u>9,491,434</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 111,114,012</u> | <u>\$ 17,964,338</u> | <u>\$ 14,835,580</u> | <u>\$ 38,073,627</u> | <u>\$ 10,794,595</u> |

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

CITY OF VANCOUVER
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

| | Non-Major Governmental Funds | Total Governmental Funds |
|---------------------------------------------------------------------------|------------------------------------|--------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 56,857,069 | \$ 228,227,943 |
| Receivables (net) | | |
| Taxes/assessments | 949,433 | 15,356,270 |
| Accounts | 1,511,490 | 3,065,594 |
| Interest | 108,618 | 438,845 |
| Notes | 10,833,525 | 10,833,525 |
| Due from other funds | 1,419,272 | 4,724,781 |
| Due from interfund advances | - | 1,373,672 |
| Due from other governmental units | 516,872 | 786,311 |
| Prepaid items | 8,463 | 179,179 |
| Inventory | - | 774 |
| Total assets | <u>72,204,742</u> | <u>264,986,894</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Total deferred outflows of resources | <u>-</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 72,204,742</u> | <u>\$ 264,986,894</u> |
| LIABILITIES | | |
| Accounts payable | \$ 2,184,635 | \$ 6,144,587 |
| Due to other funds | 1,384,475 | 4,704,801 |
| Due to interfund advances | 81,281 | 1,373,672 |
| Due to other governmental units | 326,987 | 2,842,278 |
| Accrued interest payable | 2,101 | 30,481 |
| Accrued liabilities | 18,426 | 5,470,461 |
| Custodial accounts | 22,163 | 235,651 |
| Unearned revenue | 51,212 | 10,581,933 |
| Total liabilities | <u>4,071,280</u> | <u>31,383,864</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenue-property taxes | <u>68,370</u> | <u>647,028</u> |
| Total deferred inflows of resources | <u>68,370</u> | <u>647,028</u> |
| FUND BALANCES | | |
| Nonspendable | 8,464 | 1,472,344 |
| Restricted | 58,445,683 | 84,036,006 |
| Committed | 423,693 | 35,201,610 |
| Assigned | 9,187,252 | 52,263,250 |
| Unassigned | - | 59,982,792 |
| Total fund balances | <u>68,065,092</u> | <u>232,956,002</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 72,204,742</u> | <u>\$ 264,986,894</u> |

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

CITY OF VANCOUVER
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT WIDE STATEMENT OF NET POSITION
December 31, 2019

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Fund Balance - Total Governmental Funds | \$ 232,956,002 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 705,581,225 |
| Long-term liabilities that are not due and payable in the current period and are not reported in the funds | |
| Bonds Payable | (54,366,500) |
| Plus: Issuance (Premium)/Discount (to be amortized as interest income) | (4,231,816) |
| Special assessment debt | (15,000) |
| Accrued interest payable | (195,410) |
| Government loans | (3,539,908) |
| Compensated absences for non-Internal Service Funds | (8,976,973) |
| Impact fee credits | (17,074,039) |
| Lease Payable | (11,352,034) |
| Net OPEB obligation | (44,448,966) |
| Net Pension Liability Multit-Employer Plan | (6,881,174) |
| Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds, or other long-term assets of the City | |
| Deferred amounts eliminated for government-wide | 647,028 |
| Net Pension Assets Multi-Employer Plan | 36,543,509 |
| Net pension Asset - Single Employer Plan - Police | 1,861,130 |
| Net pension Asset - Single Employer Plan - Fire | 5,624,961 |
| Noncurrent retired capital assets held for sale | 846,035 |
| Deferred outflows/(inflows) required to be recognized on government-wide | |
| Deferred outflows - unamortized loss on refunding (to be amortized as interest expense) | 2,223,715 |
| Deferred outflows - related to pensions | 7,489,696 |
| Deferred inflows - related to pensions | (16,187,522) |
| Some transactions occur internally between funds. ctivity between governmental funds reported together as governmental activity must be eliminated, in addition to those with internal service funds reported in the government-wide. | |
| Elimination of amounts due from other related funds | (4,647,082) |
| Elimination of amounts due to other related funds | 4,646,766 |
| Elimination of interfund loans payable | 1,373,672 |
| Elimination of interfund loans receiveable | (1,373,672) |
| Internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position | 59,135,062 |
| Total net position of governmental activities | \$ 885,638,705 |

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

CITY OF VANCOUVER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

| | Major Funds | | | | |
|-----------------------------------------------------------|----------------------|------------------------|----------------------|--------------------------|---------------------|
| | General Fund | Consolidated Fire Fund | Street Fund | Capital Improvement Fund | Parks Impact Fees |
| REVENUES | | | | | |
| Property taxes | \$ 49,897,847 | \$ - | \$ - | \$ - | \$ - |
| Sales and use taxes | 46,853,479 | - | - | - | - |
| Business & Occupation Taxes | 51,357,891 | - | - | - | - |
| Excise Taxes | 663,919 | - | 4,749,199 | - | - |
| License and permits | 2,703,134 | 882,492 | 1,467,970 | - | - |
| Intergovernmental | 5,569,824 | 468,580 | 5,834,285 | 168,976 | - |
| Charges for services | 8,756,366 | 10,927,528 | 939,547 | 765,761 | 2,028,032 |
| Fines and penalties | 1,583,422 | 44,075 | - | - | - |
| Investment earnings | 2,087,580 | 475,238 | 352,801 | 829,518 | 277,955 |
| Rents and royalties | 3,858,242 | - | 339,847 | 472,177 | - |
| Contributions/donations | 119,937 | 14,725 | - | - | - |
| Prior period cost allocation adjustment | 4,539,109 | 6,618 | - | 55,110 | - |
| Miscellaneous | 258,972 | 27,811 | 5,001 | - | - |
| Total revenues | <u>178,249,722</u> | <u>12,847,067</u> | <u>13,688,650</u> | <u>2,291,542</u> | <u>2,305,987</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 11,003,675 | - | - | 847,515 | - |
| Security of persons & property | 63,279,398 | 44,790,789 | - | 465,207 | - |
| Physical environment | - | - | - | - | 26,613 |
| Transportation | - | - | 17,506,650 | - | - |
| Economic environment | 7,346,895 | - | - | - | - |
| Social services | 585,604 | - | - | - | - |
| Culture and recreation | 13,874,276 | - | - | - | - |
| Intergovernmental facilities | - | - | - | - | - |
| Capital outlay | 11,797,263 | 1,335,605 | 10,247,528 | 2,219,221 | - |
| Debt service | | | | | |
| Principal retirement | - | - | - | - | - |
| Interest/fiscal charges | - | - | - | - | - |
| Total expenditures | <u>107,887,111</u> | <u>46,126,394</u> | <u>27,754,178</u> | <u>3,531,943</u> | <u>26,613</u> |
| Excess (deficiency) of revenues over (under) expenditures | 70,362,611 | (33,279,327) | (14,065,528) | (1,240,401) | 2,279,374 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of capital assets | - | 36,742 | 2,384 | - | - |
| Capital Lease Issuance | 11,352,034 | - | - | - | - |
| Transfers in | 573,798 | 37,310,474 | 14,960,898 | 9,893,652 | - |
| Transfers out | (67,733,293) | (853,332) | (918,963) | - | (3,355,482) |
| Total other financing sources (uses) | <u>(55,807,461)</u> | <u>36,493,884</u> | <u>14,044,319</u> | <u>9,893,652</u> | <u>(3,355,482)</u> |
| Net change in fund balances | 14,555,150 | 3,214,557 | (21,209) | 8,653,251 | (1,076,108) |
| FUND BALANCES - BEGINNING | 79,774,377 | 13,670,238 | 13,667,604 | 19,597,284 | 10,567,542 |
| Prior Period Adjustment | 2,245,887 | 42,337 | - | - | - |
| FUND BALANCES - ENDING | <u>\$ 96,575,414</u> | <u>\$ 16,927,132</u> | <u>\$ 13,646,395</u> | <u>\$ 28,250,535</u> | <u>\$ 9,491,434</u> |

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

CITY OF VANCOUVER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

| | Non-Major Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------|------------------------------------|--------------------------------|
| REVENUES | | |
| Property taxes | \$ 5,977,473 | \$ 55,875,320 |
| Sales and use taxes | 2,660,378 | 49,513,857 |
| Business & Occupation Taxes | - | 51,357,891 |
| Excise Taxes | 9,557,744 | 14,970,862 |
| License and permits | 2,528,304 | 7,581,900 |
| Intergovernmental | 5,328,744 | 17,370,409 |
| Charges for services | 8,348,124 | 31,765,358 |
| Fines and penalties | 45,136 | 1,672,633 |
| Investment earnings | 1,332,932 | 5,356,024 |
| Rents and royalties | 350,757 | 5,021,023 |
| Contributions/donations | 1,470,314 | 1,604,976 |
| Prior period cost allocation adjustment | 477,495 | 5,078,332 |
| Miscellaneous | 508,157 | 799,941 |
| Total revenues | <u>38,585,558</u> | <u>247,968,526</u> |
| EXPENDITURES | | |
| Current | | |
| General government | 1,183,869 | 13,035,059 |
| Security of persons & property | 133,454 | 108,668,848 |
| Physical environment | 62,800 | 89,413 |
| Transportation | 3,460,197 | 20,966,847 |
| Economic environment | 5,536,323 | 12,883,218 |
| Social services | - | 585,604 |
| Culture and recreation | 893,134 | 14,767,410 |
| Intergovernmental facilities | 5,698,948 | 5,698,948 |
| Capital outlay | 11,088,005 | 36,687,622 |
| Debt service | | |
| Principal retirement | 5,991,471 | 5,991,471 |
| Interest/fiscal charges | 2,524,534 | 2,524,534 |
| Total expenditures | <u>36,572,735</u> | <u>221,898,974</u> |
| Excess (deficiency) of revenues over (under) expenditures | 2,012,823 | 26,069,552 |
| OTHER FINANCING SOURCES (USES) | | |
| Sale of capital assets | 861,474 | 900,600 |
| Capital Lease Issuance | - | 11,352,034 |
| Transfers in | 17,686,864 | 80,425,686 |
| Transfers out | (11,202,617) | (84,063,687) |
| Total other financing sources (uses) | <u>7,345,721</u> | <u>8,614,633</u> |
| Net change in fund balances | 9,358,544 | 34,684,185 |
| FUND BALANCES - BEGINNING | 54,803,170 | 192,080,215 |
| Prior Period Adjustment | <u>3,903,378</u> | <u>6,191,602</u> |
| FUND BALANCES - ENDING | <u>\$ 68,065,092</u> | <u>\$ 232,956,002</u> |

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

CITY OF VANCOUVER**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019**

Net Change in fund balances - total governmental funds **\$ 34,684,185**

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|-------------------------------------------|--------------|
| Capital outlay and capital lease issuance | 15,225,533 |
| Depreciation expense | (24,630,318) |

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

21,995,029

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|---------------------------------------------------|-----------|
| Earned taxes | (87,590) |
| Earned special assessments | (60,593) |
| Earned revenue considered available at fund level | (425,482) |
| Contributions related to impact fee credits | 1,637,793 |
| Contributions related to pension | 1,152,003 |

Long-term liabilities, including the issuance of bonds, provides current financial resources to governmental funds, while the repayment of the principal of long-term debt/ loans 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. These amounts are the result of the differences in the treatment of long-term debt and related items.

| | |
|----------------------------------|-----------|
| General obligation debt payments | 5,630,000 |
| Governmental loan payments | 341,471 |
| Special assessment debt payments | 20,000 |

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 the governmental funds.

| | |
|----------------------------------------------|-----------|
| Compensated absences | (509,656) |
| OPEB Cost | 513,751 |
| Pension - single employer plan | 2,623,551 |
| Pension Cost - multiple employer plan | 7,758,551 |
| Accrued Interest | 14,968 |
| Amortization of deferred amount on refunding | 278,711 |
| Amortization of discounts/premiums | 24,483 |

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.

5,638,043

Changes in Net Position of Governmental Activities **71,824,433**

Prior period adjustments that are related to transactions that are only reported under full accrual and therefore appear only on the governmentwide statements.

358,648

Prior period adjustments for internal service funds that are related to governmental activities.

(327,313)

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

CITY OF VANCOUVER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2019

| | Budget Amounts | | Actual Biennium To-Date Thru 12/31/19 | Variance Thru 12/31/19 |
|------------------------------------------------------|---------------------------------|------------------------------|------------------------------------------------|---------------------------|
| | Original 2019-20 Biennium | Final 2019-20 Biennium | | |
| REVENUES | | | | |
| Property taxes | \$ 100,082,469 | \$ 100,082,469 | \$ 49,897,847 | \$ (50,184,622) |
| Sales and use taxes | 91,211,686 | 91,211,686 | 46,853,479 | (44,358,207) |
| Business & Occupation Taxes | 108,326,265 | 108,326,265 | 51,357,891 | (56,968,374) |
| Excise Taxes | 1,315,802 | 1,315,802 | 663,919 | (651,883) |
| License and permits | 4,415,516 | 4,415,516 | 2,703,134 | (1,712,382) |
| Intergovernmental | 9,260,804 | 9,485,792 | 5,569,824 | (3,915,968) |
| Charges for services | 18,470,215 | 18,470,215 | 8,756,366 | (9,713,849) |
| Fines and penalties | 3,045,500 | 3,045,500 | 1,583,422 | (1,462,078) |
| Investment earnings | 1,775,000 | 1,775,000 | 2,087,580 | 312,580 |
| Rents and royalties | 6,015,751 | 6,047,951 | 3,858,242 | (2,189,709) |
| Contributions/donations | 8,887 | 183,487 | 119,937 | (63,550) |
| Prior period cost allocation adjustment | - | - | 4,539,109 | 4,539,109 |
| Miscellaneous | 9,880,530 | 9,880,530 | 258,972 | (9,621,558) |
| Total revenues | <u>353,808,425</u> | <u>354,240,213</u> | <u>178,249,722</u> | <u>(175,990,491)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 220,411,444 | 222,211,794 | 11,003,675 | 211,208,119 |
| Security of persons & property | 6,554,174 | 6,554,174 | 63,279,398 | (56,725,224) |
| Economic environment | - | - | 7,346,895 | (7,346,895) |
| Social services | - | - | 585,604 | (585,604) |
| Culture and recreation | - | - | 13,874,276 | (13,874,276) |
| Capital outlay | 30,000 | 336,962 | 11,797,263 | (11,460,301) |
| Total expenditures | <u>226,995,618</u> | <u>229,102,930</u> | <u>107,887,111</u> | <u>121,215,819</u> |
| Excess (deficiency) of revenues over expenditures | 126,812,807 | 125,137,283 | 70,362,611 | (54,774,672) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital Lease Issuance | - | - | 11,352,034 | 11,352,034 |
| Transfers in | 1,831,469 | 3,035,068 | 573,798 | (2,461,270) |
| Transfers out | (125,644,008) | (126,321,963) | (67,733,293) | 58,588,670 |
| Total other financing sources (uses) | <u>(123,812,539)</u> | <u>(123,286,895)</u> | <u>(55,807,461)</u> | <u>67,479,434</u> |
| Net change in fund balance | 3,000,268 | 1,850,388 | 14,555,150 | 12,704,762 |
| FUND BALANCES - BEGINNING RESTATED | <u>79,774,377</u> | <u>79,774,377</u> | <u>79,774,377</u> | <u>-</u> |
| Prior Period Adjustment | - | - | 2,245,887 | 2,245,887 |
| FUND BALANCES - ENDING | <u>\$ 82,774,645</u> | <u>\$ 81,624,765</u> | <u>\$ 96,575,414</u> | <u>\$ 14,950,649</u> |

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

CITY OF VANCOUVER
CONSOLIDATED FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Year ended December 31, 2019

| | Budget Amounts | | Actual Biennium To-Date Thru 12/31/19 | Variance Thru 12/31/19 |
|--------------------------------------------------------------|---------------------------------|------------------------------|------------------------------------------------|---------------------------|
| | Original 2019-20 Biennium | Final 2019-20 Biennium | | |
| REVENUES | | | | |
| License and permits | \$ 1,390,500 | \$ 1,390,500 | \$ 882,492 | \$ (508,008) |
| Intergovernmental | 112,000 | 450,611 | 468,580 | 17,969 |
| Charges for services | 24,963,729 | 25,012,090 | 10,927,528 | (14,084,562) |
| Fines and penalties | 70,000 | 70,000 | 44,075 | (25,925) |
| Investment earnings | 215,000 | 215,000 | 475,238 | 260,238 |
| Rents and royalties | 66,954 | 66,954 | - | (66,954) |
| Contributions/donations | 32,000 | 34,725 | 14,725 | (20,000) |
| Prior period cost allocation adjustment | - | - | 6,618 | 6,618 |
| Miscellaneous | - | - | 27,811 | 27,811 |
| Total revenues | 26,850,183 | 27,239,880 | 12,847,067 | (14,392,813) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Security of persons & property | 89,768,082 | 90,668,579 | 44,790,789 | 45,877,790 |
| Capital outlay | 5,069,019 | 5,389,284 | 1,335,605 | 4,053,679 |
| Total expenditures | 94,837,101 | 96,057,863 | 46,126,394 | 49,931,469 |
| Excess (deficiency) of revenues over (under) expenditures | (67,986,918) | (68,817,983) | (33,279,327) | 35,538,656 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | - | - | 36,742 | 36,742 |
| Transfers in | 70,792,094 | 70,537,133 | 37,310,474 | (33,226,659) |
| Transfers out | (4,521,265) | (4,517,835) | (853,332) | 3,664,503 |
| Total other financing sources and uses | 66,270,829 | 66,019,298 | 36,493,884 | (29,525,414) |
| Net change in fund balances | (1,716,089) | (2,798,685) | 3,214,557 | 6,013,242 |
| FUND BALANCES - BEGINNING | 13,670,238 | 13,670,238 | 13,670,238 | - |
| Prior Period Adjustment | - | - | 42,337 | 42,337 |
| FUND BALANCES - ENDING | \$ 11,954,149 | \$ 10,871,553 | \$ 16,927,132 | \$ 6,055,579 |

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

CITY OF VANCOUVER
STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPARED TO BUDGET (GAAP BASIS) AND ACTUAL
For the Year ended December 31, 2019

| | Budget Amounts | | Actual Biennium To-Date Thru 12/31/19 | Variance Thru 12/31/19 |
|--------------------------------------------------------------|---------------------------------|------------------------------|------------------------------------------------|---------------------------|
| | Original 2019-20 Biennium | Final 2019-20 Biennium | | |
| REVENUES | | | | |
| Excise Taxes | \$ 6,100,000 | \$ 6,100,000 | \$ 4,749,199 | \$ (1,350,801) |
| License and permits | 2,795,000 | 2,795,000 | 1,467,970 | (1,327,030) |
| Intergovernmental | 8,250,000 | 9,918,000 | 5,834,285 | (4,083,715) |
| Charges for services | 1,557,346 | 1,557,346 | 939,547 | (617,799) |
| Investment earnings | 310,000 | 310,000 | 352,801 | 42,801 |
| Rents and royalties | 842,500 | 842,500 | 339,847 | (502,653) |
| Miscellaneous | - | - | 5,001 | 5,001 |
| Total revenues | <u>19,854,846</u> | <u>21,522,846</u> | <u>13,688,650</u> | <u>(7,834,196)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 35,726,214 | 37,358,738 | 17,506,650 | 19,852,088 |
| Capital outlay | <u>13,150,124</u> | <u>18,460,276</u> | <u>10,247,528</u> | <u>8,212,748</u> |
| Total expenditures | <u>48,876,338</u> | <u>55,819,014</u> | <u>27,754,178</u> | <u>28,064,836</u> |
| Excess (deficiency) of revenues over (under) expenditures | (29,021,492) | (34,296,168) | (14,065,528) | 20,230,640 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | - | - | 2,384 | 2,384 |
| Transfers in | 30,681,370 | 30,704,463 | 14,960,898 | (15,743,565) |
| Transfers out | <u>(4,971,927)</u> | <u>(3,555,461)</u> | <u>(918,963)</u> | <u>2,636,498</u> |
| Total other financing sources and uses | <u>25,709,443</u> | <u>27,149,002</u> | <u>14,044,319</u> | <u>(13,104,683)</u> |
| Net change in fund balances | (3,312,049) | (7,147,166) | (21,209) | 7,125,957 |
| FUND BALANCES - BEGINNING | 13,667,604 | 13,667,604 | 13,667,604 | - |
| Prior Period Adjustment | - | - | - | - |
| FUND BALANCES - ENDING | <u>\$ 10,355,555</u> | <u>\$ 6,520,438</u> | <u>\$ 13,646,395</u> | <u>\$ 7,125,957</u> |

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

CITY OF VANCOUVER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

| | Business-Type Activities - Enterprise Funds | | | | (Governmental Activities) |
|------------------------------------------------------------|---------------------------------------------|-------------------|----------------------------|--------------------|---------------------------|
| | Major Funds | | | Total | Internal Service Funds |
| | Water/Sewer | Parking Services | Non-Major Enterprise Funds | | |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 95,786,892 | \$ 4,288,351 | \$ 11,573,446 | \$ 111,648,689 | \$ 52,021,238 |
| Restricted cash, cash equivalents and investments: | | | | | |
| Cash and cash equivalents | 8,934,293 | - | - | 8,934,293 | - |
| Accrued interest receivable | 16,989 | - | - | 16,989 | - |
| Receivables (net) | | | | | |
| Accounts | 8,982,824 | 669,865 | 100,865 | 9,753,554 | 280,109 |
| Interest | 182,771 | 8,177 | 22,075 | 213,023 | 99,235 |
| Due from other funds | 200,026 | - | - | 200,026 | 465,903 |
| Due from other governmental units | 146,617 | - | 176,373 | 322,990 | - |
| Inventory | 936,863 | - | - | 936,863 | 579,438 |
| Prepaid expenses | 500 | - | 4,278 | 4,778 | 100,000 |
| Total current assets | <u>115,187,775</u> | <u>4,966,393</u> | <u>11,877,037</u> | <u>132,031,205</u> | <u>53,545,923</u> |
| Noncurrent assets | | | | | |
| Contracts receivable | 4,174,269 | - | - | 4,174,269 | - |
| Noncurrent capital assets held for resale | 4,386,993 | - | - | 4,386,993 | - |
| Capital assets | | | | | |
| Land and improvements | 35,006,613 | 468,657 | 484,202 | 35,959,472 | - |
| Intangible - Easements | 14,187,750 | - | - | 14,187,750 | - |
| Construction in progress | 22,174,911 | - | 837,039 | 23,011,950 | 1,726,939 |
| Other improvements | 612,776,721 | 78,938 | 2,395,161 | 615,250,820 | - |
| Buildings | 7,867,941 | 16,984,573 | 9,517,252 | 34,369,766 | - |
| Intangible assets | 9,930,732 | 128,712 | 1,837,338 | 11,896,782 | 7,744,372 |
| Machinery and equipment | 24,780,141 | 2,053,216 | 324,321 | 27,157,678 | 39,338,208 |
| Accumulated depreciation | (319,979,419) | (8,485,946) | (8,555,691) | (337,021,056) | (24,998,863) |
| Capital assets (net) | <u>406,745,390</u> | <u>11,228,150</u> | <u>6,839,622</u> | <u>424,813,162</u> | <u>23,810,656</u> |
| Total noncurrent assets | <u>415,306,652</u> | <u>11,228,150</u> | <u>6,839,622</u> | <u>433,374,424</u> | <u>23,810,656</u> |
| Total assets | <u>530,494,427</u> | <u>16,194,543</u> | <u>18,716,659</u> | <u>565,405,629</u> | <u>77,356,579</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred Out Flows Related to Asset Retirement Obligations | 175,000 | - | 150,000 | 325,000 | 450,000 |
| Deferred charge on refunding | 510,922 | 28,804 | - | 539,726 | - |
| Amounts related to pension | 1,889,115 | 74,396 | 351,511 | 2,315,022 | 1,539,180 |
| Total deferred outflows of resources | <u>2,575,037</u> | <u>103,200</u> | <u>501,511</u> | <u>3,179,748</u> | <u>1,989,180</u> |

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

CITY OF VANCOUVER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

| | Business-Type Activities - Enterprise Funds | | | | (Governmental Activities) |
|--------------------------------------|---------------------------------------------|---------------------|----------------------------|-----------------------|---------------------------|
| | Major Funds | | | Total | Internal Service Funds |
| | Water/Sewer | Parking Services | Non-Major Enterprise Funds | | |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 9,350,591 | 110,139 | 872,437 | 10,333,167 | 2,297,120 |
| Claims and judgments payable | - | - | - | - | 2,251,696 |
| Due to other funds | 491,253 | 1,117 | 51,543 | 543,913 | 141,990 |
| Accrued interest payable | 16,000 | 13,018 | - | 29,018 | - |
| Accrued liabilities | 459,021 | 16,051 | 106,307 | 581,379 | 357,127 |
| Custodial accounts | 12,518 | 18,224 | 65,729 | 96,471 | 15,819 |
| Unearned revenues | 14,012 | 132,375 | 31,447 | 177,834 | 30,282 |
| Bonds, notes and loans payable | 3,840,000 | 960,000 | - | 4,800,000 | - |
| Total current liabilities | <u>14,183,395</u> | <u>1,250,924</u> | <u>1,127,463</u> | <u>16,561,782</u> | <u>5,094,034</u> |
| Noncurrent liabilities | | | | | |
| Bonds, notes and loan payable | 307,238 | 5,160,000 | - | 5,467,238 | - |
| Claims and judgments | - | - | - | - | 5,804,790 |
| Accrued employee benefits | 2,269,848 | 64,031 | 377,267 | 2,711,146 | 1,595,208 |
| Net pension liability | 5,677,201 | 223,577 | 1,056,368 | 6,957,146 | 4,625,572 |
| Asset Retirement Obligations | 175,000 | - | 150,000 | 325,000 | 450,000 |
| Total noncurrent liabilities | <u>8,429,287</u> | <u>5,447,608</u> | <u>1,583,635</u> | <u>15,460,530</u> | <u>12,475,570</u> |
| Total liabilities | <u>22,612,682</u> | <u>6,698,532</u> | <u>2,711,098</u> | <u>32,022,312</u> | <u>17,569,604</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Amounts related to pension | 3,241,549 | 127,657 | 603,161 | 3,972,367 | 2,641,093 |
| Total deferred inflows of resources | <u>3,241,549</u> | <u>127,657</u> | <u>603,161</u> | <u>3,972,367</u> | <u>2,641,093</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 403,109,070 | 5,136,953 | 6,839,621 | 415,085,644 | 23,810,655 |
| Restricted for capital purposes | 4,204,211 | - | - | 4,204,211 | 330,000 |
| Restricted for debt | 4,732,460 | - | - | 4,732,460 | - |
| Unrestricted | 95,169,492 | 4,334,601 | 9,064,290 | 108,568,383 | 34,994,407 |
| Total net position | <u>\$ 507,215,233</u> | <u>\$ 9,471,554</u> | <u>\$ 15,903,911</u> | <u>\$ 532,590,698</u> | <u>\$ 59,135,062</u> |

The notes to the financial statements 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, 2019

| | Business-Type Activities - Enterprise Funds | | | | (Governmental Activities) |
|---------------------------------------------------------------------|---------------------------------------------|---------------------|----------------------------|-----------------------|---------------------------|
| | Major Funds | | | Total | Internal Service Funds |
| | Water/Sewer | Parking Services | Non-Major Enterprise Funds | | |
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 107,958,902 | \$ 7,671 | \$ 9,902,742 | \$ 117,869,315 | \$ 64,002,639 |
| Fines and penalties | 783,131 | 1,062,454 | 250 | 1,845,835 | - |
| Rents and royalties | 814,144 | 3,315,738 | 902,540 | 5,032,422 | 8,177,923 |
| Prior period cost allocation adjustment | 1,389,195 | 531,129 | 180,838 | 2,101,162 | 2,428,782 |
| Miscellaneous | 138,211 | 111,277 | 573 | 250,061 | 11,825 |
| Total operating revenues | <u>111,083,583</u> | <u>5,028,269</u> | <u>10,986,943</u> | <u>127,098,795</u> | <u>74,621,169</u> |
| OPERATING EXPENSES | | | | | |
| Personnel services | 21,281,537 | 927,939 | 4,169,550 | 26,379,026 | 20,489,518 |
| Supplies and contractual services | 23,105,302 | 742,413 | 3,353,807 | 27,201,522 | 41,213,850 |
| Interfund services | 13,903,059 | 717,892 | 2,669,204 | 17,290,155 | 10,337,190 |
| Intergovernmental payments | 32,277,805 | 88,768 | 3,875 | 32,370,448 | 154,159 |
| Depreciation | 14,027,029 | 667,005 | 363,141 | 15,057,175 | 2,980,770 |
| Total operating expenses | <u>104,594,732</u> | <u>3,144,017</u> | <u>10,559,577</u> | <u>118,298,326</u> | <u>75,175,487</u> |
| Operating income (loss) | 6,488,851 | 1,884,252 | 427,366 | 8,800,469 | (554,318) |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Investment earnings | 2,863,122 | 93,053 | 269,747 | 3,225,922 | 1,343,563 |
| State and federal capital grants | 577,528 | - | 217,772 | 795,300 | - |
| Interest and fiscal charges | (296,362) | (46,815) | - | (343,177) | - |
| Gain (Loss) on disposal of capital assets | 46,669 | - | - | 46,669 | 115,898 |
| Non-capital insurance recoveries | - | - | - | - | 165,277 |
| Miscellaneous revenue (expense) | 32,275 | - | 410,527 | 442,802 | - |
| Total nonoperating revenues (expenses) | <u>3,223,232</u> | <u>46,238</u> | <u>898,046</u> | <u>4,167,516</u> | <u>1,624,738</u> |
| Income (loss) before contributions and transfers | 9,712,083 | 1,930,490 | 1,325,412 | 12,967,985 | 1,070,420 |
| Capital contributions | 23,899,356 | - | - | 23,899,356 | 20,569 |
| Transfers in | - | - | 37,000 | 37,000 | 5,357,785 |
| Transfers out | (711,305) | (30,841) | (203,907) | (946,053) | (810,732) |
| Change in net position before special item | <u>32,900,134</u> | <u>1,899,649</u> | <u>1,158,505</u> | <u>35,958,288</u> | <u>5,638,042</u> |
| Special item - Remove Pension Liability due to Change in Operations | - | - | 167,687 | 167,687 | - |
| Change in net position | 32,900,134 | 1,899,649 | 1,326,192 | 36,125,975 | 5,638,042 |
| TOTAL NET POSITION - BEGINNING | 473,780,900 | 7,571,905 | 14,569,596 | 495,922,401 | 54,105,738 |
| Prior Period Adjustment | 534,199 | - | 8,123 | 542,322 | (608,718) |
| TOTAL NET POSITION - ENDING | <u>\$ 507,215,233</u> | <u>\$ 9,471,554</u> | <u>\$ 15,903,911</u> | <u>\$ 532,590,698</u> | <u>\$ 59,135,062</u> |

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

CITY OF VANCOUVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

| | Business-Type Activities - Enterprise Funds | | | | (Governmental Activities) |
|-----------------------------------------------------------------|---------------------------------------------|---------------------|----------------------------|-----------------------|---------------------------|
| | Major Fund | | | Total | Internal Service Funds |
| | Water/Sewer | Parking Services | Non-Major Enterprise Funds | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash received from customers | \$ 105,024,455 | \$ 3,264,274 | \$ 10,881,724 | \$ 119,170,453 | \$ 72,777,306 |
| Cash received from other operating activities | 924,719 | 1,171,187 | (11,872) | 2,084,034 | 25,628 |
| Cash payments for goods and services | (53,312,983) | (692,378) | (3,044,401) | (57,049,762) | (40,308,546) |
| Internal activity - payments from other funds | (87,543) | 4,446 | 4,811 | (78,286) | - |
| Internal activity - payments to other funds | (12,052,311) | (185,646) | (2,445,260) | (14,683,217) | (8,358,841) |
| Cash payments to employees | (20,749,391) | (985,480) | (4,481,237) | (26,216,108) | (19,632,501) |
| Net cash provided by operating activities | <u>19,746,946</u> | <u>2,576,403</u> | <u>903,765</u> | <u>23,227,114</u> | <u>4,503,046</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Receipt of grant funds | 577,528 | - | 246,534 | 824,062 | - |
| Unrestricted funds received | 32,275 | - | 3,400 | 35,675 | - |
| Non-capital insurance recoveries | - | - | - | - | 165,277 |
| Contracts receivable | (400,302) | - | - | (400,302) | - |
| Contributions from contracted service provider | - | - | 407,127 | 407,127 | - |
| Transfers from other funds | - | - | 37,000 | 37,000 | 5,357,785 |
| Transfers to other funds | (711,305) | (30,841) | (203,907) | (946,053) | (810,732) |
| Net cash provided by noncapital financing activities | <u>(501,804)</u> | <u>(30,841)</u> | <u>490,154</u> | <u>(42,491)</u> | <u>4,712,330</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Principal paid on capital debt | (3,526,029) | (973,804) | - | (4,499,833) | - |
| Interest paid on capital debt | (271,459) | (97,415) | - | (368,874) | - |
| Purchase of capital assets | (36,820,777) | (29,773) | (862,480) | (37,713,030) | (7,828,502) |
| Proceeds from sale of capital assets | 46,669 | - | - | 46,669 | 115,898 |
| Capital contributions | 23,899,356 | - | - | 23,899,356 | 20,569 |
| Net cash used by capital and related financing activities | <u>(16,672,240)</u> | <u>(1,100,992)</u> | <u>(862,480)</u> | <u>(18,635,712)</u> | <u>(7,692,035)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Investment earnings (losses) | 2,649,335 | 46,006 | 278,214 | 2,973,555 | 1,383,697 |
| Net cash provided by investing activities | <u>2,649,335</u> | <u>46,006</u> | <u>278,214</u> | <u>2,973,555</u> | <u>1,383,697</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 5,222,237 | 1,490,576 | 809,653 | 7,522,466 | 2,907,038 |
| CASH AND CASH EQUIVALENTS - BEGINNING | 99,498,948 | 2,797,775 | 10,763,793 | 113,060,516 | 49,114,200 |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ 104,721,185</u> | <u>\$ 4,288,351</u> | <u>\$ 11,573,446</u> | <u>\$ 120,582,982</u> | <u>\$ 52,021,238</u> |
| Cash and cash equivalents | \$ 95,786,892 | \$ 4,288,351 | \$ 11,573,446 | \$ 111,648,689 | \$ 52,021,238 |
| Restricted cash and cash equivalents | 8,934,293 | - | - | 8,934,293 | - |
| Cash and cash equivalents - ending | <u>\$ 104,721,185</u> | <u>\$ 4,288,351</u> | <u>\$ 11,573,446</u> | <u>\$ 120,582,982</u> | <u>\$ 52,021,238</u> |

CITY OF VANCOUVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

| | Business-Type Activities - Enterprise Funds | | | | (Governmental Activities) |
|--------------------------------------------------------------------------------------------|---------------------------------------------|------------------|----------------------------|---------------|---------------------------|
| | Major Fund | | | Total | Internal Service Funds |
| | Water/Sewer | Parking Services | Non-Major Enterprise Funds | | |
| Reconciliation of operating income (loss) to net cash used by operating activities: | | | | | |
| Net operating income (loss) | \$ 6,488,851 | \$ 1,884,252 | \$ 427,366 | \$ 8,800,469 | \$ (554,318) |
| Adjustments to reconcile net operating income (loss) to net cash provided by operations: | | | | | |
| Depreciation expense | 14,027,029 | 667,005 | 363,141 | 15,057,175 | 2,980,770 |
| Decrease (increase) in receivables | (3,981,122) | (61,704) | (77,906) | (4,120,732) | 82,135 |
| Decrease (increase) in deposits | 3,038 | (2,544) | (17,247) | (16,753) | - |
| Decrease (increase) in inventories | (167,616) | - | - | (167,616) | (140,385) |
| Decrease (increase) in prepaid assets | (500) | - | - | (500) | - |
| Increase (decrease) in current payables | 4,616,664 | 27,820 | 463,499 | 5,107,983 | 627,740 |
| Increase (decrease) in accrued liabilities | 247,841 | 128,073 | 69,548 | 445,462 | 1,398,500 |
| Decrease (increase) in receivable from other funds | (87,543) | 4,446 | 4,811 | (78,286) | 41,341 |
| Decrease (increase) in receivable from other government | 339 | - | - | 339 | - |
| Increase (decrease) in payables due to other funds | 461,553 | 1,117 | 43,106 | 505,776 | (491,759) |
| Increase (decrease) in payable to other government | - | - | - | - | - |
| Increase (decrease) in claims and judgments payable | - | - | - | - | 269,486 |
| Increase (decrease) in pension liability | (1,861,588) | (72,062) | (372,553) | (2,306,203) | 289,536 |
| Total adjustments | 13,258,095 | 692,151 | 476,399 | 14,426,645 | 5,057,364 |
| Net cash provided by operating activities | \$ 19,746,946 | \$ 2,576,403 | \$ 903,765 | \$ 23,227,114 | \$ 4,503,046 |
| Noncash, investing, financing and capital activities | | | | | |
| Capital assets donated | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net change in fair value of investments | \$ (9,332) | \$ 2,847 | \$ 4,694 | \$ (1,791) | \$ 13,613 |
| Capital assets financed with accounts payable | \$ 3,902,456 | \$ - | \$ - | \$ 3,902,456 | \$ - |

CITY OF VANCOUVER
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2019

| | <u>Custodial Funds</u> |
|--------------------------------------------|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,260,749 |
| Receivables: | |
| Accounts | - |
| Taxes | 185,146 |
| Interest | 2,404 |
| Due from other governmental units | <u>43,517</u> |
| Total assets | <u>1,491,816</u> |
| LIABILITIES | |
| Accounts and accrued employee payables | 5,079 |
| Due to other governmental units | <u>63,838</u> |
| Total liabilities | <u>68,917</u> |
| NET POSITION | |
| Restricted for: | |
| Restricted for intergovernmental contracts | <u>1,422,899</u> |
| Total net position | <u>\$ 1,422,899</u> |

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

CITY OF VANCOUVER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2019

| | Custodial Funds |
|-------------------------------------------|---------------------|
| ADDITIONS | |
| Licenses & Permits | \$ 743,273 |
| Net increase in fair value of investments | 3,688 |
| Investment Interest | <u>30,675</u> |
| Total additions | <u>777,636</u> |
| DEDUCTIONS | |
| Repair & maintenance | 975 |
| Intergovernmental services | <u>783,730</u> |
| Total deductions | <u>784,705</u> |
| Change in net position | (7,069) |
| Net position - beginning | - |
| Change in Accounting Principle | <u>1,429,968</u> |
| Net position - ending | <u>\$ 1,422,899</u> |

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

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Vancouver (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. REPORTING ENTITY

The City was incorporated January 23, 1857 and operates under a Council-Manager form of government. Services are provided per its charter adopted February 10, 1952, as last amended November, 2019.

As required by the generally accepted accounting principles the financial statements present City, the primary government, and its component units. The component units discussed below are included in the City reporting entity because of the significance of their operational or financial relationships with the City.

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 on the government-wide statements.

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 the government-wide statements.

The *City Center Redevelopment Authority* (CCRA) is an independent legal entity, and is a discretely presented component unit of the City. On February 27, 2006, the Vancouver City Council passed Ordinance M-3739 creating the CCRA. The CCRA board is responsible for overseeing downtown redevelopment consistent with the Vancouver City Center Vision (VCCV) plan. The board advises the mayor and city council on public-private partnerships, public assistance to private developments, and the business aspects of redevelopment projects and agreements in downtown Vancouver. However, since it has no employees, is overseen by a board of volunteers and only provides advisory services, it does not have any reportable assets or operational transactions.

The Culture, Arts and Heritage Commission was created in September 2019. Its purpose is to undertake and facilitate the development and promotion of a cultural, arts and heritage environment in the City of Vancouver through programs, community partnerships and ownership of physical assets including buildings and public art. It is managed by a nine member board appointed by the City Council. During 2019, the commission did not have any reportable assets, operational transactions nor a separate fund.

Blended Component Unit

The *Vancouver Transportation Benefit District* (TBD) is presented as a blended component unit of the City and reported as a special revenue fund. On November 2, 2015, the Vancouver City Council passed Ordinance M-4139 creating the TBD. Boundaries for TBD are identical to the City limits. TBD is a separate legal entity, but has the same governance as the City of Vancouver. Through an Interlocal agreement, funds generated from a vehicle registration fee will be passed to the City and used for transportation improvements that construct, reconstruct, preserve, maintain and operate the existing transportation infrastructure of the City of Vancouver consistent with the Revised Code of Washington (RCW) 36.73.

Unless noted otherwise in this report, the accounting policies of the component units are consistent with those described for the primary government. PFD, DRA and TBD 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 Mike Anderson, Accountant at michael.anderson@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. *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. Our policy is to allocate indirect costs to specific functions. 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.

CITY OF VANCOUVER NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

Separate fund financial statements are provided for governmental funds, enterprise 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.

The City reports the following major governmental funds:

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

The *Consolidated Fire Fund* accounts for money received and the expenditures made in providing fire services to the combined City fire departments and Clark County Fire Protection District No. 5 service area. The significant resources accounted for in this fund are intergovernmental revenue from Fire District No. 5, charges for services, licenses and permits and an operating transfer from the City's General Fund.

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

The *Capital Improvement Fund* is to fund major capital improvement projects. Funding is currently derived from interest income, grants and contributions from the General Fund.

The Parks Impact Fees fund was established in 1995 to account for the accumulation and disposition of impact fees assessed against new development under the Growth Management Act of 1990.

The City reports the following major proprietary funds:

The *Water/Sewer Fund* accounts for the City's utility activities. 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:

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.

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.

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.

Fiduciary funds represent assets held in a trustee or custodial capacity for others and do not report results of operations. The City acts as the collection and disbursing agent for the PEG Capital Support Fund.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Government-wide and Governmental Funds

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.

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

CITY OF VANCOUVER NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

Proprietary Funds

The proprietary statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

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 and non-major enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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. BUDGETARY INFORMATION

1. Scope of Budget

Biennially appropriated budgets are adopted for all funds on the accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

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

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

2. Amending the Budget

The City Manager or his designee is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, or other conditions of employment must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund or department, it may do so by ordinance approved by one more than the majority after holding public hearings.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

3. Excess of Expenditures over Appropriations

The City has not had any occurrences of excesses of expenditures over appropriations as of December 31, 2019.

4. Deficit Fund Net Position

At December 31, 2019, Vancouver Downtown Redevelopment Authority (DRA), a component unit of the City, had a deficit in the fund net position of \$(10.26) million. The DRA activities involve the operation of a hotel and convention center in the City's central downtown area. This is a cashflow based project and the negative net position balance is primarily attributed to accumulated depreciation, a non-cash item. Additionally, during the recession the economic environment had a negative impact on the convention and lodging business which is also reflected in the net position change. Deep cost-cutting measures have been put in place now for many years. The Board and the management of the DRA as well as the project monitor activities monthly. A series of revenue generating guidelines and on-going expense reductions have been implemented. The fund continues to improve slightly, while still remaining in a deficit position.

At December 31, 2019, the Vancouver Tennis Center Fund had a deficit in fund net position of \$(56,007). Starting September 2018, the tennis center is managed by a contracted service provider who will cover operational losses with their own resources.

At December 31, 2019, the Grounds and Facilities Services Fund, an internal-service fund established in 2019, had a deficit in fund net position of \$(363,652). The primary cause for this deficit is pension related liabilities. This deficit will be eliminated by adjusting the inter-fund billing rates in 2020 and future years.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2019, the treasurer was holding \$392.1 million for the primary government and component units in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds and component units.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments

See Note 3, *Deposits and Investments*

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Note 14, *Property Tax*). 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 and related interest and penalties. As of December 31, 2019, \$4,451 of special assessments receivable were delinquent.

Customer accounts receivable consist 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 consist of amounts owed on open account from private individuals or organizations for goods and services rendered. Unbilled utility service receivables and special assessments that are liens against property are recorded at year end.

4. Amounts Due to and from Other funds and Government's, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund loans receivable/payable or advances to/from other funds. 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 loans receivable and payable is furnished in Note 5, *Interfund Balances and Transfers*.

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.

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary. Inventories in proprietary funds are valued by the weighted average method (which approximates the market value).

6. Restricted Assets and Liabilities

Reported in *Restricted cash, cash equivalents and investments* and *Restricted accrued interest receivable*, these accounts contain resources for construction and debt service, including current and delinquent special assessments receivable. The specific debt service reserve requirements, restricting the assets, are described in Note 7, *Long-Term Debt*.

As of the financial statement presentation date, the proprietary funds' restricted assets consist of \$8.93 million restricted cash and equivalents, \$16,989 in restricted interest receivable. These funds are restricted for debt service.

7. Capital Assets

Capital assets include property, plant, equipment (PP&E) and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 for PP&E, \$100,000 for infrastructure and \$5,000 for federally funded assets that have an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. However, buildings are not componentized.

The costs for normal maintenance and repairs are not capitalized.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Major outlays for capital assets and improvements are capitalized as projects are constructed.

PP&E of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Category</u> | <u>Useful Life</u> |
|----------------------------|--------------------|
| 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 |

For additional detail, see Note 4, *Capital Assets*.

8. Deferred Outflows/Inflows of Resources

The purpose of deferred items is shown on the face of the financial statements.

9. Compensated absences

Compensated absences are absences for which employees will be paid upon resignation and/or retirement or death, such as vacation leave. All compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Depending on the bargaining unit or exempt status and years of service, City employees can accumulate certain amounts of earned but unused absence time. They payoff amount for PTO and vacation at separation is limited by schedule based on longevity of the incumbent. The City also reports a liability for certain types of sick leave accrual equal to 50% of the accrued balance. Sick leave that is payable is limited to 50% of their accrual or 25% depending on their standing when they leave the City. See Note 8, *Changes in Long Term Liabilities*.

10. 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.

11. Other Accrued Liabilities

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

12. Long-term Debt

See Note 8, *Changes in Long Term Liabilities*.

13. Unearned revenues

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

14. Miscellaneous revenues

Reported on several statements, miscellaneous revenues represent operating and nonoperating immaterial revenues that have not been separately identified on the face of the statements. For the City, these mostly represent employer trust contributions, contracted contributions towards debt service from external parties, sale of non-capital surplus, confiscated and forfeited property, small judgements and settlements, unclaimed money and property, nonsufficient funds (NSF) fees, and cashier over/short adjustments

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

15. Fund Balance Classification

Governmental funds report fund equity as fund balance where proprietary funds and government-wide statements report fund equity as net position. Fund balance is either the net investment in capital assets, nonspendable, restricted, committed, assigned and/or unassigned.

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/fund balance represents resource 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.

Unrestricted net position represents amounts not included in other net position categories and is shown as either surplus or a deficit.

Nonspendable fund balance represents resources that are either in a nonspendable form or are legally or contractually required to be maintained intact, such as inventories and prepaid items.

Restricted fund balance represents resources that are either: (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance represents resources that can be used only for specific purposes with constraints imposed by resolutions and ordinances approved by the highest level of decision-making authority, the City Council.

Assigned fund balance represents amounts not included in other fund balance categories for all funds except the General Fund. For the General Fund, assigned fund balance represents surplus remaining that is intended for a specific use but has not been committed as described above. Per the City's fund balance administrative policy, the City Manager, Assistant City Manager and the Finance Director have the authority to assign amounts.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Unassigned fund balance represents the deficient balance resulting from overspending for specific purposes for all funds except the General Fund. For the General Fund, assigned fund balance represents amounts not included in other fund balance categories and is shown as a surplus or deficit.

When expenditures are incurred for purposes for which both restricted and unrestricted net position are available, restricted monies are applied to the cost first in the calculation of net position. When expenditures are incurred for purposes for which restricted, committed, assigned and/or unassigned fund balance are available, monies are applied to the cost in that order for the calculation of ending fund balance.

16. Fund Balance Details

The specific purpose of the restricted, committed and assigned governmental fund balances is presented below:

| Fund Balance Classifications | General Fund | Consolidated Fire Fund | Street Fund | Capital Improvement Fund | Park Impact Fee Fund | Non-major Governmental Funds | Total Governmental Funds |
|----------------------------------------------|----------------------|------------------------|----------------------|--------------------------|----------------------|------------------------------|--------------------------|
| Nonspendable | | | | | | | |
| Inventory | \$ 774 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 774 |
| Long-term Receivables | \$ 1,292,391 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,292,391 |
| Prepays | \$ 170,716 | \$ - | \$ - | \$ - | \$ - | \$ 8,464 | \$ 179,180 |
| | <u>1,463,881</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,464</u> | <u>1,472,345</u> |
| Restricted | | | | | | | |
| Federal grants | 70,638 | - | - | - | - | 7,461,332 | 7,531,970 |
| Capital purposes | - | - | - | - | - | 26,362,880 | 26,362,880 |
| Economic Development | - | - | - | - | - | 15,226,297 | 15,226,297 |
| Security/safety services | 16,028,251 | - | - | - | - | 1,569,229 | 17,597,480 |
| Debt service | - | - | - | - | - | 48,645 | 48,645 |
| Culture and recreation | - | - | - | - | 9,491,434 | 7,777,303 | 17,268,737 |
| | <u>16,098,889</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,491,434</u> | <u>58,445,686</u> | <u>84,036,009</u> |
| Committed | | | | | | | |
| Working capital | 83,124 | 14,211,240 | - | - | - | - | 14,294,364 |
| Capital purposes | - | - | - | - | - | - | - |
| Emergency reserves | 13,425,374 | - | - | - | - | - | 13,425,374 |
| Revenue stabilization | 4,373,612 | - | - | - | - | - | 4,373,612 |
| Cemetery | - | - | - | - | - | 423,693 | 423,693 |
| Street-oriented Maintenance and construction | - | - | 1,358,208 | 1,326,360 | - | - | 2,684,568 |
| | <u>17,882,110</u> | <u>14,211,240</u> | <u>1,358,208</u> | <u>1,326,360</u> | <u>-</u> | <u>423,693</u> | <u>35,201,611</u> |
| Assigned | | | | | | | |
| Federal grants | - | - | - | - | - | - | - |
| Capital purposes | - | - | - | 26,924,175 | - | 3,154,556 | 30,078,731 |
| Debt service | - | - | - | - | - | 3,189 | 3,189 |
| Economic development | - | - | - | - | - | 792,490 | 792,490 |
| Cemetery | - | - | - | - | - | 25,024 | 25,024 |
| Security/safety services | 294,772 | 2,715,892 | - | - | - | 106,440 | 3,117,104 |
| Street-oriented maintenance and construction | - | - | 12,288,187 | - | - | 3,416,830 | 15,705,017 |
| Culture and recreation | 852,972 | - | - | - | - | 1,688,727 | 2,541,699 |
| Compensated absences | - | - | - | - | - | - | - |
| | <u>1,147,744</u> | <u>2,715,892</u> | <u>12,288,187</u> | <u>26,924,175</u> | <u>-</u> | <u>9,187,256</u> | <u>52,263,254</u> |
| Unassigned | <u>59,982,787</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>59,982,787</u> |
| Total | <u>\$ 96,575,411</u> | <u>\$ 16,927,132</u> | <u>\$ 13,646,395</u> | <u>\$ 28,250,535</u> | <u>\$ 9,491,434</u> | <u>\$ 68,065,099</u> | <u>\$ 232,956,006</u> |

*Minor differences may exist due to rounding.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Additionally, the reported General Fund is composed of the general fund from the ledger and several smaller funds. The following table shows the breakout of the general fund from the other funds of the reported fund on the statements:

| Fund Balance | General fund from ledger | Other funds included in roll-up | Total |
|---------------------|---------------------------------|----------------------------------------|----------------------|
| Nonspendable | 1,403,880 | 60,000 | 1,463,880 |
| Restricted | 70,638 | 16,028,251 | 16,098,889 |
| Committed | 17,798,986 | 83,124 | 17,882,110 |
| Assigned | 852,972 | 294,771 | 1,147,744 |
| Unassigned | 59,983,203 | (415) | 59,982,787 |
| | \$ 80,109,679 | \$ 16,465,731 | \$ 96,575,411 |

17. Minimum Fund Balance

The City has a minimum target policy for operating funds, equal to 60-90 days of the cost of operations.

18. Stabilization Arrangements

The city reports two stabilization arrangements, both as General Fund committed fund balances, emergency reserves and revenue stabilization. These reserves were committed by Council Resolution M-3370 and adopted on May 7, 2012. The Financial Policies are reviewed with City Council every two years, during the budget adoption process, and are re-affirmed at budget adoption.

The emergency reserve is specifically to be used for large-scale events where damage in excess of \$1 million is incurred, and immediate, remedial action must be taken to protect the health and safety of residents (e.g. major flood, earthquake, etc.).

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

19. 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.

NOTE 2. ACCOUNTING AND REPORTING CHANGES

For the fiscal year ended December 31, 2019, the City implemented the following GASB Pronouncements:

- **GASB Statement No. 83, Certain Asset Retirement Obligations**
- **GASB Statement No. 84, Fiduciary Activities**
- **GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61**

The following GASB pronouncements have been issued and were effective during the current fiscal year, however they did not apply to the City:

- **GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Payments**
- **GASB Statement No. 97, Certain Component Unit Criteria (paragraphs 4 and 5 only)**

The following GASB pronouncements have been issued, but are not yet effective as of December 31, 2019, some as a result of GASB 95 postponement of certain effective dates:

- **GASB Statement No. 96, Subscription-based Information Technology Arrangements**
- **GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements.**
- **GASB Statement No. 93, Replacement of Interbank Offered Rates**
- **GASB Statement No. 92, Omnibus 2020**
- **GASB Statement No. 91, Conduit Debt Obligations**
- **GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period**
- **GASB Statement No. 87, Leases**

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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 3. DEPOSITS AND INVESTMENTS

A. Deposits

The carrying amount of the City's deposits, including certificates of deposit, was \$6,616,906 and the bank balance was \$6,890,166.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The City's deposits are covered by federal depository insurance (FDIC) and by the Washington Public Deposit Protection Commission (PDPC). The City has a policy for deposit custodial credit risk. All of the City's funds as of fiscal yearend are held within insured bank accounts.

B. Investments

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the City may face should interest rate variances affect the fair value of investments. 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 to less than two years.

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|----------------------------------|-------------------|----------------------------------|-------------------|----------|--------------|
| | | Less Than 1 | 1 to 5 | 6 to 10 | More than 10 |
| amounts in thousands | | | | | |
| Debt Securities | | | | | |
| U.S. Agencies | 180,971 | - | 180,971 | - | - |
| Municipals | 715 | 715 | - | - | - |
| Total Debt Securities | <u>\$ 181,686</u> | <u>\$ 715</u> | <u>\$ 180,971</u> | <u>-</u> | <u>-</u> |
| Other Securities | | | | | |
| Local Government Investment Pool | <u>213,943</u> | <u>213,943</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Investments | <u>\$ 395,629</u> | <u>\$ 214,658</u> | <u>\$ 180,971</u> | <u>-</u> | <u>-</u> |

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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.

At December 31, 2019, the City's investments (in thousands) had the following credit quality distribution for securities with credit exposure:

| Investment Type | Fair Value | Not Rated | AAA | AA | A |
|--------------------------|-------------------|-------------------|-------------------|---------------|----------|
| U.S. Government Agencies | 180,971 | - | 180,971 | - | - |
| Municipal Bonds | 715 | - | - | 715 | - |
| State Pool | <u>213,943</u> | <u>213,943</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 395,629</u> | <u>\$ 213,943</u> | <u>\$ 180,971</u> | <u>\$ 715</u> | <u>-</u> |

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an 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 2019, the City's portfolio had the following concentration of securities in it: 6.32% of Federal Home Loan Bank, 3.79% of Federal National Mortgage Association, 17.69% of Federal Farm Credit Bank, 2.53% of US Treasury N/B, 0.18% Portland Community College, 54.08% of Washington State LGIP, and 15.42% of Federal Home Loan Mortgage Corporation. The City has several investments in government-sponsored enterprises which are not explicitly backed by the federal government. However, the federal government has provided significant support by increasing its investments in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation and stated they would not allow these enterprises to fail.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Investments in Local Government Investment Pool (LGIP)

The City is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose fees on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

Investments Measured at Fair Value

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

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable. The values are provided by US Bank, the City's trust bank.
- Level 3: Unobservable inputs for an asset or liability. Securities are valued using the rates and values provided by the State of Washington LGIP.
-

At December 31, 2019, the City had the following recurring fair value and amortized cost measurement investments (in thousands):

| Investment Type | Level 1 | Level 2 | Level 3 | Amortized Cost | Total Value |
|----------------------------------|---------|------------|---------|----------------|-------------|
| State Pool | - | - | - | 213,943 | 213,943 |
| Federal Agency Coupon Securities | - | 180,971 | - | - | 180,971 |
| Municipal Bonds | - | 715 | - | - | 715 |
| Total Fair Value | - | \$ 181,686 | - | \$ 213,943 | \$ 395,629 |

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

| Investment Type | Fair Value | Amortized Cost | Total Value | Weighted Average Maturity (Years) | Percent of Portfolio |
|-------------------------------------|------------|----------------|-------------|-----------------------------------|----------------------|
| State Pool | - | 213,943 | 213,943 | 0.002778 | 54.08% |
| Federal Agency Coupon Securities | 180,971 | - | 180,971 | 1.890000 | 45.74% |
| Municipal Bonds | 715 | - | 715 | 0.422222 | 0.18% |
| Total Fair Value | \$ 181,686 | \$ 213,943 | \$ 395,629 | | 100.0% |
| Portfolio Weighted Average Maturity | | | | 2.315000 | |

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

C. Summary of Deposits and Investment Balances

The City's deposit and investment statement balances of the fiscal year end reconcile to the balances on the financial statements as follows. For financial reporting, investments in the State and Clark County Investment Pool are classified as cash equivalents.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Bank Statement Balances

| Account | Balance as of FYE |
|------------------------|--------------------|
| Investments | 395,603,672 |
| Bank of America | 6,616,906 |
| Key Bank | 34,438 |
| DRA Operating Aaccount | 54,198 |
| DRA Petty cash | 20,000 |
| Equipment services | 2,500 |
| Change funds | 23,025 |
| Utility postage | 40,000 |
| USB DRA | 16,362,538 |
| Total | 418,757,277 |

Government-wide Financial Statement Balances

| Account | Balance as of FYE |
|------------------------------------------------|--------------------|
| Cash and equivalents - City & Fiduciary | 393,158,619 |
| Cash and equivalents - DRA | 91,401 |
| Cash and equivalents - PFD | 156,236 |
| Cash with fiscal/escrow agent - City | - |
| Cash with fiscal/escrow agent - DRA | 8,499,981 |
| Cash with fiscal/escrow agent - PFD | - |
| Restricted Cash - City | 8,934,293 |
| Restricted cash with fiscal/escrow agent - DRA | 7,916,755 |
| Total | 418,757,285 |

Note 4. CAPITAL ASSETS

A. Capital Assets – Governmental Activities

Capital asset activity for the year ended December 31, 2019, is as follows:

| | Restated Beginning Balance 01/01/19 | Increases | Decreases | Ending Balance 12/31/19 |
|----------------------------------------------------|----------------------------------------------|----------------------|----------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land and land improvements | \$ 107,202,536 | \$ 16,944,922 | \$ 1,169,098 | \$ 122,978,360 |
| Construction in progress | 16,491,886 | 32,175,046 | 34,858,106 | 13,808,826 |
| Intangible - easements and right of way | 8,776,071 | 209,136 | - | 8,985,207 |
| Intangible - Artwork | - | 96,920 | - | 96,920 |
| Total capital assets, not being depreciated | <u>132,470,493</u> | <u>49,426,024</u> | <u>36,027,204</u> | <u>145,869,313</u> |
| Capital assets, being depreciated/depleted: | | | | |
| Cemetery land | 1,101,047 | - | - | 1,101,047 |
| Buildings | 144,396,816 | 8,423,209 | 101,571 | 152,718,454 |
| Machinery and equipment | 59,940,367 | 10,762,292 | 4,615,122 | 66,087,537 |
| Computer and IT equipment | 4,415,521 | 505,527 | 848,343 | 4,072,705 |
| Intangible - Software | 7,116,024 | 7,761,308 | 2,727,753 | 12,149,579 |
| Intangible - Other | 1,974,976 | - | - | 1,974,976 |
| Improvements other than buildings | 43,043,359 | 2,547,779 | 484,274 | 45,106,864 |
| Infrastructure | 673,599,736 | 16,094,220 | 312,041 | 689,381,915 |
| Total capital assets, being depreciated/depleted | <u>935,587,846</u> | <u>46,094,335</u> | <u>9,089,104</u> | <u>972,593,077</u> |
| Less accumulated depreciation for: | | | | |
| Cemetery land | 732,450 | 1,958 | - | 734,408 |
| Buildings | 43,737,764 | 4,090,492 | 101,571 | 47,726,685 |
| Machinery and equipment | 42,958,491 | 3,648,280 | 2,980,671 | 43,626,100 |
| Computer and IT equipment | 2,988,476 | 491,241 | 848,343 | 2,631,374 |
| Intangible - Software | 6,577,038 | 320,869 | 2,618,467 | 4,279,440 |
| Intangible - Other | 1,974,976 | - | - | 1,974,976 |
| Improvements other than buildings | 18,113,445 | 557,846 | 77,251 | 18,594,040 |
| Infrastructure | 251,003,087 | 18,500,402 | - | 269,503,489 |
| Total accumulated depreciation | <u>368,085,727</u> | <u>27,611,088</u> | <u>6,626,303</u> | <u>389,070,512</u> |
| Total capital assets, being depreciated, net | <u>567,502,119</u> | <u>18,483,247</u> | <u>2,462,801</u> | <u>583,522,565</u> |
| Governmental activities capital assets, net | <u>\$ 699,972,612</u> | <u>\$ 67,909,271</u> | <u>\$ 38,490,005</u> | <u>729,391,878</u> |

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

B. Capital Assets – Business-Type Activities

| | Restated Beginning Balance 01/01/19 | Increases | Decreases | Ending Balance 12/31/19 |
|-----------------------------------------------------|----------------------------------------------|-----------------------------|-----------------------------|------------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and land improvements | 40,696,567 | - | 4,737,095 | 35,959,472 |
| Construction in progress | 31,255,405 | 24,801,651 | 33,045,106 | 23,011,950 |
| Intangible - easements and right of way | 11,680,926 | 2,506,824 | - | 14,187,750 |
| Total capital assets, not being depreciated | <u>83,632,898</u> | <u>27,308,475</u> | <u>37,782,201</u> | <u>73,159,172</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and system | 34,369,767 | - | - | 34,369,767 |
| Machinery and equipment | 26,698,165 | - | 33,407 | 26,664,758 |
| Computer and IT equipment | 492,921 | - | - | 492,921 |
| Intangible - software | 11,255,387 | - | - | 11,255,387 |
| Intangible - other | 641,396 | - | - | 641,396 |
| Improvements other than buildings | 2,418,886 | - | 194,748 | 2,224,138 |
| Infrastructure | 569,289,417 | 43,737,264 | - | 613,026,681 |
| Total capital assets, being depreciated | <u>645,165,939</u> | <u>43,737,264</u> | <u>228,155</u> | <u>688,675,048</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and system | 15,802,929 | 842,538 | - | 16,645,467 |
| Machinery and equipment | 23,821,734 | 558,510 | 33,407 | 24,346,837 |
| Computer and IT equipment | 463,199 | 8,438 | - | 471,637 |
| Intangible - software | 9,943,783 | 364,634 | - | 10,308,417 |
| Intangible - other | 641,396 | - | - | 641,396 |
| Improvements other than buildings | 1,834,778 | 523,901 | 116,443 | 2,242,236 |
| Infrastructure | 269,605,916 | 12,759,157 | - | 282,365,073 |
| Total accumulated depreciation | <u>322,113,735</u> | <u>15,057,178</u> | <u>149,850</u> | <u>337,021,063</u> |
| Total capital assets, being depreciated, net | <u>323,052,204</u> | <u>28,680,086</u> | <u>78,305</u> | <u>351,653,985</u> |
| Business-type activities capital assets, net | <u>\$ 406,685,102</u> | <u>\$ 55,988,561</u> | <u>\$ 37,860,506</u> | <u>\$ 424,813,157</u> |

The beginning balances of business-type activities were restated due to prior period corrections found during the year ending December 31, 2019. A parcel of land acquired by the City in 2013 for \$675,000 had not been recorded as an asset. Beginning balances were restated as follows:

| | As Previously Reported 12/31/18 | Prior Period Adjustment Net | As Restated 1/1/2019 |
|------------------------------------------|------------------------------------|--------------------------------|-------------------------|
| Business-type activities: | | | |
| Land and improvements | 40,021,567 | 675,000 | 40,696,567 |
| Net capital assets subject to adjustment | <u>\$ 40,021,567</u> | <u>\$ 675,000</u> | <u>\$ 40,696,567</u> |

C. Noncurrent Capital Assets Held for Resale

Retired capital assets that have been surplused by the City Council are recorded separately on the statements. The reclassification to this category will cause decreases on the capital asset tables. As of December 31, 2019 these amounts totaled:

| | Amount |
|--------------------------|---------------------|
| Governmental activities | 846,035 |
| Business-type activities | 4,386,993 |
| TOTAL | \$ 5,233,028 |

Parcels designated as surplus for governmental activities were mostly land assets originally acquired for future transportation purposes and for the waterfront development project. These parcels are no longer needed due to project completion and progression, respectively. Additionally, the land and building assets of the original fire stations one and two were surplused previously and remain outstanding, after they were replaced with new fire stations in other locations. All of these assets were reported at the net book value at the time of retirement.

**CITY OF VANCOUVER
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Assets as surplus for business-type activities were land parcels acquired during 2006, in anticipation of constructing a new operations center in east Vancouver. In 2019, the City cancelled its planned construction of the east-side Operations Center in favor of a larger, more centrally located Operations Center. Consequently, the land parcels were designated as surplus. All of these assets were reported at the net book value at the time of retirement.

D. Depreciation by Function

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

Governmental Activities:

| | |
|------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| General government | 1,206,387 |
| Security of persons & property | 2,421,581 |
| Transportation, including depreciation of general infrastructure | 17,954,288 |
| Physical Environment | 11,253 |
| Economic Environment | 671,648 |
| Culture and recreation | 2,365,161 |
| Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets | 2,980,770 |
| Total depreciation expense - Governmental Activities | \$ 27,611,088 |

Business-type Activities:

| | |
|--------------------------------------------------------------|----------------------|
| Water/Sewer | 14,027,029 |
| Airport | 242,662 |
| Building Inspection | 110,263 |
| Solid Waste | 10,216 |
| Parking | 667,005 |
| Total depreciation expense - Business-type Activities | \$ 15,057,175 |

E. Discretely Presented Component Units

A summary of capital asset activity for component units for the year ended December 31, 2019, is as follows:

| | Beginning Balance 01/01/19 | Increases | Decreases | Ending Balance 12/31/19 |
|-----------------------------------------------------|----------------------------------|----------------------|-------------------|----------------------------|
| Vancouver Downtown Redevelopment Authority | | | | |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | 33,154 | 477,671 | 417,041 | 93,784 |
| Capital assets, being depreciated: | | | | |
| Buildings and system | 51,514,291 | 98,099 | 132,495 | 51,479,895 |
| Machinery and equipment | 7,737,469 | 319,958 | 198,125 | 7,859,302 |
| Total capital assets, being depreciated | 59,251,760 | 418,057 | 330,620 | 59,339,197 |
| Less accumulated depreciation for: | | | | |
| Buildings and system | 16,445,397 | 1,702,496 | 47,513 | 18,100,380 |
| Machinery and equipment | 5,240,711 | 509,166 | 189,412 | 5,560,465 |
| Total accumulated depreciation | 21,686,108 | 2,211,662 | 236,925 | 23,660,845 |
| Total capital assets, being, depreciated, net | 37,565,652 | (1,793,605) | 93,695 | 35,678,352 |
| Business-type activities capital assets, net | \$ 37,598,806 | \$(1,315,934) | \$ 510,736 | \$ 35,772,136 |

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The Vancouver Downtown Redevelopment Authority (DRA) for the year ending December 31, 2019 had depreciation expense of \$2,211,662.

| | Beginning Balance 01/01/19 | Increases | Decreases | Ending Balance 12/31/19 |
|---------------------------------------------|----------------------------------|-----------|-----------|----------------------------|
| Vancouver Public Facilities District | | | | |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and improvements | \$ 3,603,691 | - | - | \$ 3,603,691 |

The Vancouver Public Facilities District (PFD) does not have any depreciable assets.

Note 5. INTERFUND BALANCES AND TRANSFERS

A Interfund Balances

Interfund transactions represent activity other than transfers and loans that happen between funds after the cash function in the general ledger is frozen at year-end. These can be for any types of internal service transactions, adjustments, or other activity where a due-to or due-from are recorded instead of moving cash. The due-to/from balances will be cleared immediately the following year. Interfund balances at December 31, 2019 were as follows:

| | | Due from Other Funds | | | | | | | | Total Due To |
|-----------------------------------|------------------------------|----------------------|-----------------|---------|------------------------------|-----------------------------|-------------------------|--------|-----------------|-----------------|
| | | Capital Improv. | Consol. Fire | General | Internal Service Funds | Nonmajor Govt'l Funds | Parks Impact Fees | Street | Water/ Sewer | |
| Due to Other Funds | Consolidated Fire | | | 5,260 | 36,615 | | | | | 41,875 |
| | General | 2,704,808 | 30,025 | | 173,835 | | | 43,714 | 200,025 | 3,152,407 |
| | Internal Service Funds | | 15,529 | 38,815 | 86,504 | 1,143 | | | | 141,991 |
| | Nonmajor Enterprise Funds | | 7,187 | | 44,357 | | | | | 51,544 |
| | Nonmajor Govt'l Funds | | | 2,700 | 37,246 | 1,317,649 | 26,882 | | | 1,384,477 |
| | Parks Impact Fees | | | | | 10,770 | | | | 10,770 |
| | Street | | 24,221 | | 1,654 | 89,399 | | | | 115,274 |
| | Water/Sewer | | 24,221 | 382,145 | 84,575 | 311 | | | | 491,252 |
| | Parking Services | | | | 1,117 | | | | | 1,117 |
| | Total Due From | 2,704,808 | 101,183 | 428,920 | 465,903 | 1,419,272 | 26,882 | 43,714 | 200,025 | 5,390,707 |

**Minor differences may exist due to rounding.*

B. Interfund Transfers

Interfund transfers at December 31, 2019 were as follows:

| | | Transfer In | | | | | | | Total Transfers Out |
|-------------------------|------------------------------|--------------------|-----------------|---------|------------------------------|---------------------------------|-----------------------------|------------|---------------------------|
| | | Capital Improv. | Consol. Fire | General | Internal Service Funds | Nonmajor Enterprise Funds | Nonmajor Govt'l Funds | Street | |
| Transfer Out | Consolidated Fire | 539,540 | | 11,242 | | | 302,550 | | 853,332 |
| | General | 9,254,808 | 37,216,315 | | 3,297,088 | 37,000 | 4,081,313 | 13,846,770 | 67,733,294 |
| | Internal Service Funds | | | 42,754 | 767,978 | | | | 810,732 |
| | Nonmajor Enterprise Funds | | 7,187 | 11,242 | 96,193 | | | 89,285 | 203,907 |
| | Nonmajor Govt'l Funds | 99,304 | | 493,907 | 205 | | 9,584,356 | 1,024,843 | 11,202,615 |
| | Parking Services | | | 4,653 | 26,188 | | | | 30,841 |
| | Parks Impact Fees | | | | | | 3,355,481 | | 3,355,481 |
| | Street | | 24,221 | 10,000 | 521,579 | | 363,163 | | 918,963 |
| | Water/Sewer | | 62,751 | | 648,554 | | | | 711,305 |
| | Total Transfers In | 9,893,652 | 37,310,474 | 573,798 | 5,357,785 | 37,000 | 17,686,863 | 14,960,898 | 85,820,470 |

**Minor differences may exist due to rounding.*

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C. Interfund Loans/Advances

Interfund loans/advances at December 31, 2019 were as follows:

| | | Due From | | |
|--------|---------|-----------------------|-------------------|--------------|
| | | Nonmajor Govt'l Funds | Parks Impact Fees | Total Due To |
| Due To | General | 81,281 | 1,292,391 | 1,373,672 |

**Minor differences may exist due to rounding.*

NOTE 6. LEASES

A. Operating Leases

The City leases the office building and other equipment under noncancelable operating leases. Total cost for such leases was \$548,232 for the year ended December 31, 2019. The future minimum lease payments for these leases are as follows:

| | Governmental Activities | Business-type Activities |
|-----------|----------------------------|-----------------------------|
| 2020 | 208,569 | 6,000 |
| 2021 | 146,654 | 3,500 |
| 2022 | 100,413 | - |
| 2023 | 103,174 | - |
| 2024 | 106,011 | - |
| 2025-2029 | 575,424 | - |
| 2030-2034 | 589,493 | - |
| | <u>\$ 1,829,738</u> | <u>\$ 9,500</u> |

The City is the lessor for some non-cancelable operating leases for facilities and property located within the City limits. Expiration dates range between 2020 and 2056.

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

| | Governmental Activities | Business-type Activities |
|-----------|----------------------------|-----------------------------|
| 2020 | 1,502,874.00 | 53,537 |
| 2021 | 674,450 | 6,453 |
| 2022 | 189,468 | - |
| 2023 | 178,684 | - |
| 2024 | 157,054 | - |
| 2025-2029 | 1,901,880 | - |
| 2030-2034 | 144,285 | - |
| 2035-2039 | 144,283 | - |
| 2040-2044 | 144,283 | - |
| 2045-2049 | 144,283 | - |
| 2050-2054 | 144,283 | - |
| 2055-2059 | 57,716 | - |
| | <u>\$ 5,383,543</u> | <u>\$ 59,990</u> |

B. Capital Leases

The City has entered into a lease agreement for leasing the new police headquarters building with a purchase option after three years of \$10.46 million.

The lease agreement qualifies as a capital lease for accounting purposes. It has been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| Asset | Governmental Activities |
|-------------------------------|-------------------------|
| Police HQ | \$ 11,352,034 |
| | |
| Less Accumulated Depreciation | \$ 33,510 |
| Total | \$ 11,318,524 |

**CITY OF VANCOUVER
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The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2019 were as follows:

| Year Ending December 31 | Governmental Activities |
|-----------------------------------------|--------------------------------|
| 2020 | \$ 587,062 |
| 2021 | 640,872 |
| 2022 | 10,124,100 |
| Total Minimum Lease Payments | 11,352,034 |
| Present Value of Minimum Lease Payments | 11,352,034 |

NOTE 7. LONG-TERM DEBT

A. Long-Term Debt

The City issues general obligation and revenue bonds to finance the acquisition or construction of major capital projects. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues. In addition, the City entered into a lease agreement for leasing the new police headquarters building with a purchase option after three years of \$10.46 million. See Note 6 for additional information.

General obligation bonds currently outstanding (in thousands) are as follows:

| <u>Name of Issuance</u> | <u>Purpose</u> | <u>Original Debt</u> | <u>Issuance Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Gov't Debt Outstanding</u> | <u>Business Debt Outstanding</u> |
|--------------------------------|--------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|-------------------------------|----------------------------------|
| 2010 LTGO Bond | Governmental Activities | 13,410 | 12/1/2010 | 12/1/2035 | 2.0%-5.125% | 7,990 | - |
| 2011 LTGO Bond | Governmental Activities | 10,515 | 6/1/2011 | 12/1/2035 | 2.0%-5.125% | 8,030 | - |
| 2012A LTGO Bond | Governmental Activities Refunding | 15,945 | 1/12/2012 | 12/1/2029 | 2.0%-3.75% | 11,670 | - |
| 2012B&C LTGO Bond | Governmental Activities Refunding and Business Type Activities Refunding | 9,515 | 12/12/2012 | 12/1/2025 | 0.61%-2.89% | 685 | 6,120 |
| 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 | 6/15/2015 | 12/1/2034 | 2.0%-5.0% | 17,660 | - |
| 2016 LTGO Bond | Governmental Activities Refunding | 7,810 | 6/22/2016 | 12/1/2028 | 2.0%-4.0% | 7,035 | - |
| Total General Obligation Bonds | | <u>\$ 81,592</u> | | | | <u>\$ 54,367</u> | <u>\$ 6,120</u> |

The annual debt service requirements (in thousands) to maturity for general obligation bonds are as follows:

| | <u>Governmental Activities</u> | | | <u>Business Type Activities</u> | | |
|-----------|--------------------------------|------------------|---------------------------|---------------------------------|-----------------|---------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total Requirements</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Requirements</u> |
| 2020 | 5,020 | 2,268 | 7,288 | 960 | 156 | 1,116 |
| 2021 | 4,675 | 2,126 | 6,801 | 985 | 135 | 1,120 |
| 2022 | 4,875 | 1,919 | 6,794 | 1,010 | 112 | 1,122 |
| 2023 | 5,085 | 1,717 | 6,802 | 1,025 | 88 | 1,113 |
| 2024 | 5,247 | 1,560 | 6,807 | 1,055 | 61 | 1,116 |
| 2025-2029 | 20,395 | 4,826 | 25,221 | 1,085 | 31 | 1,116 |
| 2030-2034 | 7,690 | 1,441 | 9,131 | - | - | - |
| 2035 | 1,380 | 67 | 1,447 | - | - | - |
| | <u>\$ 54,367</u> | <u>\$ 15,924</u> | <u>\$ 70,291</u> | <u>\$ 6,120</u> | <u>\$ 583</u> | <u>\$ 6,703</u> |

Revenue bonds currently outstanding as follows (in thousands):

| <u>Name of Issuance</u> | <u>Original Debt</u> | <u>Issuance Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Debt Outstanding</u> |
|----------------------------|----------------------|----------------------|----------------------|----------------------|-------------------------|
| 2004 Water Sewer Refunding | 26,250 | 2/26/2004 | 6/1/2020 | 2%-5% | 3,840 |
| Total Revenue Bonds | <u>\$ 26,250</u> | | | | <u>\$ 3,840</u> |

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

| | Principal | Interest | Total Requirements |
|------|-----------------|--------------|--------------------|
| 2020 | 3,840 | 96 | 3,936 |
| | <u>\$ 3,840</u> | <u>\$ 96</u> | <u>\$ 3,936</u> |

In proprietary funds, unamortized debt issue costs for insurance are recorded as an asset and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

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 one. The City remains in compliance with that provision with a current ratio of 5 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.

At December 31, 2019, the City had \$0 available in debt service funds to service the general bonded debt. 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. The reserve and redemption accounts of the Water/Sewer enterprise funds have \$4,744,546 available to service the revenue debt.

B. Governmental Loans

The City is also liable for notes that were entered into for the construction of capital projects. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources. 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% | 815 |
| Section 108 HUD Loan | Governmental-Type Activities | 5,419 | 7/7/2010 | 8/1/2029 | 0.28%-3.70% | 2,535 |
| Clark County-Annexation Obligation | Governmental-Type Activities | 344 | 8/1/2017 | 4/1/2022 | 0% | 190 |
| | | <u>\$ 7,963</u> | | | | <u>\$ 3,540</u> |

Governmental loan debt service requirements to maturity (in thousands) are as follows:

| | Governmental Activities | | |
|-----------|-------------------------|---------------|-----------------|
| | Principal | Interest | Total |
| 2020 | 410 | 76 | 486 |
| 2021 | 415 | 71 | 486 |
| 2022 | 414 | 65 | 479 |
| 2023 | 356 | 59 | 415 |
| 2024 | 366 | 51 | 417 |
| 2025-2029 | 1,578 | 134 | 1,712 |
| | <u>\$ 3,539</u> | <u>\$ 456</u> | <u>\$ 3,995</u> |

C. Special Assessments

The City 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 the City Council, and financed by assessments on property owners within the special assessment area. Special assessment bonds are serial bonds and are called yearly based on assessments received. The amount of delinquent receivables at December 31, 2019, was \$4,451. A separate guarantee fund is available to cover most outstanding delinquencies at the end of the assessment period.

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Special assessment debt with a governmental commitment reported at year end (in thousands) is as follows:

| Name of Issuance | Origianl Debt | Issuance Date | Maturity Date | Interest Rate | Debt Outstanding |
|------------------------------|---------------|---------------|---------------|---------------|------------------|
| LID 545 Assessment Bond | \$ 312 | 9/23/2014 | 9/23/2036 | 3.45% | \$ 15 |
| <i>Total Assessment Debt</i> | <u>\$ 312</u> | | | | <u>\$ 15</u> |

Annual debt service requirements to maturity for special assessment bonds are (in thousands) as follows:

| | Governmental Activities | | |
|-----------|-------------------------|--------------|--------------|
| | Principal | Interest | Total |
| 2020 | \$ - | \$ 1 | \$ 1 |
| 2021 | - | 1 | 1 |
| 2022 | - | 1 | 1 |
| 2023 | - | 1 | 1 |
| 2024 | - | 1 | 1 |
| 2025-2029 | - | 3 | 3 |
| 2030-2034 | - | 3 | 3 |
| 2035-2036 | 15 | 1 | 16 |
| | <u>\$ 15</u> | <u>\$ 12</u> | <u>\$ 27</u> |

The City is not required, but has the authority, to call them annually if deemed financially prudent to do so. The City is recording a \$15,000 current portion on the special assessment debt in 2020 since the City anticipates calling up to that amount during the 2020 fiscal year.

The City has a Local Improvement District (LID) Guarantee Fund to finance any uncollectible special assessment debt. The LID 545 assessment is secured by a pledge of the assessments levied by the City against the benefited properties within LID 545 and is not a general obligation of the City. The LID Service Fund and the LID Guaranty Debt Service Fund have cash balances of \$6,495 and \$35,004, respectively, to service the local improvement district bonds.

The first required principal payment for the LID debt is due in 2036. Payment of the principal and interest on the Bonds is, dependent on the ability of property owners within LID 545 to pay the Assessments levied on their properties. The City does not and cannot make any representations as to the ability of the current or subsequent property owners in LID 545 to pay their Assessments. Bondholders' remedies against the City are confined to mandating City officials to perform their statutory duties in enforcing the assessments and applying the proceeds thereof and, if necessary, any money on deposit in the Guaranty Fund to the payment of the principal of and interest on the bonds.

D. 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, 2019, the amount of credits that may be applied against future impact fees is \$17,074,038. This is recorded as a governmental activity in the government-wide financial statements.

E. Debt Of Discretely Presented Component Units

In 2003, the DRA 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.

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

| Name of Issuance | Original Debt | Issuance Date | Maturity Date | Interest Rate | Debt Outstanding |
|--------------------------------------------------------------------------------|----------------------|---------------|---------------|---------------|----------------------|
| 2013 DRA Conference Center Project Refunding Revenue Bonds | \$ 41,185,000 | 6/27/2013 | 1/1/2044 | 4.38% | \$ 39,625,000 |
| 2013 DRA Conference Center Project Sales & Lodging Tax Refunding Revenue Bonds | \$ 18,045,000 | 6/27/2013 | 1/1/2034 | 4.05% | \$ 14,715,000 |
| <i>Total Revenue Bonds</i> | <u>\$ 59,230,000</u> | | | | <u>\$ 54,340,000</u> |

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.

DRA 2013 Project Revenue Bonds and the DRA 2013 Tax Revenue Bonds 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 |
| 2020 | 895,000 | 1,737,037 | 2,632,037 | 1,035,000 | 635,725 | 1,670,725 |
| 2021 | 920,000 | 1,700,612 | 2,620,612 | 1,130,000 | 581,600 | 1,711,600 |
| 2022 | 965,000 | 1,653,487 | 2,618,487 | 1,230,000 | 522,600 | 1,752,600 |
| 2023 | 1,015,000 | 1,603,988 | 2,618,988 | 1,340,000 | 458,350 | 1,798,350 |
| 2024 | 1,070,000 | 1,551,863 | 2,621,863 | 1,455,000 | 395,750 | 1,850,750 |
| 2025-2029 | 6,180,000 | 6,908,563 | 13,088,563 | 6,025,000 | 1,119,775 | 7,144,775 |
| 2030-2034 | 7,610,000 | 5,466,294 | 13,076,294 | 2,500,000 | 317,800 | 2,817,800 |
| 2035-2039 | 9,345,000 | 3,681,750 | 13,026,750 | - | - | - |
| 2040-2044 | 11,625,000 | 1,353,938 | 12,978,938 | - | - | - |
| | <u>\$ 39,625,000</u> | <u>\$ 25,657,532</u> | <u>\$ 65,282,532</u> | <u>\$ 14,715,000</u> | <u>\$ 4,031,600</u> | <u>\$ 18,746,600</u> |

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

| | Other long-term loans and notes payable | | |
|-----------|------------------------------------------------|---------------------|---------------------|
| | Principal | Interest | Total Requirements |
| 2020 | - | - | - |
| 2021 | - | - | - |
| 2022 | - | - | - |
| 2023 | - | - | - |
| 2024 | - | - | - |
| 2025-2029 | - | - | - |
| 2030-2034 | 114,501 | 102,875 | 217,376 |
| 2035-2039 | 400,477 | 426,280 | 826,757 |
| 2040-2044 | 915,577 | 1,163,451 | 2,079,028 |
| | <u>\$ 1,430,555</u> | <u>\$ 1,692,606</u> | <u>\$ 3,123,161</u> |

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

NOTE 8. CHANGES IN LONG TERM LIABILITIES

A. During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

| | Balance 1/1/19 | Additions | Reductions | Balance 12/31/19 | Due Within One Year |
|---------------------------------------------------------|-----------------------|----------------------|----------------------|-----------------------|------------------------|
| Governmental activities | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 59,996,500 | \$ - | \$ 5,630,000 | \$ 54,366,500 | \$ 5,020,000 |
| Issuance premiums | 4,279,653 | 372,983 | 397,467 | 4,255,169 | 573,574 |
| Issuance discounts | (23,353) | - | - | (23,353) | - |
| Total GO bonds payable | 64,252,800 | 372,983 | 6,027,467 | 58,598,316 | 5,593,574 |
| Special assessment debt with governmental commitment | 35,000 | - | 20,000 | 15,000 | 15,000 |
| Governmental loans | 3,945,208 | - | 405,301 | 3,539,907 | 409,988 |
| Claims and judgements | 7,787,000 | 269,486 | - | 8,056,486 | 2,251,696 |
| Total OPEB Liability | 44,962,718 | 3,347,318 | 3,861,069 | 44,448,967 | 935,196 |
| Net Pension Liability | 15,225,401 | - | 3,718,655 | 11,506,746 | - |
| Compensated absences | 9,578,966 | 993,212 | - | 10,572,178 | 9,514,960 |
| Asset Retirement Obligations | - | 450,000 | - | 450,000 | - |
| Capital Lease Payable | - | 11,352,034 | - | 11,352,034 | 232,215 |
| Impact Fee Credit | 18,711,831 | 3,372,670 | 5,010,462 | 17,074,039 | 3,010,204 |
| Governmental activity long-term liabilities | <u>\$ 164,498,924</u> | <u>\$ 20,157,703</u> | <u>\$ 19,042,954</u> | <u>\$ 165,613,673</u> | <u>\$ 21,962,832</u> |
| Business-type activities | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 7,065,000 | \$ - | \$ 945,000 | \$ 6,120,000 | \$ 960,000 |
| Revenue bonds | 7,490,000 | - | 3,650,000 | 3,840,000 | 3,840,000 |
| Issuance premiums (discounts) | 183,267 | 437,433 | 313,462 | 307,238 | 307,328 |
| Total bonds payable | 14,738,267 | 437,433 | 4,908,462 | 10,267,238 | 5,107,328 |
| Net Pension Liability | 9,411,168 | - | 2,454,022 | 6,957,146 | - |
| Compensated absences | 2,571,568 | 139,578 | - | 2,711,146 | 2,440,032 |
| Asset Retirement Obligations | - | 325,000 | - | 325,000 | - |
| Business-type activity long-term liabilities | <u>\$ 26,721,003</u> | <u>\$ 902,011</u> | <u>\$ 7,362,484</u> | <u>\$ 20,260,530</u> | <u>\$ 7,547,360</u> |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. 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.

B. Compensated Absences

Accumulated amounts of vacation leave are accrued as expenses when incurred in the government-wide and enterprise fund financial statements. At year end, the compensated absences liability was \$10,572,178 in governmental activities and \$2,711,146 in business-type activities. At year-end, \$1,595,208 of the internal service funds' related compensated absences values were included in the above amounts. For the governmental activities, compensated absences are generally liquidated by operating funds, such as the General Fund and Consolidated Fire funds. See additional details about compensated absences in Note 1.

C. Discretely Presented Component Units

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

| | Beginning Balance 1/1/19 | Additions | Reductions | Ending Balance 12/31/19 | Due Within One Year |
|---------------------------------------|-----------------------------|---------------------|---------------------|----------------------------|------------------------|
| Bonds payable: | | | | | |
| Revenue bonds | \$ 56,025,000 | \$ - | \$ 1,685,000 | \$ 54,340,000 | \$ 1,930,000 |
| Premiums (discounts) | 448,022 | - | 29,304 | 418,718 | 29,304 |
| Total bonds payable | 56,473,022 | - | 1,714,034 | 54,758,718 | 1,959,304 |
| Due to other governments | 6,998,705 | 1,740,003 | 3,211,210 | 5,527,498 | - |
| Other long-term loans and notes | 1,430,555 | - | - | 1,430,555 | - |
| Subordinate management fee | 485,158 | - | 107,813 | 377,345 | 107,813 |
| Component units long term liabilities | <u>\$ 65,387,440</u> | <u>\$ 1,740,003</u> | <u>\$ 5,033,327</u> | <u>\$ 62,094,116</u> | <u>\$ 2,067,117</u> |

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

NOTE 9. CONTINGENCIES AND LITIGATIONS

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

The City is contingently liable in pending litigation claims which are not yet resolved but where, based on available information, management believes it is reasonably possible that a liability has been incurred but cannot be estimated and so are not reflected in the financial statements.

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.

NOTE 10. OTHER SIGNIFICANT COMMITMENTS

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 DRA refinanced the debt associated with the Center with a guarantee from the City.

If the DRA has insufficient funds in their debt service and reserve accounts to cover a principal and interest payment, the City has guaranteed to cover the insufficient amount, if prior notice is provided. Any coverage the City provides shall be construed as an interest-bearing loan to the DRA.

During 2019, 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, unless the pandemic related business shut downs continue to impact project revenues for a period longer than 12 months.

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

Per a 2004 interlocal agreement, the City supports the Clark County Exhibition Hall, a tourism-related facility. The agreement will be terminated once the bonds that financed the building are redeemed or defeased - no later than 2027.

If the County has insufficient funds from its dedicated revenue stream to cover its semi-annual debt service obligation, the City has pledged to cover the insufficient amount, if prior notice is provided. The contract has various maximum limits on City contributions depending on the year. Since 2017 through termination, the maximum is \$150,000. Under the terms of the interlocal agreement, the City's pledge is reduced by the amount of any rental reduction the County grants to the amphitheater lessee. Since July 2008, the County reduced the rental rates for the amphitheater to such an extent that this commitment has been reduced to zero.

To date, the City has made no payments under its contingent payment obligation.

3. Commitment to Hilton Hotel, with respect to the Subordinate and Super-subordinate Management Fees

Since 2003, DRA, the City's component unit, operates the Vancouver Conference Center, using a contracted manager, Hilton Hotels. Between 2009 and 2013 DRA was obligated to pay Hilton Hotels a subordinate management fee for its services, as funds were available in the Subordinate Management Fee Fund, but was unable to pay the fee since funds were not available.

In June 2013, DRA and Hilton Hotels revised their agreement, allowing for the forgiveness of the 2009-2013 subordinate fees. The amount will be forgiven gradually over a ten year period. DRA reports the forgiveness as a Special Item, Gain on Extinguishment of Debt, calculated on a straight-line basis.

During 2019, \$107,813 was recorded as forgiven with an outstanding obligation reported on the Statement of Net Position.

NOTE 11. JOINT VENTURES & JOINTLY GOVERNED ORGANIZATIONS

Joint Ventures

Clark Regional Emergency Services Agency (CRESA)

The City is involved in a joint venture with ongoing financial responsibilities with other governmental entities in the establishment and operation of the CRESA. CRESA 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. Participating governmental entities have representation on the CRESA board. Clark County maintains the accounting records for CRESA. Detailed financial statements for this entity can be obtained from Clark Regional Emergency Services Agency at 710 W 13th St, Vancouver, WA 98660-2810.

CITY OF VANCOUVER NOTES TO THE BASIC FINANCIAL STATEMENTS

In October 2017, Clark County passed Ordinance 2017-10-08 which created Clark Regional Emergency Services Agency Public Authority (CRESA-PA) under RCW35.21.730-759. That agreement is not currently valid and the City and CRESA continue to operate under their interlocal agreement.

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. The City only provides funding to the Council as a grant subrecipient if applicable. For the year ending December 31, 2019, the City made subrecipient grant payments to the Council totaling \$66,500. The relationship between the City and the Council does not create an ongoing financial interest or financial responsibility.

Related Organizations

Vancouver Housing Authority

Vancouver Housing Authority is a municipal corporation created under Washington State Chapter 35.82 RCW in 1942 by the City of Vancouver and governed by a six member Board appointed by the Mayor of the City of Vancouver.

NOTE 12. RELATED PARTY TRANSACTIONS

DRA, a component unit of the City of Vancouver, constructed the Vancouver Conference Center and a hotel in downtown Vancouver. The project was funded by proceeds from the sale of tax exempt bonds issued by the DRA. 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 2019, the City recognized \$1,329,162 in expenditures associated with lodging tax revenues dedicated to the project.

NOTE 13. RISK MANAGEMENT

The City self-insures for general liability, property, certain employees' healthcare coverage, workers' compensation, and unemployment coverage as a qualified self-insurer. The City maintains self-insurance internal service funds to account for and finance its insured and uninsured risks of loss. The City does not include non-incremental claims adjustment expenses in the reported accrued claims liabilities. Settlements did not exceed insurance coverage in any of the prior three fiscal years.

A. General Liability and Property

The self-insurance cost for liability claims and claims administration through December 31, 2019, is \$1,836,557, an increase of \$1.775 million from 2018. The fund pays the majority of claims involving general liability, but has other liability coverage through specific policies. Currently, specific policies include the airport liability. Coverage totals \$10,000,000 for liability and \$10,000,000 for hangar keepers legal, which is a 100% increase from 2018. 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. The excess policy provides \$1,000,000 for self-insured retention, this is unchanged from 2018. The City also purchases liability on specific vehicles up to \$1,000,000 and inland marine coverage for the equipment fleet. The deductible for fleet physical damage is 5% subject to \$10,000 minimum.

Property claim costs in 2019 were \$76,088, a decrease of 6.4% from 2018, with new first party property and vehicle claims reported in 2018. 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. Policy coverage for property damage is up to \$550 million, 10% higher than 2018, with adjustable deductibles based on specific event types. This represents replacement cost for City buildings and contents.

B. Workers' Compensation

The cost for claims and claims administration was \$1,571,757 in 2019, an 11% reduction from 2018, with new claims processed. In addition to self-insurance, the City also maintains an excess coverage policy with a \$1,000,000 deductible.

C. Self-Insured Workers' Compensation and Liability Fund

Both workers' compensation and liability self-insurance are reported in the same fund. The City contributions to the fund are determined using information from the contributing funds past claims experience and loss exposures. The claims liability reported in the fund totaled \$8,056,486 at December 31, 2019.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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. These are actuarial estimated amounts reflecting expected losses - actual losses may vary. Changes in the fund's liabilities from claims in 2019, 2018, and 2017 are as follows:

| Year | Beginning of Fiscal Year Liability | Current Year Claims | Change in Estimates for Claims of Prior Periods | Claim Payments | Balance at Fiscal Year End |
|------|------------------------------------|---------------------|-------------------------------------------------|----------------|----------------------------|
| 2019 | \$ 7,787,000 | \$ 3,450,324 | \$ 195,000 | \$ 3,375,838 | \$ 8,056,486 |
| 2018 | \$ 6,836,000 | \$ 2,065,258 | \$ 773,000 | \$ 1,887,258 | \$ 7,787,000 |
| 2017 | 5,464,000 | 1,968,630 | 1,317,000 | 1,913,630 | 6,836,000 |

D. 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 \$250,000 individual stop loss, and an aggregate stop loss of 125% of claims, with one named covered person with a \$275,000 deductible. 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 and has maintained a 16 week contingency reserve for the internal service fund. As of December 31, 2019, net position for the self-insured health insurance fund is \$5,745,933.

NOTE 14. PROPERTY TAX

The Clark County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

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. |

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. The balance of taxes receivable includes related interest and penalties. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City may levy up to \$3.10 and \$0.225 per \$1,000 of assessed valuation for general governmental services and local Fire Pension Funds respectively, for a maximum levy rate of \$3.325/\$1,000.

For 2019, the City's regular tax levy was \$2.114 per \$1,000 on a total taxable assessed valuation of \$23.659 billion for a total regular levy of \$50,021,774

Special levies approved by the voters are not subject to the limitations above. In 2019, the City levied an additional \$0.253 per \$1,000 for the Affordable Housing Levy resulting in a total additional levy of \$6,000,000.

Washington State Constitution and Washing State Law, RCW 84.55.010, limit the rate.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

NOTE 15. TAX ABATEMENT

Multifamily Tax Exemption Program

Washington State RCW 84.14 and Vancouver Municipal Code Chapter 3.22 allow for multiple-family residential building property tax exemptions. The program's purpose is to increase residential opportunities, including affordable housing, in designated urban centers. The City may grant abatements up to eight, 10 or 12 years for newly constructed or rehabbed residential units, depending on eligibility and City Council approval.

Program eligibility includes:

- An eight year exemption is available for market-rate projects with an approved development agreement.
- Three tax exemption options are available for housing projects with an affordability component:
 - Eight-year exemption for projects with 20% of units affordable to households earning up to 100% of area median income (AMI).
 - 10-year exemption for projects with 20% of units affordable to households earning up to 80% AMI.
 - 12-year exemption for projects with 20% of units affordable to households earning up to 60% AMI.
- Additionally, households in income-restricted units must pay no more than 30% of their income for rent and utilities.

Property owners have three years from the agreement date to obtain an occupancy permit and a Certificate of Tax Exemption. Exemptions begin January 1 of the year following the issuance of the Final Certificate of Tax Exemption. The new residential improvements are not added to the tax rolls until the exemption expires. Land and other non-residential improvements remain subject to property taxes.

The City completes annual or more frequent compliance reviews of all approved tax exemption projects. Non-compliance may result in the cancellation of the exemption.

As of December 31, 2019, there are 16 approved, ongoing agreements under this program. 12 of the projects have completed construction and are currently renting. Nine projects were in the abatement period for which the City abated approximately \$199,800 in property taxes.

High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities

The state administers this tax deferral program under Washington State RCW 82.60. The purpose of the program is to promote economic stimulation, create new employment opportunities in distressed areas, and reduce poverty in certain distressed counties in the state. During the year ended December 31, 2019 the state issued tax deferrals which reduced the City's revenue of \$178,000 under this program.

Multi-unit Urban Housing Exemption

The state administers this tax deferral program under Washington State RCW 84.14.020. During the year ended December 31, 2019 the state issued tax deferrals which reduced the City's revenue of \$141,000 under this program.

NOTE 16 . PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2019:

| Aggregate Pension Amounts - All Plans | |
|----------------------------------------------|---------------|
| Pension Liabilities | \$ 18,463,892 |
| Pension Assets | 44,029,600 |
| Deferred outflows of resources | 11,343,898 |
| Deferred inflows of resources | 22,800,984 |
| Pension expense/expenditures | 4,180,913 |

A. State Sponsored Pension Plans

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

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

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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.

B. 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.

C. 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 2019 were as follows:

| PERS Plan 1 Actual Contribution Rates: | Employer | Employee* |
|-------------------------------------------------------|-----------------|------------------|
| January - June 2019 | | |
| PERS Plan 1 | 7.52% | 6.00% |
| PERS Plan 1 UAAL | 5.13% | |
| Administrative Fee | 0.18% | |
| Total | 12.83% | 6.00% |
| July - December 2019 | | |
| PERS Plan 1 | 7.92% | 6.00% |
| PERS Plan 1 UAAL | 4.76% | |
| Administrative Fee | 0.18% | |
| Total | 12.86% | 6.00% |

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

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

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

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

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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 2019 were as follows:

| PERS Plan 2/3 | | | |
|----------------------------------|---------------------|--------------------|--------------|
| Actual Contribution Rates | Employer 2/3 | Employee 2* | |
| January – June 2019 | | | |
| PERS Plan 2/3 | 7.52% | | 7.41% |
| PERS Plan 1 UAAL | 5.13% | | |
| Administrative Fee | 0.18% | | |
| Employee PERS Plan 3 | | Varies | |
| Total | 12.83% | | 7.41% |
| July – December 2019 | | | |
| PERS Plan 2/3 | 7.92% | | 7.90% |
| PERS Plan 1 UAAL | 4.76% | | |
| Administrative Fee | 0.18% | | |
| Employee PERS Plan 3 | | Varies | |
| Total | 12.86% | | 7.90% |

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%

The City's actual PERS plan contributions were \$2.60 million to PERS Plan 1 and \$4.05 million to PERS Plan 2/3 for the year ended December 31, 2019.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2019. 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.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2019.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

| LEOFF Plan 2 Actual Contribution Rates | <u>Employer</u> | <u>Employee</u> |
|---------------------------------------------------|------------------------|------------------------|
| January - June 2019 | | |
| State and local governments | 5.25% | 8.75% |
| Administrative fee | 0.18% | |
| Total | 5.43% | 8.75% |
| | | |
| Ports and Universities | | |
| Administrative Fee | 8.75% | 8.75% |
| | 0.18% | |
| Total | 8.93% | 8.75% |
| | | |
| July - December 2019 | | |
| State and local governments | 5.15% | 8.59% |
| Administrative fee | 0.18% | |
| Total | 5.33% | 8.59% |
| | | |
| Ports and Universities | | |
| Administrative Fee | 8.59% | 8.59% |
| | 0.18% | |
| Total | 8.77% | 8.59% |

The City's actual contributions to the plan were \$2.59 million for the year ended December 31, 2019.

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, 2019, the state contributed \$72.96 million to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$1.66 million.

D. Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. 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* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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 changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

E. Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 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 7.4 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 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

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, 2019, 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% | 2.2% |
| Tangible Assets | 7% | 5.1% |
| Real Estate | 18% | 5.8% |
| Global Equity | 32% | 6.3% |
| Private Equity | 23% | 9.3% |
| | 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 7.4 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

| | | 1% Decrease 6.4% | Current Rate 7.4% | 1% Increase 8.4% |
|----------|----|-----------------------------|------------------------------|-----------------------------|
| PERS 1 | \$ | 17,452,297 | \$ 13,935,990 | \$ 10,885,130 |
| PERS 2/3 | \$ | 34,727,205 | \$ 4,527,901 | \$ (20,252,623) |
| LEOFF 1 | \$ | (3,802,215) | \$ (4,647,882) | \$ (5,278,035) |
| LEOFF 2 | \$ | (5,930,743) | \$ (31,895,627) | \$ (53,088,915) |

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.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

At June 30, 2019, the City reported a total pension liability of \$18.46 million for its proportionate share of the net pension liabilities and \$36.54 million for its proportionate share of net pension assets as follows:

| | |
|-------------------|---------------|
| Plan | |
| PERS 1 | \$ 13,935,990 |
| PERS 2/3 | \$ 4,527,901 |
| Total liabilities | \$ 18,463,891 |
| LEOFF 1 | \$ 4,647,882 |
| LEOFF 2 | \$ 31,895,627 |
| Total (assets) | \$ 36,543,509 |

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

| | | |
|-------------------------------------------------------------------------------------|----------------------|----------------------|
| | <u>LEOFF 1 Asset</u> | <u>LEOFF 2 Asset</u> |
| LEOFF - Employer's proportionate share | \$ (4,647,882) | \$ (31,895,627) |
| LEOFF - State's proportionate share of the net pension associated with the employer | (31,438,160) | (20,887,362) |
| TOTAL | \$ (36,086,042) | \$ (52,782,989) |

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

| | <u>Proportionate Share 6/30/18</u> | <u>Proportionate Share 6/30/19</u> | <u>Change in Proportionate</u> |
|----------|------------------------------------|------------------------------------|--------------------------------|
| PERS 1 | 0.37145% | 0.36241% | (0.00904)% |
| PERS 2/3 | 0.47133% | 0.46615% | (0.00518)% |
| LEOFF 1 | 0.23739% | 0.23514% | (0.00224)% |
| LEOFF 2 | 1.45236% | 1.37677% | (0.07559)% |

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, 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 2019, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the City recognized pension expense as follows:

| | |
|------------------------|--------------|
| Pension Expense | |
| PERS 1 | \$ 226,427 |
| PERS 2/3 | 1,344,617 |
| LEOFF 1 | (206,178) |
| LEOFF 2 | 528,504 |
| TOTAL | \$ 1,893,370 |

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| PERS 1 | | |
| Net difference between projected and actual investment earnings on pension plan investments | \$ - | \$ (931,041) |
| Contributions subsequent to the measurement date | 1,276,520 | - |
| TOTAL | \$ 1,276,520 | \$ (931,041) |
| PERS 2/3 | | |
| Differences between expected and actual experience | \$ 1,297,254 | \$ (973,474) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (6,590,780) |
| Changes of assumptions | 115,945 | (1,899,757) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,340,975 | (147,339) |
| Contributions subsequent to the measurement date | 2,113,249 | - |
| TOTAL | \$ 4,867,423 | \$ (9,611,350) |
| LEOFF 1 | | |
| Net difference between projected and actual investment earnings on pension plan investments | \$ - | \$ (481,846) |
| TOTAL | \$ - | \$ (481,846) |
| LEOFF 2 | | |
| Difference between expected and actual experience | \$ 2,295,175 | \$ (573,568) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (6,539,600) |
| Changes of assumptions | 52,545 | (3,589,279) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 988,132 | (1,074,239) |
| Contributions subsequent to the measurement date | 1,267,326 | - |
| TOTAL | \$ 4,603,178 | \$ (11,776,686) |
| TOTAL ALL PLANS | | |
| Differences between expected and actual experience | \$ 3,592,429 | \$ (1,547,042) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (14,543,267) |
| Changes of assumptions | 168,490 | (5,489,036) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 2,329,107 | (1,221,578) |
| Contributions subsequent to the measurement date | 4,657,095 | - |
| TOTAL | \$ 10,747,121 | \$ (22,800,923) |

Deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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 |
|--------------------------------|---------------------|-----------------------|---------------------|-----------------------|
| 2020 | \$ (205,533) | \$ (1,752,569) | \$ (111,919) | \$ (1,802,602) |
| 2021 | (486,847) | (3,135,414) | (246,681) | (3,358,325) |
| 2022 | (173,736) | (1,252,946) | (89,513) | (1,498,988) |
| 2023 | (64,926) | (555,664) | (33,733) | (805,459) |
| 2024 | - | (198,146) | - | (281,465) |
| Thereafter | - | 37,501 | - | (693,995) |
| Total | \$ (931,042) | \$ (6,857,238) | \$ (481,846) | \$ (8,440,834) |

CITY OF VANCOUVER NOTES TO THE BASIC FINANCIAL STATEMENTS

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 General Fund. No separate stand-alone financial reports are issued for the plans.

Plan membership. At December 31, 2019, pension plan membership consisted of only inactive plan members or beneficiaries currently receiving benefits. Of the 46 members, 32 are fire members and 14 are police members. The police and fire plans entitle the employees to the greater of the state pension plan or City pension plan benefit. If the City plan benefit exceeds the state benefit, the City must pay the benefit difference. The City benefit amount changes based on current police and fire salaries and other factors.

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, 2019; 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 is responsible for the costs. There have been no required employee contributions to the plans since March 1, 1970 because the plan is closed to new entrants. For the year ended December 31, 2019, contributions made by the general fund to the Police and Fire Pension Funds were \$2.79 million and \$2.08 million, respectively.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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 2019 to the Fire Pension Fund was \$201,501.

As of December 31, 2019, the Firefighters Pension Fund and the Police Pension Fund reported net position held in trust for pension and OPEB benefits of \$12,628,289 and \$3,751,197, 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, 2019, the Firefighters Pension fund had an investment portfolio with fair value of \$1,721,917 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 \$10,850,484. 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 portfolio's average maturity was 51 days on December 31, 2019. The State Investment Pool is 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 Clark County Local Government Investment Pool is 16.7 months. The fair value of the investment portfolio is obtained using the market approach. Pricing is obtained through the City's third-party safekeeping custodian, US Bank Corporate Trust Services, who obtains pricing on Federal Agencies and Corporate Bonds through IDC Institutional Bond Quotes, and uses Standard & Poor's for pricing Municipal Bonds. Investments are reported at fair value or amortized costs as described above.

The Police Pension fund reported no investments at December 31, 2019, but did have \$3,378,868 invested in the City's internal investment pool.

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

Rate of return. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows:

| Year ending December 31, 2019 | Net Money- Weighted Rate of Return |
|-------------------------------|------------------------------------------|
| Fire Pension Trust Fund | 2.54% |
| Police Pension Trust Fund | 0.00% |

Net Pension Liability

The components of the net pension liability of the City at December 31, 2019, were as follows:

| | Fire | Police |
|----------------------------------------------------------|-----------------------|-----------------------|
| Total pension liability | \$ 7,003,328 | \$ 1,890,067 |
| Plan fiduciary net position | 12,628,289 | 3,751,197 |
| Net pension liability (asset) | <u>\$ (5,624,961)</u> | <u>\$ (1,861,130)</u> |
| Fiduciary net position as a % of total pension liability | 180.32% | 198.47% |
| Covered payroll | 0 | 0 |
| Net pension liability as a % of covered payroll | N/A | N/A |

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

| FIRE PENSION TRUST FUND | | | |
|-----------------------------------------------------|----------------------------|--------------------------------|-----------------------|
| Changes in Net Pension Liability (Asset) | Increase (Decrease) | | |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Asset |
| Balances as of December 31, 2018: | \$ 6,029,055 | \$ 10,502,321 | \$ (4,473,266) |
| Changes for the year: | | | |
| Prior period adjustment | - | 17,090 | (17,090) |
| Interest on total pension liability | 230,500 | - | 230,500 |
| Effect of economic/demographic gains or losses | 597,719 | - | 597,719 |
| Effect of assumptions, changes or inputs | 684,420 | - | 684,420 |
| Benefit payments | (538,366) | (538,366) | - |
| Medical payments from fund | - | (582,694) | 582,694 |
| Employer contributions | - | 2,791,527 | (2,791,527) |
| Contributions from state fire insurance premium tax | - | 201,501 | (201,501) |
| Net investment income | - | 291,141 | (291,141) |
| Administrative expenses | - | (54,231) | 54,231 |
| Balance as of December 31, 2019 | <u>\$ 7,003,328</u> | <u>\$ 12,628,289</u> | <u>\$ (5,624,961)</u> |

| POLICE PENSION TRUST FUND | | | |
|------------------------------------------------|----------------------------|--------------------------------|-----------------------|
| Changes in Net Pension Liability (Asset) | Increase (Decrease) | | |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Asset |
| Balances as of December 31, 2018: | \$ 2,204,182 | \$ 2,575,929 | \$ (371,747) |
| Changes for the year: | | | |
| Prior period adjustment | - | 12,451 | (12,451) |
| Service cost | - | - | - |
| Interest on total pension liability | 83,496 | - | 83,496 |
| Effect of plan changes | - | - | - |
| Effect of economic/demographic gains or losses | (323,186) | - | (323,186) |
| Effect of assumptions, changes or inputs | 161,419 | - | 161,419 |
| Benefit payments | (235,844) | (235,844) | - |
| Medical payments from fund | - | (681,493) | 681,493 |
| Employer contributions | - | 2,083,738 | (2,083,738) |
| Police auction income | - | 35,828 | (35,828) |
| Net investment income | - | 94 | (94) |
| Administrative expenses | - | (39,506) | 39,506 |
| Balance as of December 31, 2019 | <u>\$ 1,890,067</u> | <u>\$ 3,751,197</u> | <u>\$ (1,861,130)</u> |

Actuarial assumptions. The total pension liability for each plan was determined by an actuarial valuation as of December 31, 2019, 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 | 2.75% |
| Long-term expected rate of return, net of investment expense | 2.75% |
| Municipal bond rate | 2.75% |
| Inflation | 2.25% |
| Salary increases including inflation | 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, 2019.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

The Police and Fire Pension plans are separately invested, but assume the same expected rate of real return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

| Asset Class | Index | Long-term Expected Rate of Real Return |
|------------------------------------------|----------------------------|----------------------------------------|
| Cash | BAML 90 day T-bills | 0.09% |
| Short-term bonds | Barclays 1-3 Year Gov/Cred | 0.77% |
| Long-term bonds | Barclays Long Gov/Cred | 2.09% |
| Assumed inflation - Mean | | 2.25% |
| Long-term expected rate of return | | 2.75% |

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 2.75% as of December 31, 2019 is an appropriate long-term expected rate of return on investments such as those in the City's trust. The Bond Buyer General Obligation municipal bond index for bonds that mature in 20 years is 2.74% as of December 26, 2019. Rounding this to the nearest 1/4% results in a discount rate of 2.75%. Using 2.75% for both the long-term expected rate of return and the bond index will mean that 2.75% could be used as the single discount rate. This will need to be re-evaluated as of later valuation dates. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month.

The discount rate as of December 31, 2019 was 2.75%. The discount rate at December 31, 2019 represents a 1.25% decrease in the rate from December 31, 2018 which was 4.0%.

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 2.75%, 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:

| | Net pension liability (asset) | | |
|--------|-------------------------------|--------------|-------------|
| | 1% Decrease | Current Rate | 1% Increase |
| | 1.75% | 2.75% | 3.75% |
| Fire | (4,981,951) | (5,624,961) | (6,181,875) |
| Police | (1,711,733) | (1,861,130) | (1,992,271) |

Pension Expense

Pension expense recognized related to the City's own pension trust funds for the year ended December 31, 2019, was as follows:

| Plan | Pension expense |
|---------------------------|---------------------|
| Fire Pension Trust Fund | 1,697,042 |
| Police Pension Trust Fund | 590,500 |
| Total | <u>\$ 2,287,542</u> |

Deferred Outflows of Resources

The City does not report deferred outflows or inflows on fiduciary fund statements. The following information is provided in accordance with GASB 67/68 criteria. At December 31, 2019, the deferred outflows of resources related to pension trust funds were 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 | \$ 396,017 | \$ 200,759 |

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

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 |
|----------------------------|----------------------------|------------------------------|
| 2020 | \$ 172,381 | \$ 73,812 |
| 2021 | 123,435 | 59,207 |
| 2022 | 67,075 | 42,448 |
| 2023 | 33,126 | 25,292 |
| 2024 | - | - |
| Thereafter | - | - |

NOTE 17. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS – NO QUALIFYING TRUST

Fire and Police OPEB Plans

The City administers the Fire and Police Pension Funds single-employer defined benefit pension plans that are reported together with an OPEB component within the General Fund. These funds do not meet any of the requirements of GASB 75.

- Contributions do not meet the irrevocable definition because they are not in a separate bank account from the City.
- The pension and OPEB components are not accounted for separately.
- Funds are not in a qualifying trust.
- Plan assets are not legally protected from creditors.

The following table represents the aggregate OPEB amounts the Fire and Police plans for the year 2019:

| Aggregate OPEB Amounts - All Plans | |
|-------------------------------------------|---------------|
| OPEB liabilities | \$ 44,448,966 |
| OPEB assets | \$ - |
| Deferred ourflows of resources | \$ - |
| Deferred inflows of resources | \$ - |
| OPEB expenditures | \$ (513,751) |

OPEB Plan Description

In addition to the pension benefits described above, 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.

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.

Membership

Membership in this program includes Plan 1 participants of LEOFF who joined the system by September 30, 1977. This is considered a closed group with two new members. There were no active employees, and no retired employees not yet receiving a benefit, as of December 31, 2019.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Employees covered by benefit terms: At December 31, 2019, the following employees were covered by the benefit terms:

| Inactive employees or beneficiaries currently receiving benefits | |
|-------------------------------------------------------------------------|-----------|
| Fire | 59 |
| Police | 40 |
| Total | 99 |

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. Total expenditures for postretirement health in 2019 were \$1,264,187.

Assumptions and Other Inputs

The actuarial assumptions used in the January 1, 2019, OPEB actuarial valuations include techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities, consistent with the long term perspective of the calculations. In the January 1, 2019 actuarial valuation, the entry age normal cost method was used. The assumptions included a 2.75% discount rate, 2.75% investment rate of return, 2.25% inflation rate, and 3.25% salary increase rate, which includes inflation.

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 OPEB liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Changes in Total OPEB Liability and Related Ratios, presented as required supplementary information following the notes to the financial statements presents the results of OPEB valuations as of December 31, 2019, and looking forward, the schedule will eventually provide multiyear trend information about the actuarial values of OPEB liability. 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 following presents the total OPEB liability of the City for each plan calculated using the current healthcare cost trend rate, as well as what the OPEB liability 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.

| Fire OPEB | | | |
|----------------------|---------------|---------------------|---------------|
| | 1% Decrease | Current Trend Rates | 1% Increase |
| Total OPEB Liability | \$ 23,910,987 | \$ 27,231,538 | \$ 31,177,907 |

| Police OPEB | | | |
|----------------------|---------------|---------------------|---------------|
| | 1% Decrease | Current Trend Rates | 1% Increase |
| Total OPEB Liability | \$ 15,297,687 | \$ 17,217,428 | \$ 19,465,669 |

The following presents the total OPEB liability of the City for each plan calculated using the discount rate of 2.75%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.0%) or 1-percentage point higher (5.0%) that the current rate.

| Fire OPEB | | | |
|----------------------|----------------------|--------------------------------|----------------------|
| | 1% Decrease 1.75% | Current Discount Rate 2.75% | 1% Increase 3.75% |
| Total OPEB Liability | \$ 31,472,094 | \$ 27,231,538 | \$ 23,773,122 |

| Police OPEB | | | |
|----------------------|----------------------|--------------------------------|----------------------|
| | 1% Decrease 1.75% | Current Discount Rate 2.75% | 1% Increase 3.75% |
| Total OPEB Liability | \$ 19,650,114 | \$ 17,217,428 | \$ 15,203,461 |

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Changes in the Total OPEB Liability:

The following presents a schedule of changes for each plan's total OPEB Liability during 2019.

| Fire OPEB | |
|-------------------------------------------|----------------------|
| Total OPEB Liability at 01/01/2019 | \$ 26,968,904 |
| Service cost | - |
| Interest | 1,062,364 |
| Changes of benefit terms | - |
| Economic/demographic gains and losses | (1,296,988) |
| Changes of assumptions | 1,324,998 |
| Benefit Payments | (827,740) |
| Other Changes | - |
| Total OPEB Liability at 12/31/2019 | \$ 27,231,538 |

| Police OPEB | |
|-------------------------------------------|----------------------|
| Total OPEB Liability at 01/01/2019 | \$ 17,993,813 |
| Service cost | - |
| Interest | 706,603 |
| Changes of benefit terms | - |
| Economic/demographic gains and losses | (1,072,328) |
| Changes of assumptions | 253,353 |
| Benefit Payments | (664,013) |
| Other Changes | - |
| Total OPEB Liability at 12/31/2019 | \$ 17,217,428 |

The Valuation Date, or the date as of which the actuarial evaluation was performed, was January 1, 2019. The Measurement Date, or date as of which the total OPEB liability and schedule of changes to the total OPEB liability under GASB 75 was determined, was December 31, 2019.

Since the prior measurement date, the discount rate and investment rate of return decreased from 4.0% to 2.75%. No other significant changes were made to the assumptions or other inputs. No changes of benefits that affected the measurement of the total OPEB liability occurred since the prior measurement date.

Total OPEB expenditures for the City were a \$(513,751) adjustment for 2019, largely due to the recognition of assumption changes or inputs noted previously.

At December 31, 2019, the City did not have any reportable deferred outflows of resources or deferred inflows of resources related to OPEB. Therefore, there are no outflows of resources resulting from payments subsequent to the measurement date to recognized as a reduction of the total OPEB liability and in future years.

NOTE 18. SPECIAL AND EXTRAORDINARY ITEMS

Special Item: Tennis Center

The Tennis Center Fund, reported as a nonmajor enterprise fund in the combining statements, reported a special item. During 2019 the Tennis Center became fully operated by a third-party contractor and it no longer had any employees. As a result, the net pension liability carried forward from 2018 needed to be removed without reporting an offsetting expense due to the change in operations.

Special item: Forgiveness of Debt (Component Unit)

As part of the refinancing of the DRA debt in June 2013, a new agreement was signed with Hilton, the Manager of the Vancouver Conference Center hotel that provides for forgiveness of the subordinate management fee over a 10-year period, on a straight-line basis. The forgiveness of this fee is recorded as a Special Item, Forgiveness of Debt, on the Statement of Revenues, Expenses and Changes in Fund Net Position. During December 31, 2019, \$107,813 had been forgiven. The outstanding obligation recorded on the Statement of Net Position as of December 31, 2019, is \$377,345. If the Operating Agreement is terminated early, then the amount owing at the time becomes fully payable.

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Extraordinary item: Bankruptcy settlement (Component Unit)

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% guaranteed by Lehman Brothers. 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 alternative investments would generate. During 2019, the Authority received a distribution in the amount of \$3,753 as a result of the bankruptcy claim. If the Lehman bankruptcy estate receives additional funds, more distributions are possible.

NOTE 19. PRIOR PERIOD ADJUSTMENTS/ RESTATEMENTS

The City reported the following prior period adjustments on the fund-level statements:

| Purpose of Adjustment | Effect on Prior Year Change in Net Position | Reported Fund | Net Increase or (Decrease) to PY Net Position |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------|
| Add land parcel which was not previously recorded in the City's general ledger when GASB 34 was implemented. | This adjustment increases the beginning fund balance to correspond with the increase in prior year capital assets. | Water/Sewer | 675,000 |
| Capitalizable amounts from prior year were recorded as expenses rather than increases to CIP. | This adjustment increases the beginning fund balance to reflect the conversion of prior year expenses into assets. | Water/Sewer | 452,757 |
| Change in compensated absence liabilities. | This adjustment increases the prior year fund balance from a decrease in liabilities. | Nonmajor Enterprise Funds | 21,018 |
| Correct supplier expenditures recorded in the incorrect fund in the prior year. | This adjustment reduces the prior year expenses in the corrected fund and increases the prior expenses of the other fund. | Consolidated Fire | 42,336 |
| | | General | (42,336) |
| During the prior year some customer receipts incorrectly increased revenues rather than decreasing accounts receivable. | This adjustment reduces prior year fund balances to reflect the decrease in prior year revenues. | Nonmajor Enterprise Funds | (12,895) |
| Non-capitalizable amounts from prior year were recorded as increases to CIP rather than expenses. | This adjustment decreases the beginning fund balance to reflect the conversion of prior year assets into expenses | Water/Sewer | (643,869) |
| Record additional/adjusted capital assets from the 2018 annexation. | This adjustment increases beginning fund balance to reflect the increase in prior year assets. | Water/Sewer | 50,311 |
| Reduce the CIP balance for a project that was cancelled during 2019 and will not result in a capital asset. | This adjustment decreases the beginning fund balance to reflect the conversion of prior year assets into expenses | Internal Service Funds | (327,313) |
| The City identified loans issued in previous years which were recorded in the loan module but not in the general ledger. | This adjustment increases beginning fund balance to reflect the increase in prior year loans receivable. | Nonmajor Govt'l Activities | 3,903,378 |
| The Grounds and Facilities fund is a new fund starting 2019. Its beginning balance for this liability was reported in the General fund previously and now needs to be shown in the internal service funds. | This adjustment decreases the beginning balance to reflect the addition of liabilities. | Internal Service Funds | (281,405) |
| Almost annually, the City estimates the outstanding costs for the county jail operations if bills have not been received from the county. In previous years the estimated liability was not reduced to actual, once the bills were received, overstating liabilities. | This adjustment increases beginning fund balance to reflect the reduction in prior year liabilities. | General | 2,288,221 |

**Minor differences from the statements due to rounding may exist.*

**CITY OF VANCOUVER
NOTES TO THE BASIC FINANCIAL STATEMENTS**

On the government-wide statements, the same adjustments identified above are reported in addition to the following adjustment:

| Purpose of Adjustment | Effect on Prior Year Change in Net Position | Reported Fund | Net Increase or (Decrease) to PY Net Position |
|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------------------------------|
| Capitalizable amounts from prior year were recorded as expenses rather than increases to CIP. | This adjustment increases the beginning fund balance to reflect the conversion of prior year expenses into assets. | Governmental Activities | 358,644 |

**Minor differences from the statements due to rounding may exist.*

NOTE 20. CHANGE IN ACCOUNTING PRINCIPAL

The following were reported as changes in accounting principals, which are presented as a direct change to the beginning fund balance:

| Purpose of Adjustment | Effect on Prior Year Change in Net Position | Reported Fund | Net Increase or (Decrease) to PY Net Position |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------------------------------------|
| In prior years, as an off book adjustment, the ending balance of this fund was reclassified as a liability due to other governments to reduce the reported ending fund balance to zero. This was done to represent that the ending balance was owed to the fund recipient. Per the new GASB 84, the ending balance should be reported as restricted rather than a liability. | This adjustment increases the beginning fund balance to correspond with the reclassification of liabilities back to fund balance in prior years. | Custodial | 1,429,968 |

NOTE 21: SUBSEQUENT EVENTS

Vehicle Tab Revenues

I-976 is an initiative, passed in the November 2019 election, which repeals or lowers certain vehicle registration fees and taxes. It's commonly referred to as the \$30 car tab initiative. The Washington State Supreme Court has agreed to hear an appeal of the King County Superior Court ruling that the initiative is constitutional. The Superior Court's injunction order prohibiting implementation of I-976 will remain in effect until the Supreme Court issues a ruling, and the Department of Licensing (DOL) will continue to collect all vehicle fees and taxes unless directed by the court to do otherwise.

Vancouver Transportation Benefit (TBD) revenues are generated from a \$40 Vehicle License Fee that went into effect July 1, 2018. All revenues are being deposited in a separate fund, TBD Fund, Fund 634. Initiative 976 (I-976) was recently passed by Washington voters. I-976 removes the ability for all TBDs to implement a vehicle license fee. I-976 took effect on December 5, 2019. Litigation is ongoing about the constitutionality of I-976. While litigation is ongoing staff recommends any revenues collected after December 5, 2019 and receipted in 2020, be set aside in case the money is required to be refunded at a later date. Remittances received by the State of Washington for December collections were received in January 2020, and this money and TBD fees received monthly after that are being recorded in fund 634 in a liability account, until the Supreme Court issues a ruling.

New Operations Center Purchase

The City of Vancouver has decided that the current Operation Center needs to be replaced with a new, larger facility. A currently undeveloped 35-acre site has been located that meets the geographical demands for a new Operations Center facility. The City has negotiated an acceptable price of \$7,020,000. The purchase has been approved by Council in November of 2019. The parcel will be purchased by the General Fund (40%) and the Water Fund (60%).

Bond Reissuance

The City has two current bond issues that are eligible for refunding at lower rates. In July of 2020, the City Council approved the refinance the two bond issues, one of them with the delivery date in 2020 and the second one with the delivery date in 2021. In December 2010, the City issued \$13,410,000 in LTGO and Refunding bonds to partially refinance the 2001 LTGO bonds and to provide funding to purchase City Hall. The bonds have an average interest rate of 4.502%, and currently \$7.99 million is outstanding. Of this, approximately \$7.65 million in existing bonds will be refunded by issuing approximately \$6.9 million in refunding bonds. Overall, by refinancing the bond issue, the City will realize more than \$2 million in debt service savings over the life of the bond issue, or about \$132,000 per year. General tax revenues in the General Fund support the debt service payments for this bond issue. The final maturity of this bond issue is December 1, 2035.

CITY OF VANCOUVER NOTES TO THE BASIC FINANCIAL STATEMENTS

Block 10 Sale

The City has been working with the developer over the last two year time period to build a development that includes residential and office space on a parcel of land that was owned by the General Fund. City Council approved a developer agreement to that effect on October 25, 2019. It was further amended by a Second Amendment to Land Disposition and Development Agreement dated February 3, 2020, a Third Amendment to Land Disposition and Development Agreement dated May 18, 2020, and Fourth Amendment to Land Disposition and Development Agreement dated May 18, 2020 ("Fourth Amendment"), by and between the City of Vancouver, a Washington municipal corporation ("City") and Holland Acquisition Co., LLC, a Washington limited liability company ("Holland") concerning the development of the Block 10. The Fourth Amendment provided for an Option to the Developer to purchase the Property from the City outright for \$3.3 million. The Developer exercised their right to purchase the Property to Block 10 during July 2020.

COVID-19 Pandemic

In February 2020, the Governor of Washington State declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

Regarding financial and operational impacts, the City closed or limited recreation facilities, classes and events, the Navigation Center, Water Resource Center and other public facilities. Downtown parking fees were suspended for several months. Construction on City projects was halted for several months. Additionally, due to the business and retail closures resulting from the state of emergency, the City expects state and local sales tax and other state distributions to be reduced from previous years.

The City plans to apply closures at the guidance of the State regarding stay home, stay healthy and reopening procedures and guidance they issue.

For the DRA, there has been a significant impact to the hospitality industry, including the operations of the Authority's hotel and convention center operations. Management has implemented measures to comply with the requirements of the Governor's declaration and has put into place cost control measures to try to limit the financial impact. The length of time these measures will be in place, and the full extent of the financial impact on the Authority, is unknown at this time.

Delay in GASB Implementation

The GASB approved the Postponement of the Effective Dates of Certain Authoritative Guidance Statement on May 7, 2020. Several required accounting and reporting implementations dates may be postponed as a result of this new guidance as identified in Note 2.

NOTE 22: UNIQUE AND UNUSUAL TRANSACTIONS OR CHANGES IN OPERATIONS

Tennis Center Operations

The City operates the Tennis Center per a contract with the Vancouver School District. The District owns the tennis center building and the City rents it through a non-monetary arrangement whereby the District may use the center without charge. Starting 2018, the City contracts operations to a third party, USTA, and the fund no longer had assigned City employees during 2019. The City continues to report revenues and expenses from operations. Any shortfall or loss from operations will be covered by the contractor.

Navigation Center Operations

The City opened the Navigation Center in 2019. The Navigation Center provides services to those in the community experiencing homelessness. It was managed by a contracted service provider until February 2020 when the City took over management of the facility on an interim basis. The center temporarily closed in March 2020 in response to the state declaration of emergency related to the COVID-19 pandemic.

Reported Estimates

The financial statements presented contain these estimates:

- County Jail Services: The County did not provide bills for 2019 jail services at the time of the annual report preparation. The \$2.45 million expenditure and liability was estimated based on an average of prior years' expenditures and is reported in the General Fund.
- Construction Expenses: Some construction projects provided draft bills that had not completed evaluation. The draft bills are reported as estimates in the Street Fund, \$355,000.

School Impact Fees

Cities, towns and counties are the only authorized types of governments in Washington that can impose impact fees, per RCW 82.02.050-.110 and WAC 365-196-850. Based upon guidance obtained from legal counsel and the Office of the Washington State Auditor, the impact fees represent City revenues, and their use, City expenditures. In prior years, these funds were reported only as liabilities to the school districts contracted to use them for school facilities. Therefore, 2019 is the first year revenues and expenditures are reported for the School Impact Fee fund. Additionally, the fund will be reported separately from the General Fund for the first time.

CITY OF VANCOUVER NOTES TO THE BASIC FINANCIAL STATEMENTS

Newly Presented Funds

In the 2019 report, the following funds are new or separately presented for the first time:

- Affordable Housing Sales Tax - Shown as a nonmajor special revenue fund in the combining statements, this is a new fund and revenue stream in 2019. The City imposed a sales tax for affordable housing, in accordance with SHB 1406 established 2019.
- Grounds and Facilities – Shown as an internal service fund in the combining statements, the activities of this fund used to be performed within the General Fund before a separate internal service fund was established in 2019. It maintains City owned facilities and properties.
- School Impact Fees – Shown as a nonmajor capital projects fund in the combining statements, this fund was previously reported within the General Fund. The fund was established to account for the accumulation and disposition of impact fees assessed against new development growth Management Act of 1990. These fees are required to be used for capital school facilities. Using interlocal agreements, the City disburses funds to regional school districts to use in accordance with the approved Comprehensive Plan.

Indirect Cost Allocation Methodology Adjustments

During 2019 the City completed a reconciliation of multiple years of internal service fund indirect charges to proprietary and governmental funds for the Internal Administrative Services Fund, Self-Insured Worker's Comp and Liability Fund, Benefits Fund and Self-Insured Health Insurance Fund. The reconciliation was performed to true up prior year payments based on budgeted estimates to actual activity and allocation bases. During this reconciliation the allocation basis of the plans were simplified from the methodology used in previous years and continue to conform to allocation standards.

NOTE 23: ASSET RETIREMENT OBLIGATIONS

The City started reporting asset retirement obligations for 2019, per the implementation of GASB 83. The City does not share the liability with any other entities and has not restricted funds for the payment of the liabilities. The reported items included:

- 1 Radioactive Machine: Held by the Water/Sewer Fund, radioactive machines are considered hazardous waste and must be disposed of in accordance with state guidelines. The liabilities reported were based upon the professional evaluation of employees managing its operations and input from related suppliers as of April 2020. The asset is reported as fully depreciated in the City's asset records but remains in operation.
- 15 Underground Fuel Storage Tanks: Held by the Airport, Water/Sewer and Internal Service funds, the fuel storage tanks require decommissioning by WAC 173-360A-0810. The liabilities reported were based upon a quote from an external supplier and evaluation by City staff as of April 2020. Not all of these assets could be separately identified in the City's records of capital assets. Those that could be identified were already fully depreciated but remains in operation.

The City has assets that may incur retirement obligations but we do not consider the liability to be estimable for the following:

- Sewer Lagoons: While all Washington Department of Ecology permits for lagoons do not allow governments to discharge into the ground water, the City anticipates using these infrastructure assets in perpetuity.
- Wells: While the Washington Department of Ecology prohibits the abandonment of water wells without decommissioning (WAC 173-160-381, WAC 173-162 and RCW 18.104), the City anticipates using these infrastructure assets in perpetuity.

CITY OF VANCOUVER

Required Supplementary Information

Fire OPEB Pension Funds

December 31, 2019

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Fiscal Year

(in thousands)

| | 2018 | 2019 |
|----------------------------------------------------------|---------|---------|
| Total OPEB liability | | |
| Service cost | \$ - | \$ - |
| Interest on total OPEB liability | 995 | 1,062 |
| Changes in benefit terms | - | - |
| Effect on economic/demographic gains or (losses) | - | (1,297) |
| Effect of assumption changes or inputs | (1,952) | 1,325 |
| Expected benefit payments | (979) | (828) |
| Net change in total OPEB liability | (1,936) | 262 |
| Total OPEB liability, beginning | 28,905 | 26,969 |
| Total OPEB liability - ending (a) | 26,969 | 27,231 |
| | | |
| Covered-employee payroll | - | - |
| | | |
| Net pension liability as a % of covered employee payroll | N/A | N/A |

* The actuarial updates on this information are done on a biennial basis.

* The City implemented GASB 75 for the year ended December 31, 2018, therefore there is no data available for years prior to 2018. Until a full 10-year trend is compiled, only information for those years available is presented.

* No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

CITY OF VANCOUVER

Required Supplementary Information

Police OPEB Pension Funds

December 31, 2019

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Fiscal Year

(in thousands)

| | 2018 | 2019 |
|----------------------------------------------------------|---------|---------|
| Total OPEB liability | | |
| Service cost | \$ - | \$ - |
| Interest on total OPEB liability | 661 | 707 |
| Changes in benefit terms | - | - |
| Effect on economic/demographic gains or (losses) | - | (1,072) |
| Effect of assumption changes or inputs | (1,188) | 253 |
| Expected benefit payments | (726) | (664) |
| Net change in total OPEB liability | (1,253) | (776) |
| Total OPEB liability, beginning | 19,248 | 17,994 |
| Total OPEB liability - ending (a) | 17,995 | 17,218 |
| | | |
| Covered-employee payroll | - | - |
| | | |
| Net pension liability as a % of covered employee payroll | N/A | N/A |

* The actuarial updates on this information are done on a biennial basis.

* The City implemented GASB 75 for the year ended December 31, 2018, therefore there is no data available for years prior to 2018. Until a full 10-year trend is compiled, only information for those years are available is presented.

* No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored PERS Plan

June 30, 2019

Schedule of Proportionate Share of the Net Pension Liability

Last Ten 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) | Covered payroll | Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | Plan net position as a percentage of the total pension liability |
|------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| PERS Plan 1 | | | | | |
| 2019 | 0.362411% | \$ 13,935,990 | \$ 51,020,090 | 27.31% | 67.12% |
| 2018 | 0.371448% | 16,588,994 | 47,541,579 | 34.89% | 63.22% |
| 2017 | 0.347124% | 16,471,305 | 43,908,733 | 37.51% | 61.24% |
| 2016 | 0.336733% | 18,084,148 | 40,455,469 | 44.70% | 57.03% |
| 2015 | 0.325010% | 17,001,046 | 36,931,559 | 46.03% | 59.10% |
| 2014 | 0.321349% | 16,188,107 | 35,499,566 | 45.60% | 61.19% |
| PERS Plan 2/3 | | | | | |
| 2019 | 0.466150% | \$ 4,527,901 | \$ 50,934,387 | 8.89% | 97.77% |
| 2018 | 0.471332% | 8,047,574 | 47,410,326 | 16.97% | 95.77% |
| 2017 | 0.442055% | 15,359,298 | 43,718,782 | 35.13% | 90.97% |
| 2016 | 0.424266% | 21,361,458 | 40,195,751 | 53.14% | 85.82% |
| 2015 | 0.413288% | 14,767,016 | 36,685,226 | 40.25% | 89.20% |
| 2014 | 0.406638% | 8,219,622 | 35,219,137 | 23.34% | 93.29% |

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored LEOFF Plans

June 30, 2019

Schedule of Proportionate Share of the Net Pension Liability

Last Ten 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 | Covered payroll | Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll | Plan net position as a percentage of the total pension liability |
|---------------------|------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| LEOFF 1 | | | | | | | |
| 2019 | 0.235144% | \$ (4,647,882) | \$ (31,438,160) | \$ (36,086,042) | NA | NA | 148.78% |
| 2018 | 0.237386% | (4,309,748) | (29,151,026) | (33,460,774) | NA | NA | 144.42% |
| 2017 | 0.239277% | (3,630,358) | (24,555,655) | (28,186,013) | NA | NA | 135.96% |
| 2016 | 0.243781% | (2,511,642) | (16,988,681) | (19,500,323) | NA | NA | 123.74% |
| 2015 | 0.246609% | (2,972,183) | (20,103,772) | (23,075,955) | NA | NA | 127.36% |
| 2014 | 0.248167% | (3,009,747) | (20,357,854) | (23,367,601) | NA | NA | 126.91% |
| LEOFF 2 | | | | | | | |
| 2019 | 1.376774% | \$ (31,895,627) | \$ (20,887,362) | \$ (52,782,989) | \$ 48,482,225 | -65.79% | 119.43% |
| 2018 | 1.452364% | (29,486,155) | (19,091,729) | (48,577,884) | \$ 46,357,460 | -63.61% | 118.50% |
| 2017 | 1.358889% | (18,856,977) | (12,232,168) | (31,089,145) | 42,714,489 | -44.15% | 113.36% |
| 2016 | 1.339828% | (7,792,842) | (5,080,366) | (12,873,208) | 40,833,703 | -19.08% | 106.04% |
| 2015 | 1.297652% | (13,337,267) | (8,818,610) | (22,155,877) | 37,663,087 | -35.41% | 111.67% |
| 2014 | 128.166200% | (17,008,206) | (11,112,842) | (28,121,048) | 35,655,019 | -47.70% | 116.75% |

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored PERS Plan

December 31, 2019

Schedule of Employer Contributions

Last Ten Fiscal Years*

| Year Ended December 31, | Statorily or contractually required contributions | Contributions in relation to the statorily or contractually required contributions | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered employee payroll |
|----------------------------|------------------------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------|--------------------|--------------------------------------------------------------------------|
| PERS Plan 1 | | | | | |
| 2019 | \$ 2,604,750 | \$ (2,604,750) | \$ - | \$ 52,526,841 | 4.96% |
| 2018 | 2,504,897 | (2,504,897) | - | 49,529,583 | 5.06% |
| 2017 | 2,266,259 | (2,266,259) | - | 45,983,171 | 4.93% |
| 2016 | 2,002,066 | (2,002,066) | - | 41,693,085 | 4.80% |
| 2015 | 1,745,867 | (1,745,867) | - | 39,026,260 | 4.47% |
| 2014 | 1,548,817 | (1,548,817) | - | 37,320,879 | 4.15% |
| PERS Plan 2/3 | | | | | |
| 2019 | \$ 4,051,757 | \$ (4,051,757) | \$ - | \$ 52,437,339 | 7.73% |
| 2018 | 3,695,812 | (3,695,812) | - | 49,440,314 | 7.48% |
| 2017 | 3,145,115 | (3,145,115) | - | 45,800,870 | 6.87% |
| 2016 | 2,583,884 | (2,583,884) | - | 41,477,314 | 6.23% |
| 2015 | 2,202,444 | (2,202,444) | - | 38,756,185 | 5.68% |
| 2014 | 1,888,244 | (1,888,244) | - | 37,065,498 | 5.09% |

Note to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored LEOFF Plans

December 31, 2019

Schedule of Employer Contributions

Last Ten Fiscal Years*

| Year Ended December 31, | Statutorily or contractually required contributions | Contributions in relation to the statutorily or contractually required contributions | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered employee payroll |
|----------------------------|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------|--------------------|--------------------------------------------------------------------|
| LEOFF 2 | | | | | |
| 2019 | \$ 2,586,044 | \$ (2,586,044) | \$ - | \$ 49,735,616 | 5.20% |
| 2018 | 2,472,686 | (2,472,686) | - | 47,103,109 | 5.25% |
| 2017 | 2,303,750 | (2,303,750) | - | 44,722,208 | 5.15% |
| 2016 | 2,134,670 | (2,134,670) | - | 42,270,438 | 5.05% |
| 2015 | 2,042,874 | (2,042,874) | - | 39,060,712 | 5.23% |
| 2014 | 2,007,877 | (2,007,877) | - | 38,390,731 | 5.23% |

Note to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

CITY OF VANCOUVER

Notes to Required Supplemental Information - Pension
All Multi Employer State Sponsored Plans
December 31, 2019

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 and no significant changes in the employees covered under the benefit terms. However, actuarial results that OSA provided within this publication reflect the following changes in assumptions and methods: For all active members in TRS, OSA increased the assumed salary growth for 2018 from 3.5 percent to 8.0 percent. This was done to reflect recent increases in state funding for basic education
- OSA updated modeling to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated Cost-of-Living Adjustment (COLA) programming to reflect legislation signed during the 2018 Legislative Session (C151 L18). This law provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5 percent increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Note 3: Change in contribution rate

The employer contribution rates for both PERS 1 and PERS 2/3 were 12.83% from January to June 2019. Both plans increased to 12.86% from July through December 2019.

Note 4: Employer Contributions

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

Note 5: Covered Payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll now includes all payroll on which a contribution is based.

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Fire Pension Trust Fund

December 31, 2019

Schedule of Changes in Net Pension Liability and Related Ratios

Last Ten Fiscal Years*

(in thousands)

| | 2019 | 2018 | 2017 | Restated 2016 | 2015 | 2014 |
|-------------------------------------------------------------|------------|------------|------------|------------------|----------|----------|
| Total pension liability | | | | | | |
| Interest | \$ 231 | \$ 224 | \$ 248 | \$ 255 | \$ 265 | \$ 272 |
| Effect of economic/demographic (gains) or losses | 598 | - | - | (185) | - | - |
| Effect of assumptions, changes or inputs | 684 | (264) | 145 | (156) | - | - |
| Benefit payments, including refunds of contributions | (538) | (655) | (586) | (562) | (526) | (477) |
| Net change in total pension liability | 975 | (695) | (193) | (648) | (261) | (205) |
| Total pension liability - beginning | 6,029 | 6,724 | 6,917 | 7,565 | 7,826 | 8,031 |
| Total pension liability - ending (a) | 7,004 | 6,029 | 6,724 | 6,917 | 7,565 | 7,826 |
| Plan net position | | | | | | |
| Contributions - employer | 2,792 | 1,800 | 1,800 | 1,756 | 1,756 | 1,756 |
| Contributions - state fire insurance premium tax | 202 | 200 | 187 | 183 | 172 | 185 |
| Net investment income | 291 | 181 | 84 | 61 | 35 | 35 |
| Prior period adjustment | 17 | - | (15) | - | - | 17 |
| Benefit payments, including refunds of contributions | (538) | (655) | (586) | (562) | (526) | (477) |
| Medical payments from fund | (583) | (720) | (689) | (815) | (836) | (924) |
| Administrative expense | (54) | (58) | (76) | (69) | (56) | (29) |
| Net change in plan net position | 2,127 | 748 | 705 | 554 | 545 | 563 |
| Plan net position - beginning | 10,502 | 9,753 | 9,048 | 8,494 | 7,949 | 7,386 |
| Plan net position - ending (b) | 12,629 | 10,501 | 9,753 | 9,048 | 8,494 | 7,949 |
| Net pension liability ending (a) - (b) | \$ (5,625) | \$ (4,472) | \$ (3,029) | \$ (2,131) | \$ (929) | \$ (123) |
| Plan net position as a % of total pension liability (b)/(a) | 180.31% | 174.17% | 145.05% | 130.81% | 112.28% | 101.57% |
| Covered-employee payroll | - | - | - | - | - | - |
| Net pension liability as a % of covered employee payroll | N/A | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule

*Until a full 10-year trend is compiled, only information for those years available is presented.

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police Pension Trust Fund

December 31, 2019

Schedule of Changes in Net Pension Liability and Related Ratios

Last Ten Fiscal Years *

(in thousands)

| | 2019 | 2018 | 2017 | Restated 2016 | 2015 | 2014 |
|-------------------------------------------------------------|------------|----------|--------|------------------|--------|--------|
| Total pension liability | | | | | | |
| Interest | \$ 83 | \$ 81 | \$ 91 | \$ 83 | \$ 88 | \$ 93 |
| Effect of economic/demographic (gains) or losses | (323) | - | - | 296 | - | - |
| Effect of assumptions, changes or inputs | 161 | (80) | 45 | (49) | - | - |
| Benefit payments, including refunds of contributions | (236) | (230) | (250) | (285) | (217) | (301) |
| Net change in total pension liability | (315) | (229) | (114) | 45 | (129) | (208) |
| Total pension liability - beginning | 2,204 | 2,434 | 2,548 | 2,503 | 2,632 | 2,841 |
| Total pension liability - ending (a) | 1,889 | 2,205 | 2,434 | 2,548 | 2,503 | 2,633 |
| Plan net position | | | | | | |
| Contributions - employer | 2,084 | 1,100 | 1,100 | 1,080 | 1,080 | 1,080 |
| Police Auction Income | 36 | 15 | 9 | 10 | 8 | 2 |
| Net investment income | - | - | - | 1 | - | - |
| Prior period adjustment | 12 | - | 1 | - | - | 9 |
| Benefit payments, including refunds of contributions | (236) | (230) | (250) | (285) | (218) | (301) |
| Medical payments from fund | (681) | (601) | (652) | (612) | (475) | (587) |
| Administrative expense | (40) | (41) | (49) | (47) | (48) | (36) |
| Net change in plan net position | 1,175 | 243 | 159 | 147 | 347 | 167 |
| Plan net position - beginning | 2,576 | 2,334 | 2,175 | 2,029 | 1,682 | 1,515 |
| Plan net position - ending (b) | 3,751 | 2,577 | 2,334 | 2,176 | 2,029 | 1,682 |
| Net pension liability ending (a) - (b) | \$ (1,862) | \$ (372) | \$ 100 | \$ 372 | \$ 474 | \$ 951 |
| Plan net position as a % of total pension liability (b)/(a) | 198.57% | 116.87% | 95.89% | 85.40% | 81.06% | 63.88% |
| Covered-employee payroll | - | - | - | - | - | - |
| Net pension liability as a % of covered employee payroll | N/A | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule

*Until a full 10-year trend is compiled, only information for those years available is presented.

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Trust Funds

December 31, 2019

Schedule of Investment Returns

Last Ten Fiscal Years*

| <u>Retirement System</u> | <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|---------------------------|-------------|--------------------------------------------------------------------------------|
| Fire Pension Trust Fund | 2019 | 2.54% |
| | 2018 | 1.79% |
| | 2017 | 0.73% |
| | 2016 | 0.70% |
| | 2015 | 0.42% |
| | 2014 | 0.46% |
| Police Pension Trust Fund | 2019 | 0.00% |
| | 2018 | 0.00% |
| | 2017 | 0.03% |
| | 2016 | 0.03% |
| | 2015 | 0.00% |
| | 2014 | 0.02% |

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

CITY OF VANCOUVER

Notes to Required Supplementary Information
Police and Fire Pension Trust Funds
December 31, 2019

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, 2019

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--------------------------------------------------------------------|
| Actuarial cost method | Entry Age Normal |
| 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 | 2.75%, net of pension plan investment expense, including inflation |
| Retirement age | 53 |
| Mortality | RP-2000 Mortality Table (combined healthy) |

**City of Vancouver
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019**

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|----------------|-----------------------|---------------------------------|-----------------------|------------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| CDBG - Entitlement Grants Cluster | | | | | | | | |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Community Development Block Grants/Entitlement Grants | 14.218 | B-14-MC-53- 0013 | - | 608 | 608 | - | |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Community Development Block Grants/Entitlement Grants | 14.218 | B-15-MC-53- 0013 | - | 5,874 | 5,874 | 5,154 | |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Community Development Block Grants/Entitlement Grants | 14.218 | B-16-MC-53- 0013 | - | 161,789 | 161,789 | 142,846 | 3, 4 |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Community Development Block Grants/Entitlement Grants | 14.218 | B-17-MC-53- 0013 | - | 331,841 | 331,841 | - | 3, 4 |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Community Development Block Grants/Entitlement Grants | 14.218 | B-18-MC-53- 0013 | - | 758,300 | 758,300 | 398,038 | 3, 4 |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Community Development Block Grants/Entitlement Grants | 14.218 | B-19-MC-53- 0013 | - | 310,497 | 310,497 | 155,291 | 3, 4 |
| Total CDBG - Entitlement Grants Cluster: | | | | - | 1,568,909 | 1,568,909 | 701,329 | |

The accompanying notes are an integral part of this schedule.

City of Vancouver
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------|-----------------------|---------------------------------|-----------------------|---------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Home Investment Partnerships Program | 14.239 | M-13-MC-53- 0208 | - | 735 | 735 | - | |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Home Investment Partnerships Program | 14.239 | M-14-MC-53- 0208 | - | 4,767 | 4,767 | - | |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Home Investment Partnerships Program | 14.239 | M-15-MC-53- 0208 | - | 833 | 833 | - | |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Home Investment Partnerships Program | 14.239 | M-16-MC-53- 0208 | - | 32,814 | 32,814 | 19,534 | |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Home Investment Partnerships Program | 14.239 | M-17-MC-53- 0208 | - | 184,107 | 184,107 | 130,957 | |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Home Investment Partnerships Program | 14.239 | M-18-MC-53- 0208 | - | 346,574 | 346,574 | 297,995 | 3, 4 |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF | Home Investment Partnerships Program | 14.239 | M-19-MC-53- 0208 | - | 112,104 | 112,104 | 45,719 | 3, 4 |

The accompanying notes are an integral part of this schedule.

City of Vancouver
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|----------------|---------------------------|---------------------------------|-----------------------|----------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| | | | Total CFDA 14.239: | - | 681,934 | 681,934 | 494,205 | |
| OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via International Association of Chiefs of Police) | Crime Victim Assistance/Discretionary Grants | 16.582 | 2016-VF-GX- K024 | 286,991 | - | 286,991 | - | |
| OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Clark County) | Violence Against Women Formula Grants | 16.588 | F-18-31103-045 | 5,283 | - | 5,283 | - | |
| COMMUNITY ORIENTED POLICING SERVICE, JUSTICE, DEPARTMENT OF | Public Safety Partnership and Community Policing Grants | 16.710 | 2016-UL-WX- 0047 | - | 401,204 | 401,204 | - | |
| OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Clark County) | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2016-DJ-BX- 0123 | 12,678 | - | 12,678 | - | |
| OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Clark County) | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2017-DJ-BX- 0327 | 37,256 | - | 37,256 | - | |
| | | | Total CFDA 16.738: | 49,934 | - | 49,934 | - | |
| FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF | Airport Improvement Program | 20.106 | 3-53-0139-011- 2018 | - | 175,536 | 175,536 | - | |

The accompanying notes are an integral part of this schedule.

City of Vancouver
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------|---------------------------|---------------------------------|-----------------------|----------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF | Airport Improvement Program | 20.106 | 3-53-0139-012- 2018 | - | 1,037 | 1,037 | - | |
| FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF | Airport Improvement Program | 20.106 | 3-53-0139-013- 2019 | - | 575,064 | 575,064 | - | |
| | | | Total CFDA 20.106: | - | 751,637 | 751,637 | - | |
| Highway Planning and Construction Cluster | | | | | | | | |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation) | Highway Planning and Construction | 20.205 | STPUL-1350 (027) | 62,314 | - | 62,314 | - | |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation) | Highway Planning and Construction | 20.205 | STPUL-4221 (004) | 32,223 | - | 32,223 | - | |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation) | Highway Planning and Construction | 20.205 | CM-9906(047) | 342,969 | - | 342,969 | - | |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation) | Highway Planning and Construction | 20.205 | STPUL-4266 (002) | 68,979 | - | 68,979 | - | |

The accompanying notes are an integral part of this schedule.

City of Vancouver
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------|--------------------------------------|---------------------------------|-----------------------|------------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation) | Highway Planning and Construction | 20.205 | CM-1350(028) | 49,502 | - | 49,502 | - | |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation) | Highway Planning and Construction | 20.205 | NHPP-4242 (026) | 665,000 | - | 665,000 | - | |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation) | Highway Planning and Construction | 20.205 | NHPP-4451 (014) | 1,003,000 | - | 1,003,000 | - | |
| Total Highway Planning and Construction Cluster: | | | | 2,223,987 | - | 2,223,987 | - | |
| Highway Safety Cluster | | | | | | | | |
| NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Association of Sheriffs & Police Chiefs) | State and Community Highway Safety | 20.600 | Traffic Safety Equipment Grant | 1,000 | - | 1,000 | - | |
| NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State of Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | Seat Belt Emphasis | 623 | - | 623 | - | |
| NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State of Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | Section 402 | 3,087 | - | 3,087 | - | |

The accompanying notes are an integral part of this schedule.

City of Vancouver
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------|--------------------------------------------|---------------------------------|-----------------------|----------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State of Washington Traffic Safety Commission) | State and Community Highway Safety | 20.600 | 2019-AG-2814 Region 6 sustainability | 63,018 | - | 63,018 | - | |
| | | | Total CFDA 20.600: | 67,728 | - | 67,728 | - | |
| NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State of Washington Traffic Safety Commission) | National Priority Safety Programs | 20.616 | 2019-AG-2782 Pedestrian Safety Zone | 3,244 | - | 3,244 | - | |
| | | | Total Highway Safety Cluster: | 70,972 | - | 70,972 | - | |
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF | Assistance to Firefighters Grant | 97.044 | EMW-2017-FO-04584 | - | 131,275 | 131,275 | - | |
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF | Assistance to Firefighters Grant | 97.044 | EMW-2017-FP-00204 | - | 206,070 | 206,070 | - | |
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF | Assistance to Firefighters Grant | 97.044 | EMW-2018-FO-00832 | - | 44,937 | 44,937 | - | |
| | | | Total CFDA 97.044: | - | 382,282 | 382,282 | - | |
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Clark Regional Emergency Services) | Homeland Security Grant Program | 97.067 | E18-158 | 47,969 | - | 47,969 | - | |

The accompanying notes are an integral part of this schedule.

City of Vancouver
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------|-----------------------|---------------------------------|-----------------------|------------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Clark Regional Emergency Services) | Homeland Security Grant Program | 97.067 | E19-108 | 14,345 | - | 14,345 | - | |
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Clark Regional Emergency Services) | Homeland Security Grant Program | 97.067 | 16-170 | 11,446 | - | 11,446 | - | |
| Total CFDA 97.067: | | | | 73,760 | - | 73,760 | - | |
| Total Federal Awards Expended: | | | | 2,710,927 | 3,785,966 | 6,496,893 | 1,195,534 | |

The accompanying notes are an integral part of this schedule.

City of Vancouver

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2019

NOTE 1 BASIS OF ACCOUNTING

This Schedule is prepared on the same basis of accounting as the City's financial statements. The City of Vancouver uses the accrual basis of accounting.

NOTE 2 PROGRAM COSTS

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

NOTE 3 PROGRAM INCOME

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

NOTE 4 SUBRECIPIENT REPORTING

Per Uniform Guidance, disbursements of funds to subrecipients is reported on the SEFA in the fiscal year it is paid to the subrecipient.

NOTE 5 INDIRECT COST RATE

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



**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
UNIFORM GUIDANCE**

**City of Vancouver
January 1, 2019 through December 31, 2019**

This schedule presents the corrective action planned by the City for findings reported in this report 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).

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| Finding ref number: 2019-001 | Finding caption: The City’s internal controls were not adequate to ensure accurate financial reporting. |
| Name, address, and telephone of City contact person: Rebecca Harder, Rebecca.Harder@cityofvancouver.us, (360) 487-8462 | |
| Corrective action the auditee plans to take in response to the finding: <ul style="list-style-type: none"> • <i>The City’s accounting team will continue working with the Governmental Accounting Standards Board as well as the Office of the Washington State Auditor to ensure complete and accurate financial reporting.</i> • <i>The City will continue to develop tools and innovate processes to ensure sufficient time and resources are dedicated to preparing and reviewing annual financial statements.</i> • <i>The City’s accounting team will implement additional layers of review for all elements of the Comprehensive Annual Financial Report.</i> | |
| Anticipated date to complete the corrective action: Immediate implementation; continued application. | |

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

| Contact information for the State Auditor's Office | |
|-----------------------------------------------------------|------------------------------------------------------------------------|
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