NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Discretely Presented Component Units

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

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

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

Blended Component Unit

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

The Culture, Arts and Heritage Commission was created in September 2019. Its purpose is to undertake and facilitate the development and promotion of cultural, arts and heritage environment in the City of Vancouver through programs, community partnerships and advisory services to the City. It is managed by a nine-member board appointed by the City Council. During 2021, the commission did not have any reportable assets, operational transactions, or a separate fund.

Unless noted otherwise in this report, the accounting policies of the component units are consistent with those described for the primary government. PFD, DRA, and TBD issue separate financial statements which can be obtained from the City of Vancouver, Financial and Management Services, PO Box 1995, Vancouver, WA 98668-1995.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Separate fund financial statements are provided for governmental funds, enterprise funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Starting for 2020 reporting, reported funds that include multiple budgeted funds used in daily accounting have the word "consolidated" added to their title.

The City reports the following major governmental funds:

The *Consolidated 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 *Consolidated 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, fines and fees.

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

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

The *American Rescue Plan Act Fund* was established in 2021 to account for a Department of Treasury grant utilized for Coronavirus recovery activities.

The *GO Debt Service Fund* was established to accumulate monies for the payment of general obligation debt of the City of Vancouver.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Government-wide and Governmental Funds

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

Governmental fund financial statements report the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary Funds

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

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

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

D. BUDGETARY INFORMATION

<u>1. Scope of Budget</u>

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

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

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

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

<u>2. Amending the Budget</u>

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

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

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

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

<u>3. Excess of Expenditures over Appropriations</u>

The City has not had any occurrences of excesses of expenditures over appropriations as of December 31, 2021.

4. Deficit Fund Net Position

At December 31, 2021, the American Rescue Plan Act fund had a deficit fund balance of $(40,917) due to investment losses not funded with grant funds. The City will determine how to fund any future investments losses in lieu of utilizing grant funds.

Vancouver Downtown Redevelopment Authority (DRA), a component unit of the City, had a deficit in the fund net position of ($11.54) million. The DRA activities involve the operation of a hotel and convention center in the City's central downtown area. This is a cashflow based project and the negative net position balance is primarily attributed to accumulated depreciation, a non-cash item. Additionally, during the recession the economic environment had a negative impact on the convention and lodging business which is also reflected in the net position change. Deep cost-cutting measures have been put in place now for many years. The Board and the management of the DRA as well as the project monitor activities monthly. A series of revenue generating guidelines and on-going expense reductions have been implemented. **The impact of COVID-19 significantly affected operations in 2021 resulting in a larger deficit fund net position when compared to 2020.**

E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2021, the treasurer was holding $536.0 million for the primary government and component units in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds and component units.

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

2. Investments

See Note 3, *Deposits and Investments*

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Note 14, *Property Tax*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. As of December 31, 2021, $3,145 of special assessments receivable were delinquent.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered. Unbilled utility service receivables and special assessments that are liens against property are recorded at year end.

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

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of interfund loans receivable and payable is furnished in Note 5, *Interfund Balances and Transfers.*

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

5. Inventories

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

6. Restricted Assets and Liabilities

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

As of the financial statement presentation date, the proprietary funds' restricted assets consist of $14.74 million restricted cash and equivalents, $7,290 in restricted interest receivable. These funds are restricted for debt service.

7. Capital Assets

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

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

The costs for normal maintenance and repairs are not capitalized.

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

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

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

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

8. Deferred Outflows/Inflows of Resources

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

9. Compensated absences

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

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington

State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other Accrued Liabilities

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

12. Long-term Debt,

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

13. Unearned revenues

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

14. Miscellaneous revenues

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

15. Fund Balance Classification and Net Position

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

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

Restricted net position/fund balance represents resource whose use is *not* subject solely to the government's own discretion. Restrictions may be placed on net position by an external third party that provided the resources, by laws or regulations of other governments, by enabling legislation, by endowment agreements, or by the nature of the asset.

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

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

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

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

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

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

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

16. Fund Balance Details

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

Fund Balance Classifications	Consolidated General Fund	Consolidated Fire Fund	Consolidated Street Fund	Consolidated Capital Improvement Fund	Consolidated Park Impact Fees Fund	American Rescue Plan Act Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable								
Inventory	$ 774	$ -	$ -	$ -	$ -		$ -	$ 774
Long-term Receivables	$ 550,041	$ -	$ -	$ -	$ -		$ -	$ 550,041
Prepaids	$ 157,972	$ -	$ -	$ -	$ -		$ -	$ 157,972
	708,787	-	-	-	-		-	708,787
Restricted								
Federal grants	139,160	-	-	-	-		7,687,329	7,826,489
Capital purposes	-	-	1,600,000	-	-		49,050,660	50,650,660
Economic Development	-	-	-	-	-		26,612,071	26,612,071
Security/safety services	-	-	-	-	-		2,688,238	2,688,238
Security Pension & OPEB	19,375,554	-	-	-	-		-	19,375,554
Debt service	-	-	-	-	-		53,481	53,481
Culture and recreation	-	-	-	-	12,008,756		-	12,008,756
Intergovernmental facilities							-	-
	19,514,714	-	1,600,000	-	12,008,756		86,091,779	119,215,249
Committed								
Working capital	614,425	14,556,504	-	-	-		-	15,170,929
Debt Service	-	-	-	-	-		-	-
Capital purposes	-	-	-	-	-		-	-
Emergency reserves	14,123,647	-	-	-	-		-	14,123,647
Revenue stabilization	4,424,909	-	-	-	-		-	4,424,909
Economic Programs	-	-	-	-	-		3,330,000	3,330,000
Cemetery	-	-	-	-	-		477,540	477,540
Street-oriented Maintenance and construction	-	-	7,128,821	2,939,102	-		-	10,067,923
	19,162,981	14,556,504	7,128,821	2,939,102	-		3,807,540	47,594,948
Assigned								
Federal grants	-	-	-	-	-	16,355	-	16,355
Capital purposes	-	-	-	45,627,485	-		6,195,647	51,823,132
Debt service	-	-	-	-	-		3,703	3,703
Economic development	-	-	-	-	-		1,112,839	1,112,839
Cemetery	-	-	-	-	-		27,699	27,699
Security/safety services	396,202	1,593,088	-	-	-		305,128	2,294,418
Street-oriented maintenance and construction	-	-	13,828,316	-	-		1,840,746	15,669,062
Culture and recreation	881,466	-	-	-	-		1,868,698	2,750,164
Compensated absences	-	-	-	-	-		-	-
	1,277,668	1,593,088	13,828,316	45,627,485	-	16,355	11,354,461	73,697,372
Unassigned	104,751,332	-	-	-	-	(57,272)	(1,823)	104,692,237
Total	$ 145,415,482	$ 16,149,592	$ 22,557,137	$ 48,566,587	$ 12,008,756	$ (40,917)	$ 101,251,957	$ 345,908,593

*Minor differences may exist due to rounding.

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

Fund Balance	General fund from ledger	Other funds included in roll-up	Total
Nonspendable	608,787	100,000	**708,787**
Restricted	139,160	19,375,554	**19,514,714**
Committed	18,548,557	614,424	**19,162,981**
Assigned	881,466	396,202	**1,277,668**
Unassigned	104,751,433	(101)	**104,751,332**
	$ 124,929,403	**$ 20,486,079**	**$ 145,415,482**

*Minor differences may exist due to rounding.

17. Minimum Fund Balance

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

18. Stabilization Arrangements

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

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

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

19. Use of Estimates

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

NOTE 2. ACCOUNTING AND REPORTING CHANGES

For the fiscal year ended December 31, 2021, the City implemented the following GASB Pronouncements:

- **GASB Statement No. 89, Accounting for Interest-cost Incurred before the End of a Construction period.**

The following GASB pronouncements have been issued, but are not yet effective as of December 31, 2021, some as a result of GASB 95 postponement of certain effective dates:

- **GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC 457**
- **GASB Statement No. 96, Subscription-based Information Technology Arrangements**
- **GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements.**
- **GASB Statement No. 93, Replacement of Interbank Offered Rates**
- **GASB Statement No. 92, Omnibus 2020**
- **GASB Statement No. 91, Conduit Debt Obligations**
- **GASB Statement No. 87, Leases**

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

NOTE 3. DEPOSITS AND INVESTMENTS

A. Deposits
The carrying amount of the City's deposits, including certificates of deposit, was $6,670,598 and the bank balance was $7,371,460.

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

B. Investments

The City maintains an Internal Investment Pool. The Pool has an average maturity of approximately ten months. Some funds are invested for the benefit of the respective fund. Remaining monies are aggregated in a residual account and invested in the pool for the benefit of all funds. As required by state law, all investments of the City funds are obligations of the U.S. Government, U.S. agency issues, the State Treasurer's Investment Pool. Regulatory oversight is performed by the CFO, the Treasurer, and the Treasury accountant. At the times when City funds are invested in the State Treasurer's Investment Pool, the only limitation on withdrawal is a 24 hour notice for withdrawal of amounts. For the State Treasurer's Investment Pool the notice is required for amounts in excess of $10 million. Because we are a government, at this point, we do not need any other type of regulatory oversight*.*

As of December 31, 2021, the fair value of the City's investment portfolio was $546,747,355 of which $7,263,498 was invested on behalf of the Firemen's Pension Fund, and $539,483,856 was invested in the City's Internal Investment Pool for the benefit of all funds. Investments of pension funds are not subject to the preceding limitations under state law. The fair value of the investment portfolio is obtained through the City's third-party safekeeping custodian, US Bank Corporate Trust Services, who obtains pricing on Federal Agencies and Corporate Bonds through ICE Intercontinental Exchange Quotes, and uses Standard & Poor's for pricing Municipal Bonds.

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the City may face should interest rate variances affect the fair value of investments. In accordance with its investment policy, the City manages its exposure to declines in fair values by keeping the average maturity of its investment portfolio to less than two years.

		Investment Maturities (in Years) amounts in thousands			
	Fair Value	**Less Than 1**	**1 to 5**	**6 to 10**	**More than 10**
Investment Type					
Debt Securities					
U.S. Agencies	196,971	-	196,971	-	-
Municipals	43,607	22,769	20,838	-	-
Total Debt Securities	**$ 240,578**	**$ 22,769**	**$ 217,809**	-	-
Other Securities					
Local Government Investment Pool	306,170	306,170	-	-	-
Total Investments	**$ 546,748**	**$ 328,939**	**$ 217,809**	-	-

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To limit risk, Washington State law and the City of Vancouver's investment policy limits the amount of the portfolio invested in commercial paper, banker's acceptances, and corporate bonds. It is the City's policy to limit its credit risk by only investing in commercial paper or banker's acceptances with a credit rating of A1 or P1, and investing in corporate bonds for the pension fund, with a credit rating of "A" or better (or equivalent) by nationally recognized statistical rating organizations.

At December 31, 2021, the City's investments (in thousands) had the following credit quality distribution for securities with credit exposure:

Investment Type	**Fair Value**	**Not Rated**	**AAA**	**AA**	**A**
U.S. Government Agencies	196,971	-	196,971	-	-
Municipal Bonds	43,607	6,197	6,795	14,048	16,567
State Pool	306,170	306,170	-	-	-
Total	**$ 546,748**	**$ 312,367**	**$ 203,766**	**$ 14,048**	**16,567**

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The City places limits on the amount it may invest in any one issuer depending on the security type of the investment. At the end of 2021, the City's portfolio had the following concentration of securities in it:

- 0.91% of Federal National Mortgage Association
- 15.91% of Federal Farm Credit Bank
- 9.14% of Federal Home Loan Bank
- 8.23% of Federal Home Loan Mortgage Corporation
- 56.00% of Washington State LGIP
- 7.98% in various Municipal Bonds

The City has several investments in government-sponsored enterprises which are not explicitly backed by the federal government. However, the federal government has provided significant support by increasing its investments in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation and stated they would not allow these enterprises to fail.

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

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

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

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

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

At December 31, 2021, the City had the following recurring fair value and amortized cost measurement investments (in thousands):

Investment Type	Level 1	Level 2	Level 3	Amortized Cost	Total Value
State Pool	-	-	-	306,170	306,170
Federal Agency Coupon Securities	-	196,971	-	-	196,971
Municipal Bonds	-	43,607	-	-	43,607
Total Fair Value	**-**	**$ 240,578**	**-**	**$ 306,170**	**$ 546,748**

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

Investment Type	Fair Value	Amortized Cost	Total Value	Weighted Average Maturity (Years)	Percent of Portfolio
State Pool	-	306,170	306,170	0.009000	56.00%
Federal Agency Coupon Securities	196,971	-	196,971	7.077000	36.03%
Municipal Bonds	43,607	-	43,607	3.814000	7.98%
Total Fair Value	**$ 240,578**	**$ 306,170**	**$ 546,748**		**100.0%**
Portfolio Weighted Average Maturity				**10.900000**	

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

C. Summary of Deposits and Investment Balances

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

Bank Statement Balances

Account	Balance as of FYE
Investments	$ 544,884,092
Bank of America	6,670,598
JPM Chase	100,000
Key Bank	19,142
DRA Operating Aaccount	45,333
DRA Petty cash	20,000
Equipment services	-
Change funds	22,975
Utility postage	40,000
USB DRA	12,324,943
Total	**$ 564,127,083**

Government-wide Financial Statement Balances

Account	Balance as of FYE
Cash and equivalents - City	$ 518,751,177
Cash with Fiscal Agent/Trustee	259,573
Cash with Fiscal Agent/Trustee - Component	12,370,276
Fiduciary Cash	25,513,090
Fiduciary Investments	7,232,967
Total	**$ 564,127,083**

NOTE 4. CAPITAL ASSETS

A. Capital Assets – Governmental Activities

Capital asset activity for the year ended December 31, 2021, is as follows:

	Beginning Balance 01/01/2021	Increases	Decreases	Ending Balance 12/31/2021
Governmental activities:				
Capital assets, not being depreciated				
Land and land improvements	128,692,663	5,061,112	2,337,088	$ 131,416,687
Construction in progress	19,785,638	25,277,646	25,726,901	19,336,383
Intangible - easements and right of way	9,147,847	171,752	-	9,319,599
Artwork	96,920	-	-	96,920
Total capital assets, not being depreciated	157,723,068	30,510,510	28,063,989	160,169,589
Capital assets, being depreciated/depleted:				
Cemetery land	1,101,047	-	-	1,101,047
Buildings	152,681,888	-	3,002,597	149,679,292
Machinery and equipment	71,387,877	4,246,170	1,907,902	73,726,145
Computer and IT equipment	4,093,561	459,733	36,487	4,516,807
Intangible - Software	12,134,817	-	100,834	12,033,983
Intangible - Other	1,974,976	-	-	1,974,976
Improvements other than buildings	45,069,588	322,377	-	45,391,965
Infrastructure	703,648,334	11,155,457	1,310,123	713,493,668
Total capital assets, being depreciated/depleted	992,092,088	16,183,737	6,357,943	1,001,917,883
Less accumulated depreciation for:				
Cemetery land	737,981	2,805	-	740,786
Buildings	52,098,713	4,110,254	294,005	55,914,962
Machinery and equipment	46,035,764	4,544,418	2,508,656	48,071,526
Computer and IT equipment	3,144,458	341,709	36,487	3,449,680
Intangible - Software	5,117,712	574,852	55,458	5,637,106
Intangible - Other	1,974,976	-	-	1,974,976
Improvements other than buildings	19,341,376	834,179	-	20,175,555
Infrastructure	288,145,989	19,085,379	12,065	307,219,303
Total accumulated depreciation	416,596,969	29,493,596	2,906,671	443,183,894
Total capital assets, being depreciated, net	575,495,119	(13,309,859)	3,451,272	558,733,988
Governmental activities capital assets, net	$ 733,218,187	$ 17,200,651	$ 31,515,261	718,903,577

B. Capital Assets – Business-Type Activities

	Beginning Balance 01/01/21	Increases	Decreases	Ending Balance 12/31/21
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	40,174,811	24,500	5,880	40,193,431
Construction in progress	28,947,083	42,604,991	32,069,872	39,482,203
Intangible - easements and right of way	15,570,250	3,016,588	-	18,586,838
Total capital assets, not being depreciated	84,692,144	45,646,079	32,075,752	98,262,472
Capital assets, being depreciated:				
Buildings and system	34,369,767	2,877,750	3,487,132	33,760,385
Machinery and equipment	26,540,133	797,760	81,547	27,256,346
Computer and IT equipment	492,921	-	-	492,921
Intangible - software	11,255,387	-	-	11,255,387
Intangible - other	641,396	-	-	641,396
Improvements other than buildings	2,253,910	220,048	-	2,473,958
Infrastructure	634,953,268	18,537,692	21,658	653,469,302
Total capital assets, being depreciated	710,506,782	22,433,250	3,590,337	729,349,695
Less accumulated depreciation for:				
Buildings and system	17,485,636	849,061	1,772,626	16,562,072
Machinery and equipment	24,728,788	405,588	81,547	25,052,829
Computer and IT equipment	480,075	1,298	-	481,373
Intangible - software	10,673,051	134,544	-	10,807,595
Intangible - other	641,396	-	-	641,396
Improvements other than buildings	2,245,156	7,003	-	2,252,159
Infrastructure	294,536,857	14,557,253	83,806	309,010,304
Total accumulated depreciation	350,790,959	15,954,747	1,937,979	364,807,728
Total capital assets, being depreciated, net	359,715,823	6,478,503	1,652,358	364,541,967
Business-type activities capital assets, net	$ 444,407,967	$ 52,124,582	$ 33,728,110	$ 462,804,438

C. Noncurrent Capital Assets Held for Resale

Retired capital assets that have been surplused by the City Council are recorded separately on the statements. The reclassification to this category will cause decreases on the capital asset tables. As of December 31, 2021, these amounts totaled:

	Amount
Governmental activities	634,506
Business-type activities	2,455,839
TOTAL	**$ 3,090,345**

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

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

D. Depreciation by Function

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

Governmental Activities:	
General government	994,385
Security of persons & property	2,910,678
Transportation, including depreciation of general infrastructure	18,489,777
Physical Environment	97,288
Economic Environment	664,689
Culture and recreation	2,419,770
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets	3,917,009
Total depreciation expense - Governmental Activities	$ 29,493,596
Business-type Activities:	
Water/Sewer	14,896,520
Airport	307,838
Building Inspection	110,263
Solid Waste	6,599
Parking	633,528
Total depreciation expense - Business-type Activities	$ 15,954,748

E. Discretely Presented Component Units

A summary of capital asset activity for component units for the year ended December 31, 2021, is as follows:

	Beginning Balance 1/1/2021	Increases	Decreases	Ending Balance 12/31/2021
Vancouver Downtown Redevelopment Authority				
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	32,775	46,705		79,480
Capital assets, being depreciated:				
Buildings and system	51,362,897			51,362,897
Machinery and equipment	7,781,682	26,790		7,808,472
Total capital assets, being depreciated	59,144,579	26,790	-	59,171,369
Less accumulated depreciation for:				
Buildings and system	19,756,763	1,699,310		21,456,073
Machinery and equipment	5,534,746	525,760		6,060,506
Total accumulated depreciation	25,291,509	2,225,070	-	27,516,579
Total capital assets, being, depreciated, net	33,853,070	(2,198,280)	-	31,654,790
Business-type activities capital assets, net	$ 33,885,845	$(2,151,575)	$ -	$ 31,734,270

The Vancouver Downtown Redevelopment Authority (DRA) for the year ending December 31, 2021 had depreciation expense of $2,225,070.

	Beginning Balance 01/01/21	Increases	Decreases	Ending Balance 12/31/21
Vancouver Public Facilities District				
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 3,603,691	-	-	$ 3,603,691

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

NOTE 5. INTERFUND BALANCES AND TRANSFERS

A Interfund Balances

Interfund transactions represent activity other than transfers and loans that happen between funds after the cash function in the general ledger is frozen at year-end. These can be for any types of internal service transactions, adjustments, or other activity where a due-to or due-from are recorded instead of moving cash. The due-to/from balances will be cleared immediately the following year. Interfund balances at December 31, 2021 were as follows:

		Due From other Funds					
		Consolidated General	Consolidated Fire	Consolidated Street	Consolidated Capital Improvement	American Rescue Plan Act	Other Governmental
Due to other Funds	Consolidated General	-	964,300	256,717	370,345	257,636	50,175
	Consolidated Fire	24,145	-	17,526	28,500	126,989	-
	Consolidated Street	38,837	-	-	-	33,152	45,473
	Concolidated Capital Improvement	1,583,676					
	Consolidated Parks Impact Fees	-	-	-	-		-
	Other Governmental	68,192	-	150,000	-	290	589,219
	Total Due From	**1,714,850**	**964,300**	**424,243**	**398,845**	**418,067**	**684,867**

		Due From other Funds				
		Consolidated Water/Sewer	Parking Services	Other Non-Major Enterprise	Internal Service	Total
Due to other Funds	Consolidated General	480,199	18,282	129,240	797,338	3,324,232
	Consolidated Fire	17,526	-	35,801	1,453	251,940
	Consolidated Street	3,679	-		-	121,141
	Concolidated Capital Improvement	7,825	66,249		89,625	1,747,375
	Consolidated Parks Impact Fees	-	-		-	-
	Other Governmental	-	-		107,847	915,548
	Total Due From	**509,229**	**84,531**	**165,041**	**996,263**	**6,360,236**

**Minor differences may exist due to rounding.*

B. Interfund Transfers

Interfund transfers at December 31, 2021 were as follows:

		Transfers In					
		Consolidated General	Consolidated Fire	Consolidated Street	Consolidated Capital Improvement	American Rescue Act Plan	Nonmajor Governmental
Transfers Out	Consolidated General		281	38,382		257,636	858,127
	Consolidated Fire	36,468,460		16,941	645,390	126,989	
	Consolidated Street	17,496,600				33,152	1,600,000
	Consolidated Capital Improvement	9,518,573	891,600				17,769
	GO Debt Service	2,427,731	361,550	255,062			4,754,663
	Nonmajor Enterprise	713,313		485,501		290	3,037,736
	Total Transfers In	66,624,677	1,253,431	795,886	645,390	418,067	10,268,295

		Transfers In			
		Consolidated Water/Sewer	Parking Services	Nonmajor Enterprise	**Total Transfers Out**
Transfers Out	Consolidated General	5,565	1,258		1,161,249
	Consolidated Fire	16,941		52,020	37,326,741
	Consolidated Street			83,908	19,213,660
	Consolidated Capital Improvement				10,427,942
	GO Debt Service				7,799,006
	Nonmajor Enterprise				4,236,840
	Total Transfers In	22,506	1,258	135,928	80,165,438

**Minor differences may exist due to rounding.*

C. Interfund Loans/Advances

Interfund loans/advances at December 31, 2021 were as follows:

		Due From		
		Nonmajor Govt'l Funds	Park Impact Fees	**Total Due To**
Due To	General	$ 2,500,000	$ 550,041	**$ 3,050,041**

**Minor differences may exist due to rounding.*

NOTE 6. LEASES

A. Operating Leases

The City leases the office building and other equipment under noncancelable operating leases. Total cost for such leases was $558,415 for the year ended December 31, 2021. The future minimum lease payments for these leases are as follows:

	Governmental Activities	Business-type Activities
2022	$ 113,233	$ 7,200
2023	116,541	7,200
2024	120,253	7,200
2025	124,077	7,200
2026	51,912	3,600
	$ 526,016	$ 32,400

Major changes in future leases included the tenant on the sixth floor of the City Hall not renewing its lease and the current tenant of the Weber building delivered a notice to vacate in September of 2022. The dollar impact of both changes is reflected in the table below.

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

	Governmental Activities	Business-type Activities
2022	$ 1,378,593	$ 10,000
2023	1,002,713	10,000
2024	620,022	10,000
2025	554,096	10,000
2026	419,941	7,500
2027-2031	1,244,973	-
2032-2036	533,875	-
2037-2041	90,005	-
2042-2046	90,005	-
2047-2051	18,005	-
2052-2056	5	-
2057-2061	5	-
	$ 5,952,238	$ 47,500

B. Capital Leases

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

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

The assets acquired through capital leases are as follows:

Asset	**Governmental Activities**
Police HQ	$ 11,352,034
Less: Accumulated Depreciation	$ 576,146
Total	$ 10,775,888

The future minimum lease obligation payments as of December 31, 2021, were as follows:

Year Ending December 31	Governmental Activities
2022	10,775,888
Total Minimum Lease Payments	10,775,888
Present Value of Minimum Lease Payments	10,775,888

NOTE 7. LONG-TERM DEBT

A. Long-Term Debt

The City issues general obligation and revenue bonds to finance the acquisition or construction of major capital projects. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. In 2021, the final outstanding revenue bond was repaid in full by proprietary fund revenues.

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

Name of Issuance	Purpose	Original Debt	Issuance Date	Maturity Date	Interest Rate	Govt'l Debt Outstanding	Business Debt Outstanding
2012B&C LTGO Bond	Business Type Activities Refunding	$ 9,515	12/12/2012	12/1/2025	2.36%		$ 3,250
2015A LTGO Bond	Governmental Activities	1,297	6/15/2015	12/1/2028	4.33%	1,097	
2015B LTGO Bond	Governmental Activities & Refunding	23,100	6/15/2015	12/1/2034	2.72%	13,545	
2016 LTGO Bond	Governmental Activities Refunding	7,810	6/22/2016	12/1/2028	1.89%	5,630	
2020 LTGO Bond	Governmental Activities Refunding	7,045	9/10/2020	12/1/2035	1.56%	6,565	
2021A LTGO Bond	Governmental Activities Refunding	7,495	9/7/2021	12/1/2035	1.67%	7,390	
2021B LTGO Bond	Governmental Activities Refunding	10,040	9/7/2021	12/1/2029	1.41%	9,925	
Total General Obligation Bonds		**$ 66,302**				**$ 44,152**	**$ 3,250**

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

	Governmental Activities			Business Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2022	5,075	1,332	6,406	785	87	872
2023	5,240	1,173	6,412	800	68	868
2024	5,368	1,051	6,419	820	47	867
2025	5,525	892	6,417	845	24	869
2026	4,520	715	5,235	-	-	-
2027-2031	12,955	1,775	14,730	-	-	-
2032-2035	5,470	349	5,819	-	-	-
	$ 44,152	$ 7,287	$ 51,438	$ 3,250	$ 227	$ 3,477

At December 31, 2021, the City had $0 available in debt service funds to service the general bonded debt. Several other funds are responsible for payment of the GO bonded debt. Through the budget appropriation process, arrangements are made for transfers from those funds to the debt service funds prior to payment of the debt.

B. Refunded Debt

The city issued $7,495,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and State and Local Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on $7,290,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by $1,603,322 and resulted in an economic gain of 19.6%.

The city issued $10,040,000 of general obligation refunding bonds (2021B) to provide resources to purchase U.S. Government and State and Local Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on $9,805,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This current refunding was undertaken to reduce total debt service payments over the next 8 years by $939,833 and resulted in an economic gain of 9.08%.

C. Governmental Loans

The City is also liable for notes that were entered into for the construction of capital projects. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources. Governmental loans outstanding (in thousands) at year-end are as follows:

Name of Issuance	Purpose	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2006 PWTF	Governmental Activities	2,200	11/30/2006	7/1/2026	1%	582
Section 108 HUD Loan	Governmental Activities	5,419	7/7/2010	8/1/2029	3.70%	2,071
Clark County - Annexation Obligation	Governmental Activities	344	8/1/2017	4/1/2022	0%	63
2018 PWTFL	Governmental Activities	$ 2,855	5/22/2018	6/1/2038	1.16%	$ 2,004
		$ 10,818				**$ 4,720**

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

	Governmental Activities		
	Principal	Interest	Total
2022	532	88	620
2023	474	81	555
2024	484	72	556
2025	489	63	552
2026	494	53	547
2027-2031	1,420	123	1,543
2032-2036	590	34	624
2037-2038	237	5	242
Total	$ 4,720	$ 519	$ 5,239

D. Special Assessments

The City also issues special assessment debt to provide funds for the construction of street safety improvements in connection with a train noise quiet zone. Special assessment bonds are created by ordinance, adopted by the City Council, and financed by assessments on property owners within the special assessment area. Special assessment bonds are serial bonds and are called yearly based on assessments received. In 2021 the last assessment was called and paid in full. The amount of delinquent receivables at December 31, 2021, was $3,145. A separate guarantee fund is available to cover the outstanding delinquencies at the end of the assessment period.

The City has a Local Improvement District (LID) Guarantee Fund to finance any uncollectible special assessment debt. The LID 545 assessment is secured by a pledge of the assessments levied by the City against the benefited properties within LID 545 and is not a general obligation of the City. The LID Service Fund and the LID Guaranty Debt Service Fund have cash balances of $16,271 and $35,471, respectively, to service the local improvement district bonds.

E. Impact Fee Credits

In 1995, the City of Vancouver adopted an impact fee ordinance to ensure that adequate facilities are available to serve new growth and development. An impact fee is charged at the issuance of a building permit. In addition, the developer may be entitled to a non-refundable "credit" against the applicable impact fee component for the fair market value of appropriate dedications of land, improvements or new construction of system improvements provided by the developer. In the event that the amount of the "credit" is calculated to be greater than the amount of the impact fee due, the developer may apply the excess "credit" toward future impact assessment on other developments within the same service district.

As of December 31, 2021, the value of credits that may be applied against future impact fees is $19,419,041. This is recorded as a governmental activity in the government-wide financial statements.

F. Debt Of Discretely Presented Component Units

Revenue Bonds

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

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

Name of Issuance	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2013 DRA Conference Center Project Refunding Revenue Bonds	$ 38,730,000	6/27/2013	1/1/2044	4.38%	$ 37,810,000
2013 DRA Conference Center Project Sales & Lodging Tax Refunding Revenue Bonds	13,680,000	6/27/2013	1/1/2034	4.05%	12,550,000
Total Revenue Bonds	**$ 52,410,000**				**$ 50,360,000**

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

	2013 Project Revenue Refunding Bonds			2013 Tax Revenue Refunding Bonds		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2022	$ 965,000	$ 1,653,488	$ 2,618,488	$ 1,230,000	$ 522,600	$ 1,752,600
2023	$ 1,015,000	$ 1,603,988	$ 2,618,988	$ 1,340,000	$ 458,350	$ 1,798,350
2024	$ 1,070,000	$ 1,551,863	$ 2,621,863	$ 1,455,000	$ 395,750	$ 1,850,750
2025	$ 1,120,000	$ 1,497,113	$ 2,617,113	$ 1,565,000	$ 335,350	$ 1,900,350
2026	$ 1,175,000	$ 1,439,738	$ 2,614,738	$ 1,675,000	$ 270,550	$ 1,945,550
2027-2031	$ 6,750,000	$ 6,343,438	$ 13,093,438	$ 3,690,000	$ 712,775	$ 4,402,775
2032-2036	$ 8,250,000	$ 4,807,650	$ 13,057,650	$ 1,595,000	$ 118,900	$ 1,713,900
2037-2041	$ 10,185,000	$ 2,821,531	$ 13,006,531	$ -	$ -	$ -
2042-2044	$ 7,280,000	$ 501,075	$ 7,781,075	$ -	$ -	$ -
Total	$ 37,810,000	$ 22,219,881	$ 60,029,881	$ 12,550,000	$ 2,814,275	$ 15,364,275

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

Amounts on deposit in the Authority Reserve Fund held by the Trustee is the source of repayment for this direct borrowing loan. In the event of a default on the direct borrowing loan, in which the principal and interest payments are not made when due, the unpaid principal shall bear interest at the note rate plus 2%. The prepayment of principal plus interest is allowed at any time without incurring a premium.

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

	Other long-term loans and notes payable		
	Principal	**Interest**	**Total Requirements**
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027-2031	-	-	-
2032-2036	204,660	191,185	395,845
2037-2041	611,032	697,538	1,308,570
2042-2044	614,863	803,883	1,418,746
Total	**$ 1,430,555**	**$ 1,692,606**	**$ 3,123,161**

G. City Debt Guarantee of the DRA

The City is contractually obligated to guarantee the bond debt of the DRA if the DRA is unable to make payments. As of the end of 2021, the City does not foresee the obligation to pay any portion of their debt in 2022. The DRA's reserves are expected to be sufficient to make those payments.

NOTE 8. CHANGES IN LONG TERM LIABILITIES

A. During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

Governmental actvities	Balance 1/1/21	Additions	Reductions	Balance 12/31/21	Due Within One Year
Bonds payable:					
General obligation bonds	$ 48,626,500	$ 17,535,000	$ 22,010,000	$ 44,151,500	$ 5,074,500
Issuance premiums	3,232,795	-	1,712,953	1,519,842	57,173
Issuance discounts	-	-	-	-	-
Total GO bonds payable	51,859,295	17,535,000	23,722,953	45,671,342	5,131,673
Special assessment debt with governmental commitment	5,000	-	5,000	-	-
Governmental loans	5,898,113	-	1,178,464	4,719,649	532,269
Claims and judgements	8,977,777	748,701	417,099	9,309,379	3,188,325
Total OPEB Liability	48,695,087	-	2,148,542	46,546,545	1,640,288
Net Pension Liability	11,096,351	-	8,512,442	2,583,909	-
Compensated absences	12,221,727	373,491	-	12,595,218	11,335,697
Asset Retirement Obligations	450,000	-	-	450,000	-
Capital Lease Payable	11,119,819	-	343,931	10,775,888	10,775,888
Impact Fee Credit	18,925,596	493,445	-	19,419,041	3,413,956
Governmental activity long-term liabilities	$ 169,248,765	$ 19,150,637	$ 36,328,431	$ 152,070,971	$ 36,018,096

Business-type activities	Balance 1/1/21	Additions	Reductions	Balance 12/31/21	Due Within One Year
Bonds payable:					
General obligation bonds	$ 5,160,000	$ -	$ 1,910,000	$ 3,250,000	$ 785,000
Revenue bonds	-	-	-	-	-
Issuance premiums (discounts)	-	-	-	-	-
Total bonds payable	5,160,000	-	1,910,000	3,250,000	785,000
Net Pension Liability	7,109,754	-	5,512,659	1,597,096	-
Compensated absences	3,206,888	19,855	-	3,226,743	2,904,069
Asset Retirement Obligations	2,468,200	-	-	2,468,200	-
Business-type activity long-term liabilities	$ 17,944,842	$ 19,855	$ 7,422,659	$ 10,542,039	$ 3,689,069

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For the governmental activities, claims and judgments and compensated absences are generally liquidated by operating funds, such as the General Fund, Consolidated Fire, and the Street funds. The General Fund provides funding for the payment of benefits related to OPEB.

B. Compensated Absences

Accumulated amounts of vacation leave are accrued as expenses when incurred in the government-wide and enterprise fund financial statements. At year end, the compensated absences liability was $12,595,218 in governmental activities (which includes the internal service funds) and $3,226,743 in business-type activities. For the governmental activities, compensated absences are generally liquidated by operating funds, such as the Consolidated General Fund and Consolidated Fire funds. See additional details about compensated absences in Note 1.

C. Discretely Presented Component Units

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

	Beginning Balance 1/1/21	Additions	Reductions	Ending Balance 12/31/21	Due Within One Year
Bonds payable:					
Revenue bonds	$ 52,410,000	$ -	$ 2,050,000	$ 50,360,000	$ 2,195,000
Premiums (disounts)	389,414	-	29,304	360,110	29,304
Total bonds payable	52,799,414	-	2,079,304	50,720,110	2,224,304
Due to other governments	4,379,140	2,542,461	2,705,280	4,216,321	-
Other long-term loans and notes	1,430,555	-	-	1,430,555	-
Subordinate management fee	269,532	-	107,813	161,719	107,813
Component units long term liabilities	$ 58,878,641	$ 2,542,461	$ 4,892,397	$ 56,528,705	$ 2,332,117

NOTE 9. CONTINGENCIES AND LITIGATIONS

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

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

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

NOTE 10. OTHER SIGNIFICANT COMMITMENTS

Related Party Commitments

1. Commitment to Downtown Redevelopment Authority (DRA), with respect to the Vancouver Conference Center
The City signed an agreement on December 1, 2003, to participate in the construction and operation of the Vancouver Conference Center, using tourism funds. In June 2013 DRA refinanced the debt associated with the Center with a guarantee from the City.

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

During 2021, the City made no payments under its contingent payment obligation. The City has no current expectation of having to make any such payments, as it expects project revenues and tax revenues to be sufficient for such purposes, unless the pandemic related business shutdowns continue to impact project revenues for a period longer than 12 months.

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

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

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

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

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

During 2021 $107,813 was recorded as forgiven with an outstanding obligation reported on the Statement of Net Position.

NOTE 11. JOINT VENTURES & JOINTLY GOVERNED ORGANIZATIONS

Joint Ventures

Clark Regional Emergency Services Agency (CRESA)
The City is involved in a joint venture with ongoing financial responsibilities with other governmental entities in the establishment and operation of the CRESA. CRESA was created under the Interlocal Cooperation Act (RCW 39.4) by agreement between the City and other governmental units and political districts. Its purpose is to provide a consolidated public safety communications service to participating cities, political districts, and Clark County. Participating governmental entities have representation on the CRESA board. Clark County maintains the accounting records for CRESA. Detailed financial statements for this entity can be obtained from Clark Regional Emergency Services Agency at 710 W 13th St, Vancouver, WA 98660-2810.

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

Jointly Governed Organizations

Council for the Homeless
The City, Clark County, and the Vancouver Housing Authority entered into an Intergovernmental Cooperation Act (RCW 39.4) on December 20, 1989, for the establishment of the Council for the Homeless (Council) as a collaborative effort to address issues of homelessness. Each jurisdiction appoints one board member. The remaining 12 members of the Council are selected by the Council's bylaws. Clark County and Vancouver Housing Authority provides annual fiscal support for operations. The City only provides funding to the Council as a grant subrecipient if applicable. For the year ending December 31, 2020, the City made subrecipient grant payments to the Council totaling $146,026 The relationship between the City and the Council does not create an ongoing financial interest or financial responsibility.

Related Organizations

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

NOTE 12. RELATED PARTY TRANSACTIONS

DRA, a component unit of the City of Vancouver, constructed the Vancouver Conference Center and a hotel in downtown Vancouver. The project was funded by proceeds from the sale of tax-exempt bonds issued by the DRA. The bonds were secured by project revenues, together with a credit from the State of Washington equal to 0.033% of 1% of the sales and use tax collected within the City and Clark County, and a dedication of 50% of the lodging taxes collected within the City.

During 2021, the City recognized $1,024,520 in expenditures associated with lodging tax revenues dedicated to the project.

NOTE 13. RISK MANAGEMENT

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

The cost of excess loss coverage has been increasing over time. For the year 2021-2022 the cost of annual excess coverage for the City exceeds $1.7 mil. The total combined cost of insurance coverage for the City is $3.0 million per year.

A. General Liability and Property

The fund pays the majority of claims involving general liability but has other liability coverage through specific policies. Currently, specific policies include the airport liability. Coverage totals $10,000,000 for liability and $10,000,000 for hangar keepers legal. In addition, the City purchases excess liability insurance for all City operations including auto, for a limit of $10,000,000 plus $10,000,000. The excess policy provides $1,000,000 for self-insured retention, this is unchanged from 2020. The City also purchases liability on specific vehicles up to $1,000,000 and inland marine coverage for the equipment fleet. The deductible for fleet physical damage is 5% subject to $10,000 minimum. In 2021 the City paid out $206,178 in General Liability claims.

Property claims costs in 2021 were $44,491, compared to $79,116, reported in 2020, with new first party property and vehicle claims reported in 2021. The City carries fire damage insurance (buildings and business personal property), earth movement, equipment breakdown, valuable papers, computer virus, accounts receivable and flood insurance coverage. Policy coverage for property damage is up to $550 million with adjustable deductibles based on specific event types. This represents replacement cost for City buildings and contents.

B. Workers' Compensation

The cost for claims and claims administration was $2,635,615 in 2021, compared with $1,132,853 in Workers Compensation claims reported in 2020. In addition to self-insurance, the City also maintains an excess coverage policy with a $1,000,000 deductible.

C. Self-Insured Workers' Compensation and Liability Fund

Both workers' compensation and liability self-insurance are reported in the same fund. The City contributions to the fund are determined using information from the contributing funds past claims experience and loss exposures. The claims liability reported in the fund totaled $9,309,379 at December 31, 2021.

The claims liability, as reported in the fund, is based on the requirements of GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The following was prepared based on an actuarial analysis by Bickmore. These are actuarial estimated amounts reflecting expected losses - actual losses may vary. Changes in the fund's liabilities from claims in 2021, 2020 and 2019, are as follows:

Year	Beginning of Fiscal Year Liability	Current Year Claims	Change in Estimates for Claims of Prior Periods	Claim Payments	Balance at Fiscal Year End
2021	$ 8,977,777	$ 3,397,000	$ (179,113)	$ (2,886,285)	$ 9,309,379
2020	$ 8,056,486	$ 1,248,637	$ 1,446,000	$ (1,773,346)	$ 8,977,777
2019	$ 7,787,000	$ 3,376,941	$ 195,000	$ (3,302,455)	$ 8,056,486

D. Employee Healthcare

Beginning January 2015, the City established an internal service fund for the purpose of self-insuring employee medical costs. The City pays claims and expenses for employees choosing this plan and contracts with a third-party administrator to process claims. The plan carries reinsurance coverage with a $250,000 individual stop loss, and an aggregate stop loss of 125% of claims, with one named covered person with a $275,000 deductible. Any outstanding claims liabilities existing at the end of the fiscal year were deemed immaterial and were not booked in the financial statements.

The City is obligated to establish and has maintained a 16-week contingency reserve for the internal service fund. As of December 31, 2021, net position for the self-insured health insurance fund is $6,820,703.

NOTE 14. PROPERTY TAX

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

Property Tax Calendar

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

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

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

For 2021, the City's regular tax levy was $2.038 per $1,000 on a total taxable assessed valuation of $26,564,915,246 for a total regular levy of $52,527,179.

Special levies approved by the voters are not subject to the limitations above. In 2021, the City levied an additional $0.238 per $1,000 for the Affordable Housing Levy resulting in a total additional levy of $6,000,000.

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

NOTE 15. TAX ABATEMENT

Multifamily Tax Exemption Program

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

Program eligibility includes:

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

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

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

As of December 31, 2021, there are 22 approved, ongoing agreements under this program. 18 of the projects have completed construction and are currently renting. 18 projects were in the abatement period for which the City abated approximately $618,208 in property taxes, an increase of 57.5% due to an increase in assessed value for these properties in 2020 for 2021 taxes.

High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities

The state administers this tax deferral program under Washington State RCW 82.60. The purpose of the program is to promote economic stimulation, create new employment opportunities in distressed areas, and reduce poverty in certain distressed counties in the state. During the year ended December 31, 2021, there were no tax deferrals which reduced the City's revenue under this program.

Multi-unit Urban Housing Exemption

The state administers this tax deferral program under Washington State RCW 84.14.020. During the year ended December 31, 2021 the state issued tax deferrals which reduced the City's revenue of $555,139 under this program.

NOTE 16. PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	$ 4,181,005
Pension Assets	142,526,657
Deferred ouflows of resources	12,730,812
Deferred inflows of resources	91,137,071
Pension expense/expenditures	23,915,967

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

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

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

The DRS report can also be downloaded from the DRS website at: www.drs.wa.gov.

B. Public Employees' Retirement System (PERS)

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

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

C. Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1 Actual Contribution Rates:		**Employer**	**Employee**
January - June 2021			
PERS Plan 1		7.92%	6.00%
PERS Plan 1 UAAL		4.87%	
Administrative Fee		0.18%	
	Total	**12.97%**	**6.00%**
July - December 2021			
PERS Plan 1		10.07%	6.00%
Administrative Fee		0.18%	
	Total	**10.25%**	**6.00%**

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

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

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

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

Contributions
The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3 Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.97%**	**7.90%**
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**

* For employees participating in JBM, the contribution rate was 15.90%

The City's actual PERS plan contributions were $2.37 million to PERS Plan 1 and $3.94 million to PERS Plan 2/3 for the year ended December 31, 2021.

C. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

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

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

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

Contributions
Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2020. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions
The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

LEOFF Plan 2 **Actual Contribution Rates**	**Employer**	**Employee**
January - June 2021		
State and local governments	5.15%	8.59%
Administrative fee	0.18%	
Total	**5.33%**	**8.59%**
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	**8.77%**	**8.59%**
July- December 2021		
State and local governments	5.12%	8.53%
Administrative fee	0.18%	
Total	**5.30%**	**8.53%**
Ports and Universities	8.53%	8.53%

The City's actual contributions to the plan were $2.84 million for the year ended December 31, 2021.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2021, the state contributed $78.17 million to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is $0.68 million.

D. Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation

- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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 no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020, Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

E. Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
	100%	

Sensitivity of Net Pension Liability

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease 6.4%	Current Rate 7.4%	1% Increase 8.4%
PERS 1	$ 7,122,577	$ 4,181,005	$ 1,615,650
PERS 2/3	$ (12,479,813)	$ (43,807,172)	$ (69,605,266)
LEOFF 1	$ (7,340,849)	$ (8,154,105)	$ (8,857,709)
LEOFF 2	$ (50,108,689)	$ (79,461,833)	$ (103,496,203)

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, 2021, the City reported a total pension liability of $4.18 million for its proportionate share of the net pension liabilities and $131.42 million for its proportionate share of net pension assets as follows:

Plan	
PERS 1	$ 4,181,005
Total liabilities	$ 4,181,005
PERS 2/3	$ 43,807,172
LEOFF 1	$ 8,154,105
LEOFF 2	$ 79,461,833
Total (assets)	$ 131,423,110

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	$ (8,154,105)	$ (79,461,833)
LEOFF - State's proportioante share of the net pension associated with the employer	(55,154,164)	(51,261,557)
TOTAL	**$ (63,308,269)**	**$ (130,723,390)**

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportionate
PERS 1	0.35089%	0.34236%	(0.00853)%
PERS 2/3	0.45489%	0.43976%	(0.01513)%
LEOFF 1	0.23671%	0.23804%	0.00133%
LEOFF 2	1.34659%	1.36805%	0.02146%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021, 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 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). 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 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

For the year ended December 31, 2021, the City recognized pension expense as follows:

Pension Expense		
PERS 1	$	(1,066,697)
PERS 2/3		(9,743,742)
LEOFF 1		(1,238,993)
LEOFF 2		(9,896,275)
Total		**(21,945,707)**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

		Deferred Outflows of Resources		Deferred Inflows of Resources
PERS 1				
Net difference between projected and actual investment earnings on pension plan investments	$	-	$	(4,639,516)
Contributions subsequent to the measurement date		1,037,237		-
TOTAL	**$**	**1,037,237**	**$**	**(4,639,516)**
PERS 2/3				
Differences between expected and actual experience	$	2,127,651	$	(537,034)
Net difference between projected and actual investment earnings on pension plan investments		-		(36,612,520)
Changes of assumptions		64,016		(3,111,034)
Changes in proportion and differences between contributions and proportionate share of contributions		775,917		(563,941)
Contributions subsequent to the measurement date		1,778,092		-
TOTAL	**$**	**4,745,676**	**$**	**(40,824,529)**
LEOFF 1				
Net difference between projected and actual investment earnings on pension plan investments	$	-	$	(2,491,581)
TOTAL	**$**	**-**	**$**	**(2,491,581)**
LEOFF 2				
Difference between expected and actual experience	$	3,604,085	$	(419,950)
Net difference between projected and actual investment earnings on pension plan investments		-		(37,887,974)
Changes of assumptions		34,349		(3,779,209)
Changes in proportion and differences between contributions and proportionate share of contributions		1,196,686		(1,094,314)
Contributions subsequent to the measurement date		1,458,402		-
TOTAL	**$**	**6,293,522**	**$**	**(43,181,447)**
TOTAL ALL PLANS				
Differences between expected and actual experience	$	5,731,736	$	(956,984)
Net difference between projected and actual investment earnings on pension plan investments		-		(81,631,591)
Changes of assumptions		98,365		(6,890,243)
Changes in proportion and differences between contributions and propotionate share of contributions		1,972,603		(1,658,255)
Contributions subsequent to the measurement date		4,273,731		-
TOTAL	**$**	**12,076,435**	**$**	**(91,137,073)**

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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:		PERS 1		PERS 2/3		LEOFF 1		LEOFF 2
2022	$	(1,229,008)	$	(9,850,590)		(661,853)	$	(10,122,984)
2023		(1,126,219)		(9,192,783)		(605,386)		(9,433,851)
2024		(1,064,885)		(8,859,624)		(571,239)		(8,913,179)
2025		(1,219,403)		(9,734,509)		(653,103)		(10,034,440)
2026		-		(205,070)		-		(154,120)
Thereafter		-		(14,367)		-		312,249
Total	**$**	**(4,639,515)**	**$**	**(37,856,943)**	**$**	**(2,491,581)**	**$**	**(38,346,325)**

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

The financial activity of the Police and Fire Pension Trust Funds are presented in the General Fund. No separate stand-alone financial reports are issued for the plans.

Plan membership. At December 31, 2021, pension plan membership consisted of only inactive plan members or beneficiaries currently receiving benefits. The police and fire plans entitle the employees to the greater of the state pension plan or City pension plan benefit. If the City plan benefit exceeds the state benefit, the City must pay the benefit difference. The City benefit amount changes based on current police and fire salaries and other factors.

Benefit Provisions

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

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

Contributions

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

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

Contributions are determined on a pay-as-you-go basis. Milliman Consultants and Actuaries completed actuarial studies of the two funds as of December 31, 2021; however, no actuarially determined contributions are provided. The General Fund is responsible for the costs of administering the plans, however the valuations assume this is coming from plan assets. If assets are depleted, the General Fund is responsible for the costs. There have been no required employee contributions to the plans since March 1, 1970, because the plan is closed to new entrants. For the year ended December 31, 2021, contributions made by the general fund to the Police and Fire Pension Funds were $2.08 million and $2.79 million, respectively.

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 2021 to the Fire Pension Fund was $219,261.

As of December 31, 2021, the Firefighters Pension Fund and the Police Pension Fund reported net position held in trust for pension and OPEB benefits of $15,118,149 and $4,819,690, 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, 2021, the Firefighters Pension fund had an investment portfolio with fair value of $7,282,042 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 $7,784,751. Investments in the City's internal investment pool are invested in the Washington State Treasurer Local Government Investment Pool (LGIP), which operates within the parameters outlined in GASB 79, and qualifies to report investments at amortized cost. The State Investment Pool's investment objective is to effectively maximize the yield while maintaining liquidity and a stable share price of $1. The State Pool portfolio's average maturity was 49 days on December 31, 2020. The State Investment Pool in an unrated fund. The City's internal investment pool also invests in the Clark County Local Government Investment Pool, which is unrated, and in US Agencies and Municipal Bonds. All investments are valued at fair value. The average maturity of the Clark County Local Government Investment Pool is 15.9 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, 2020 but did have $4,77,925 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, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows:

Year ending December 31, 2020	Net Money - Weighted Rate of Return
Fire Pension Trust Fund	0.34%
Police Pension Trust Fund	0.00%

Net Pension Liability

The components of the net pension liability of the City at December 31, 2021, were as follows:

	Fire	Police
Total pension liability	$ 6,584,811	$ 2,249,480
Plan fiduciary net position	15,118,149	4,819,690
Net pension liability (asset)	$ (8,533,338)	$ (2,570,210)
Fiduciary net position as a % of total pension liability	229.59%	214.26%
Covered payroll	0	0
Net pension liability as a % of covered payroll	N/A	N/A

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

FIRE PENSION TRUST FUND

Changes in Net Pension Liability (Asset)	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Asset
Balances as of December 31, 2020:	$ 7,122,914	$ 14,581,192	$ (7,458,278)
Changes for the year:			
Prior period adjustment	-	-	-
Interest on total pension liability	137,787	-	137,787
Effect of economic/demographic gains or losses	(414,312)	-	(414,312)
Effect of assumptions, changes or inputs	207,838	-	207,838
Benefit payments	(469,416)	(469,416)	-
Medical payments from fund	-	(706,050)	706,050
Employer contributions	-	1,500,000	(1,500,000)
Contributions from state fire insurance premium tax	-	219,261	(219,261)
Net investment income	-	49,901	(49,901)
Administrative expenses	-	(56,739)	56,739
Balance as of December 31, 2021	**$ 6,584,811**	**$ 15,118,149**	**$ (8,533,338)**

POLICE PENSION TRUST FUND

Changes in Net Pension Liability (Asset)	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Asset
Balances as of December 31, 2020:	$ 1,791,143	$ 4,913,768	$ (3,122,625)
Changes for the year:			
Prior period adjustment	-	(1,480)	1,480
Service cost	-	-	-
Interest on total pension liability	33,456	-	33,456
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	621,333	-	621,333
Effect of assumptions, changes or inputs	41,422	-	41,422
Benefit payments	(237,874)	(237,874)	-
Medical payments from fund	-	(830,016)	830,016
Employer contributions	-	1,000,000	(1,000,000)
Police auction income	-	14,919	(14,919)
Net investment income	-	15	(15)
Administrative expenses	-	(39,642)	39,642
Balance as of December 31, 2021	**$ 2,249,480**	**$ 4,819,690**	**$ (2,570,210)**

Actuarial assumptions. The total pension liability for each plan was determined by an actuarial valuation as of December 31, 2021, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There were no significant changes during this period. The following actuarial assumptions were applied to all periods included in the measurement:

Discount rate	2.00%
Long-term expected rate of return, net of investment expense	2.00%
Municipal bond rate	2.00%
Inflation	2.25%
Salary increases including inflation	3.25%
Actuarial cost method	Entry Age Normal

Mortality rates were based on the Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. 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, 2021.

The Police and Fire Pension plans are separately invested but assume the same expected rate of real return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021, are summarized in the following table:

Asset Class	Index	Long-term Expected Rate of Real Return
Cash	BAML 90 day T-bills	-0.26%
Short-term bonds	Bloomberg US Govt 1-3 Yr TR USD	0.25%
Long-term bonds	Bloomberg US Govt Long TR USD	1.14%
Assumed inflation - Mean		2.25%
Long-term expected rate of return		**2.00%**

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

The assumption of 2.00% as of December 31, 2021, is an appropriate long-term expected rate of return on investments such as those in the City's trust. The Bond Buyer General Obligation municipal bond index for bonds that mature in 20 years is 2.06% as of December 31, 2021. Rounding this to the nearest 1/4% results in a discount rate of 2.00%. Using 2.00% for both the long-term expected rate of return and the bond index will mean that 2.00% 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, 2021, was 2.00%. The discount rate at December 31, 2021 is consistent with the same rate used from December 31, 2020.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 2.00%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Net pension liability (asset)		
	1% Decrease 1.00%	**Current Rate 2.00%**	**1% Increase 3.00%**
Fire	(7,919,271)	(8,533,338)	(9,065,951)
Police	(2,398,698)	(2,570,210)	(2,721,035)

Pension Expense

Pension expense recognized related to the City's own pension trust funds for the year ended December 31, 2021, was as follows:

Plan	Pension expense
Police Pension Trust Fund	1,572,495
Fire Pension Trust Fund	397,764
Total	**$ 1,970,259**

Deferred Outflows of Resources

The City does not report deferred outflows or inflows on fiduciary fund statements. The following information is provided in accordance with GASB 67/68 criteria. At December 31, 2021, the deferred outflows of resources related to pension trust funds were from the following sources:

Source of Deferred Outflows of Resources	Fire Pension Trust Fund	Police Pension Trust Fund
Net difference between projected and actual investment earnings on pension plan investments	$ 487,387	$ 216,989

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
2022	$ 163,033	$ 85,711
2023	129,084	68,555
2024	95,957	43,262
2025	49,313	19,461
2026	-	-
Thereafter	-	-

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

Fire and Police OPEB Plans

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

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

The following table represents the aggregate OPEB amounts the Fire and Police plans for the year 2021:

Aggregate OPEB Amounts - All Plans	
OPEB liabilities	$ 46,546,545
OPEB assets	$ -
Deferred ourflows of resources	$ -
Deferred inflows of resources	$ -
OPEB expenditures	$ (454,914)

OPEB Plan Description

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

Funding Policy

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

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

Membership
Membership in this program includes Plan 1 participants of LEOFF who joined the system by September 30, 1977. This is considered a closed group. There were no active employees, and no retired employees not yet receiving a benefit, as of December 31, 2021.

Employees covered by benefit terms: At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	
Fire	57
Police	37
Total	**94**

Can we tie this table back to support

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. Total expenditures for postretirement health in 2021 were $1,632,447.

Can we tie this amt back to something?

Assumptions and Other Inputs

The actuarial assumptions used in the January 1, 2021, OPEB actuarial valuations include techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities, consistent with the long term perspective of the calculations. In the January 1, 2021, actuarial valuation, the entry age normal cost method was used. The assumptions included a 2.00% discount rate, 2.00% investment rate of return, 2.25% inflation rate, and 3.25% salary increase rate, which includes inflation.

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, service retirement, disability, mortality, and healthcare cost trends. Amounts determined regarding the OPEB liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Changes in Total OPEB Liability and Related Ratios, presented as required supplementary information following the notes to the financial statements presents the results of OPEB valuations as of December 31, 2021, and looking forward, the schedule will eventually provide multiyear trend information about the actuarial values of OPEB liability. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and the plan members to that point.

The following presents the total OPEB liability of the City for each plan calculated using the current healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Fire OPEB Current Trend Rates	1% Increase
Total OPEB Liability	$ 25,349,731	$ 28,677,795	$ 32,603,237

	1% Decrease	Police OPEB Current Trend Rates	1% Increase
Total OPEB Liability	$ 16,019,425	$ 17,868,750	$ 20,014,915

The following presents the total OPEB liability of the City for each plan calculated using the discount rate of 2.00%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.0%) or 1-percentage point higher (3.0%) that the current rate.

	1% Decrease 1.00%	Fire OPEB Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	$ 32,956,346	$ 28,677,795	$ 25,167,579

	1% Decrease 1.00%	Police OPEB Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	$ 20,230,317	$ 17,868,750	$ 15,898,338

Changes in the Total OPEB Liability:

The following presents a schedule of changes for each plan's total OPEB Liability during 2021.

Fire OPEB

Total OPEB Liability at 01/01/2021	$	30,013,119
Service cost		-
Interest		591,312
Changes of benefit terms		-
Economic/demographic gains and losses		73,997
Changes of assumptions		(1,101,157)
Benefit Payments		(899,476)
Other Changes		-
Total OPEB Liability at 12/31/2020	**$**	**28,677,795**

Police OPEB

Total OPEB Liability at 01/01/2021	$	18,681,968
Service cost		-
Interest		365,737
Changes of benefit terms		-
Economic/demographic gains and losses		329,429
Changes of assumptions		(714,232)
Benefit Payments		(794,152)
Other Changes		-
Total OPEB Liability at 12/31/2020	**$**	**17,868,750**

The Valuation Date, or the date as of which the actuarial evaluation was performed, was January 1, 2021. The Measurement Date, or date as of which the total OPEB liability and schedule of changes to the total OPEB liability under GASB 75 was determined, was December 31, 2021.

Since the prior measurement date, the discount rate and investment rate of return remained at 2.00%. No other significant changes were made to the assumptions or other inputs. No changes of benefits that affected the measurement of the total OPEB liability occurred since the prior measurement date.

Total OPEB expenditures for the City were a $(454,914) adjustment for 2021, largely due to the recognition of assumption changes or inputs noted previously.

At December 31, 2021, the City did not have any reportable deferred outflows of resources or deferred inflows of resources related to OPEB. Therefore, there are no outflows of resources resulting from payments subsequent to the measurement date to recognized as a reduction of the total OPEB liability and in future years.

NOTE 18. PRIOR PERIOD ADJUSTMENTS/ RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES

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

Purpose of Adjustment	Effect on Prior Year Change in Net Position	Reported Fund	Net Increase or (Decrease) to PY Net Position
The City received a land donation from Clark County for a County owned parcel in 2007. The land parcel was not added as a donated asset in the year it was acquired, and was discovered when the City sold a portion of the parcel in 2021. The City obtained a fair market value estimate from Clark County to determine the value of this prior period adjustment.	This adjustment increases the beginning fund balance to correspond with the movement of revenue recorded in 2021 back to 2020	Parks Construction Fund	$ 1,295,000

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

On the government-wide statements, the same adjustments identified above are reported together under Business-type Activities.

NOTE 19. SUBSEQUENT EVENTS

Proposition 2

The City of Vancouver put before the voters a levy lid increase proposal to fund additional operating and capital investments in the Fire service. The voters approved the $0.50/$1,000 in assessed value levy on February 18, 2022. The proposition would fund the City's share of the costs related to adding 43 positions in fire, a new ladder truck, a new squad vehicle, the costs to replace fire stations 3 and 6 and seismically retrofit other aged fire facilities. The Fire District 5 is moving forward with a funding proposal of the District's share of the costs of the fire services enhancement package by placing a measure before it's voters in the August election The increased staffing levels will be included in the 2023-24 budget, in accordance with the intent of the levy.

Purchase of Fourth Plain Commons

During the fourth quarter of 2021, the City entered into a Purchase Agreement with the Vancouver Housing Authority (VHA) to acquire the commercial unit of a larger residential affordable housing condominium building called Fourth Plain Commons being constructed by VHA. The transaction will close once VHA has constructed the building shell, which consists of a six-story building with 106 affordable housing units, along with ground floor commercial space and an outdoor commons area, which will be developed into a community center overseen by the City. The City, through a separate public bid contract, will build out the interior of the commercial unit. The City's purchase price for the commercial unit shell is a percentage of the total construction costs not to exceed $5,500,000. The purchase price will be paid at closing when construction of the commercial unit shell is complete, as demonstrated by the Seller's architect issuing a certification of substantial completion.

Receipt of American Rescue Plan Act Funding

In 2021 the American Rescue Plan Act was approved, and the City was awarded funds through the new Coronavirus State and Local Fiscal Recovery Funds. The City is estimated to receive approximately $33 million through this funding. The second trench is anticipated to be received early in 2022.

COVID-19

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

Our experience is that revenues are continuing to improve into the first quarter of 2022. Sales tax is coming in significantly stronger than it did in 2021, other revenues are coming in consistent with historical projections. the Governor of the state of Washington is anticipating to fully reopen the economy on July 1, which will likely mean that the City will continue seeing the improvements in the economy and its revenues. The City started transitioning staff to the office while still allowing teleworking options. City Council moved to a hybrid meeting format, allowing both, in person participation and on-line participation.

New Staff in Key Management Positions

The City is seeing some turnover in its key management positions. The City's General Services Director, Media Services Director and the Accounting Manager are new. The City is looking for a new Public Works Director and just recently hired its new Police Chief.

NOTE 20. UNIQUE AND UNUSUAL TRANSACTIONS OR CHANGES IN OPERATIONS

New and Closed Funds

- American Rescue Plan Act – shown as a major fund in the combining statements, this new fund was established to account for a new revenue stream from the US Department of Treasury to aid in the recovery from the Coronavirus pandemic.
- Affordable Housing Local Sales Tax - This fund was created during 2020 to implement a 0.1% sales tax for affordable housing in accordance with HB 2263. Beginning in 2021 it is reported as a nonmajor special revenue fund in the combining statements. It was not reported in 2020 as it had no financial activity during that reporting year.
- The Senior Messenger Fund – shown as a non-major special revenue fund, that reported activity associated with printing a newsletter for city’s elderly population, closed in 2021 and all the activity was transferred into the General Fund. The activity will continue and will be tracked separately.

Unique and Unusual Transactions

- Parks Impact Fees Expiration extension into 2022

  The City extended expiring District 4 PIF revenues by timely encumbering these for creation of a public park located new SE 192nd Ave and SE 25th in Vancouver. Pursuant to a Development Agreement dated September 15, 2021, between the City and a mixed - use developer requiring the parties to negotiate the construction and acquisition of a public park located within PIF District 4 as part of the larger development project. On December 28, 2021, the parties entered into an agreement specific to the City's purchase of the park which obligates payment by the City of $1,000,000 from PIF toward the total project costs.

Major Reorganizations

- In 2021 the City saw a fair amount of reorganization due to continued activity and workload growth. Three new departments were created: Economic Development and Public Housing Department, Department of Equity and Inclusion and General Services Department. Economic Development and Public Health was previously included in the Community and Economic

Development Department. The Department of Community and Economic Development was re-named Community Development Department to better reflect the updated scope of services provided. Department of Equity and Inclusion was created to better capture and report work that has been taking place over the last several years and to start building an internal capacity in that area. General Services was recreated, after almost of decade of being combined with Public Works. General Services will include Central Records, Facilities Maintenance, General Capital and Emergency Services.

- A new Assistant City Manager position was created to provide oversight to the Economic Development and Public Housing, Community Development, Parks and Recreation.

NOTE 21. ASSET RETIREMENT OBLIGATIONS

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

- One Radioactive Machine: Held by the Water/Sewer Fund, radioactive machines are considered hazardous waste and must be disposed of in accordance with state guidelines. The liabilities reported were based upon the professional evaluation of employees managing its operations and input from related suppliers as of April 2020. The expected disposal year is 2034.
- 15 Underground Fuel Storage Tanks: Held by the Airport, Water/Sewer and Internal Service funds, the fuel storage tanks require decommissioning by WAC 173-360A-0810. The assets are scheduled to be replaced, depending on the asset, from 2023 up to 2041. The liabilities reported were based upon a quote from an external supplier and evaluation by City staff as of April 2020 and reaffirmed in 2021.
- 44 Wells: There are 44 wells considered to be capital assets, 40 active and four unused but not yet decommissioned wells. These asset retirement obligations were added as of January 1, 2020. Decommissioning requirements are required per the state WAC 173-160. While some of the wells are scheduled to be replaced in the current capital project plan, the remaining assets will be replaced after about 100 years of life. The assets are scheduled to be replaced, depending on the asset, from 2023 up to 2097.The value of the ARO liability is based on the overseeing engineer's professional judgement establishing this methodology:
    - A flat rate for mobilization of equipment
    - + $100 per unit of volume of the well
    - + $8,000 per 100 square feet of depth of the well