



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Vancouver

Clark County

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

Published August 21, 2017

Report No. 1019604





Office of the Washington State Auditor
Pat McCarthy

August 21, 2017

Mayor and City Council
City of Vancouver
Vancouver, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	16
About The State Auditor’s Office.....	100

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

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

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

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

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

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Discretely Presented Component Units:

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

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

On February 27, 2006, the Vancouver City Council passed Ordinance M-3739 creating the City Center Redevelopment Authority (CCRA). CCRA is chartered with facilitating the redevelopment of property thereby promoting economic growth and urban livability within the Vancouver City Center Vision plan area. The CCRA will complement the work of the Downtown Redevelopment Authority (DRA) which is limited by indenture for construction and operation of the Hotel and Convention Center project. The CCRA is an independent legal entity, and its financial activities will be reported as a discretely presented component unit of the City; however, there was no financial information to report for fiscal year ending December 31, 2016.

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

**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.

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

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

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Cash and Cash Equivalents

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

Statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. Agencies, and instrumentalities, banker's acceptances, repurchase agreements, and the state treasurer's investment pool. The City is also authorized to enter into reverse repurchase agreements, but did not participate in these investments during 2016. The Pension Trust Fund is also authorized to invest in corporate bonds rated "A" or better by Standard & Poor's Corporation, or "A" or better by Moody's Bond Ratings. Since the City maintains an internal investment pool, regulatory oversight is performed by the CFO, the Treasurer, and the Treasury accountant. Since the City is a governmental unit, at this point, no other type of regulatory oversight is required.

For the most part, investments for the City, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the State pool is the same as the amortized value of the pool shares. As of December 31, 2016, the City had \$93,988,234 in the Washington State local investment pool and \$530,323 in the Clark County Local Government Investment Pool. The reported value of the County pool is the same as the fair value of the pool. Funds held by the City in both pools were classified as cash equivalents. Interest on these investments are prorated to the various funds.

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

2. Internal Balance and Receivables

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

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

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

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

Taxes are due in two equal installments on April 30 and October 31. The Clark County Treasurer remits collections monthly to the appropriate district. Property taxes are recorded as a receivable and revenue in the period for which they are levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred inflows and

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

recognized as revenue of the period to which they apply. No allowance for uncollectible taxes receivable is established because delinquent taxes are considered fully collectible and in the event of nonpayment, create a lien against the associated property. Prior year tax levies were recorded using the same principle as discussed previously, and delinquent taxes are evaluated annually. Taxes receivable also contains related interest and penalties. See Note V. E for more discussion.

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

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

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

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

3. Inventories and prepaid items

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

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

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

4. Restricted assets

These accounts contain resources for construction and debt service in enterprise funds. Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they may be maintained in separate bank accounts and their use is limited by applicable bond covenants. The restricted assets of the enterprise funds consist of \$10,481,999 which is in part cash and investments held for debt service and related interest receivable. Specific debt service reserve requirements are described in Note III.E.1.

5. Capital assets

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

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

The cost for normal maintenance and repairs are not capitalized.

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

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

Asset Category	Useful Life
Buildings	40
Infrastructure Structures	15-40
Leasehold Improvements	20
Utility Improvements	5
Other Improvements	5-60
Rolling Stock	5-30
Information Tech Equipment	5-15
Equipment	4
Software (Intangibles)	5-15
	5

CITY OF VANCOUVER NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

6. Compensated absences

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

7. Other Accrued Liabilities

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

8. Long-term obligations

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

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

9. Pensions

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

10. Unearned revenues

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

11. Use of estimates

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

12. Net position and fund balances

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

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

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

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

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

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

CITY OF VANCOUVER NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

E. ADOPTION OF NEW GASB PRONOUNCEMENTS

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

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

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

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

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

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

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

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

Actuarial Assumptions

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

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

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

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

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

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

Sensitivity of Net Pension Liability

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

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

Pension Plan Fiduciary Net Position

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

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

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

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

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

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

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

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

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

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

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

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

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

Pension Expense

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ 455,330	\$ -
Contributions subsequent to the measurement date	1,138,331	-
TOTAL	<u><u>\$ 1,593,661</u></u>	<u><u>\$ -</u></u>
PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,137,483	\$ (705,177)
Net difference between projected and actual investment earnings on pension plan investments	2,614,026	-
Changes of assumptions	220,788	-
Changes in proportion and differences between contributions and proportionate share of contributions	497,428	-
Contributions subsequent to the measurement date	1,312,903	-
TOTAL	<u><u>\$ 5,782,628</u></u>	<u><u>\$ (705,177)</u></u>
LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between projected and actual investment earnings on pension plan investments	\$ 255,305	\$ -
TOTAL	<u><u>\$ 255,305</u></u>	<u><u>\$ -</u></u>
LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,067,830	\$ -
Net Difference between projected and actual investment earnings on pension plan investments	2,800,261	-
Changes of assumptions	29,382	(352,058)
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,069,700	-
TOTAL	<u><u>\$ 4,967,173</u></u>	<u><u>\$ (352,058)</u></u>

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

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

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

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

3. POLICE OFFICERS AND FIREFIGHTERS' PENSION FUNDS

Plan Description

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

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

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

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

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

Benefit Provisions

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

- Pension and medical expenses for police officers and firefighters retired prior to March 1, 1970, continue to be paid in their entirety by the City under the old pension laws.
- Police officers and firefighters hired before, but not retired on March 1, 1970, received at retirement the greater of the pension benefit provided under the old pension laws and under the LEOFF Act. Any excess of the old benefit over the LEOFF benefit is provided by the City. The City also pays the reasonable cost of necessary medical expenses of the retiree for life.
- For police officers and firefighters hired on or after March 1, 1970, and prior to October 1, 1977, the City is obligated for lifetime medical expenses only. The LEOFF system pays the entire retirement allowance.
- Police officers and firefighters hired on or after October 1, 1977, are covered entirely by the LEOFF system with no City obligation for either retirement allowance or medical expenses.
- The benefits are directly correlated to the salaries of active employees. Cost of Living Adjustments (COLAs) provided at the state level do not impact the total pension benefits provided to the members. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the City's Plan. There were no changes in benefit provisions in the current year.

Contributions

Firemen Plan contributions are required by RCW 41.18, while Policemen Plan contributions are required by RCW 41.20. These Plans are closely tied to the LEOFF plan contributions. Any increases to the LEOFF plans decreases the contributions required by the City's Police and Firemen Pension Plan. Any decreases to the LEOFF plan increase the contributions required by the Plans. Retirement benefit provisions are established in state statute and may only be amended by the State Legislature. Amendments to each of the Plans are authorized by the separate Police and Fire Pension Boards.

Funding for the Police Pension Fund comes from annual transfers from the General Fund that are budgeted and approved by the City Council. Sources of funding for the Firefighters Pension Fund include donations, distributions from the state from fire insurance premium collections, and a property tax levy of up to \$.225 per \$1,000 of assessed valuation.

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

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

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

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

Investments

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

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

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

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

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

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

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

Net Pension Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pension Expense

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

Plan	Pension expense
Fire Pension Trust Fund	408,226
Police Pension Trust Fund	943,250
Total	<u>\$ 1,351,476</u>

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

Deferred Outflows of Resources

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

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

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

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

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

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

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

	Police Pension	Fire Pension		Police Pension	Fire Pension
ASSETS			ADDITIONS:		
Cash and cash equivalents	\$ 2,145,856	\$ 4,952,992	Employer Contributions		
Investments (at fair value)			For pension benefits	\$ 467,709	\$ 940,904
Municipal Bonds	-	3,008,680	For healthcare benefits	612,291	815,092
Corporate Bond	-	1,027,495	Other Sources	11,394	182,745
Receivables (net):			Total Contributions	1,091,394	1,938,741
Accounts	637	-	Investment Income		
Interest	-	14,071	Interest earnings	19	46,033
Prepaid expenses	30,000	30,000	Total Investment Income	19	46,033
TOTAL ASSETS	\$ 2,176,493	\$ 9,033,238	Total Additions	1,091,413	1,984,774
LIABILITIES			DEDUCTIONS:		
Accounts and accrued employee payables	\$ 707	\$ 545	Pension benefits	285,303	561,992
TOTAL LIABILITIES	707	545	Healthcare premium subsidies	612,291	815,092
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	\$ 2,175,786	\$ 9,032,693	Administrative expense	46,878	68,691
			Total Deductions	944,472	1,445,775
			Change in net position	146,941	538,999
			NET POSITION HELD IN TRUST FOR PENSION BENEFITS:		
			BEGINNING OF YEAR	2,028,845	8,493,694
			END OF YEAR	\$ 2,175,786	\$ 9,032,693

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

H. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description:

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

Membership:

Membership in this program includes Plan 1 participants of LEOFF who joined the system by September 30, 1977. Currently, 83 retirees (38 Police and 45 Fire) meet those eligibility requirements. This is considered a closed group with no new members. There were no active employees who had not retired as of December 31, 2016.

Funding Policy:

The City reimburses 100 percent of the amount of validated claims for medical and hospitalization costs incurred by eligible retirees. The City pays for the retiree's monthly insurance premium and also picks up the balance owing after insurance and Medicare payments are made. The pension board performs an annual survey to determine the limit of optical and chiropractic care to be covered. The City also reimburses a monthly fixed amount equal to the Medicare premium for each retiree eligible for Medicare. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.26 and 41.45 of the RCW.

Under RCW law, medical, hospital, and nursing care are covered as long as a disability exists for any active fire fighter or police hired prior to March 1, 1970.

Employer contributions are financed on a pay-as-you-go basis. Expenditures for postretirement health in 2016 were \$1,427,382.

Annual OPEB costs and Net OPEB Obligation:

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

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

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

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

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

Funding Status and Funding Progress:

The actuarial updates on the funding status are as follows:

Police:

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

Fire:

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

Actuarial Methods and Assumptions:

The actuarial assumptions used in the January 1, 2015, OPEB actuarial valuations include techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. In the January 1, 2015 actuarial valuation, the entry age normal cost method was used. The assumptions included a 3.50% investment rate of return, a medical inflation rate that ranges between 5.4-7.5% over the next 15 years, and a long-term care inflation rate of 3.25% for both plans. The plans unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2016 is twenty years.

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

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

I. POLLUTION REMEDIATION OBLIGATION

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

J. SPECIAL AND EXTRAORDINARY ITEMS

COMPONENT UNIT:

Special item: Forgiveness of Debt

As part of the refinancing of the DRA debt in June 2013, a new agreement was signed with the Manager of the Vancouver Conference Center (Hilton Hotels) that provides for forgiveness of the above fee amounts over a 10-year period, on a

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

straight-line basis. The forgiveness of these fees is recorded as a Special Item, Forgiveness of Debt on the Statement of Activities. During December 31, 2016, \$107,813 had been forgiven. The outstanding obligation recorded on the Statement of Net Position as of December 31, 2016, is \$700,784. Additional details on this ongoing arrangement can be found above in Note IV. B. Related Party Commitments. Section 3. Commitment to Hilton Hotel, with respect to the Subordinate and Supersubordinate Management Fees.

Extraordinary item: Bankruptcy settlement

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

K. PRIOR PERIOD ADJUSTMENTS/ RESTATEMENTS

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

Government-Wide : Governmental Funds

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

Government-Wide : Business Type Activities

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

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

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

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

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

L. SUBSEQUENT EVENTS

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

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

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

CITY OF VANCOUVER

Required Supplementary Information
 Police and Fire OPEB Pension Funds
 December 31, 2016

Schedule of Funding Progress

(in thousands)

Six year trend *

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

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

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored PERS Plans

December 31, 2016

Schedule of Proportionate Share of the Net Pension Liability

Last Three Fiscal Years

PERS Plan 1

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

PERS Plan 2/3

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

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored LEOFF Plan 1

December 31, 2016

Schedule of Proportionate Share of the Net Pension Liability

Last Three Fiscal Years

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

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored LEOFF Plan 2

December 31, 2016

Schedule of Proportionate Share of the Net Pension Liability

Last Three Fiscal Years

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

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored PERS Plans

December 31, 2016

Schedule of Employer Contributions

Last Three Fiscal Years

PERS Plan 1

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

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

CITY OF VANCOUVER

Required Supplementary Information

State Sponsored LEOFF Plans

December 31, 2016

Schedule of Employer Contributions

Last Three Fiscal Years

LEOFF 1

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

LEOFF 2

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

CITY OF VANCOUVER

Notes to Required Supplemental Information - Pension

All Multi employer State Sponsored Plans

December 31, 2016

Note 1: Information Provided

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

Note 2: Significant Factors

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

Note 3: Change in contribution rate

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

Note 4: Employer Contributions

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

Note 5: Covered Payroll

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

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2016

Fire Pension Trust Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last Three Fiscal Years

(In thousands)

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

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2016

Police Pension Trust Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last Three Fiscal Years

(In thousands)

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

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2016

Schedule of Employer Contributions

Last Three Fiscal Years

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

CITY OF VANCOUVER

Required Supplementary Information - Single Employer

Police and Fire Pension Funds

December 31, 2016

Schedule of Investment Returns

Last Three Fiscal Years

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

CITY OF VANCOUVER

Notes to Required Supplementary Information

Police and Fire Pension Funds

December 31, 2016

Note 1: Information Provided

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

Note 2: Significant Factors

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

Note 3: Covered Payroll

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

Note 4: Significant Assumptions

Valuation date: January 1, 2017

Methods and assumptions used to determine contribution rates:

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

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

Table 20
 Page 1 of 2

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

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

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

Table 20

Page 2 of 2

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

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

Schedule of Federal Awards

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

Schedule of Expenditures of Federal Awards (SEFA)

Table 20

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

NOTE 1 **BASIS OF ACCOUNTING**

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

NOTE 2 **PROGRAM COSTS**

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

NOTE 3 **PROGRAM INCOME**

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

NOTE 4 **INDIRECT COST RATE**

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov