

# Annual Comprehensive Financial Report

Fiscal year ended December 31, 2021



## **FINANCIAL & MANAGEMENT SERVICES**

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\_\_\_\_\_, 2022

**To the Honorable Anne McEnerny-Ogle, Mayor  
Members of the City Council  
Mr. Eric Holmes, City Manager  
Citizens of the City of Vancouver**

I am pleased to submit to you the 2021 Annual Comprehensive Financial Report (ACRF) of the City of Vancouver, Washington.

The report consists of management's representations concerning the finances of the City of Vancouver (City). Consequently, management assumes full responsibility for the completeness and reliability of all the information presented within this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient and reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by the Office of the Washington State Auditor in accordance with generally accepted governmental auditing standards. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2021, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2021, are fairly presented in conformity with GAAP. The independent auditor's report is included in the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The City's Single Audit Report is issued separately and is available upon request.





Another state mandate requires the Office of the Washington State Auditor to perform control testing and additional tests of compliance with state laws and regulations as detailed in *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the City complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. The City's Accountability report is also available separately upon request.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with that document. The City's MD&A can be found immediately following the report of the independent auditor.

## **Profile of the Government**

The City was incorporated on January 23, 1857. The City sits on the north bank of the Columbia River directly across from Portland, Oregon. The Pacific coast is less than 90 miles to the west. The Cascade Mountain Range rises on the east. Mount St. Helens National Volcanic Monument and Mt. Hood are less than two hours away. The spectacular Columbia River Gorge National Scenic Area lies 30 minutes to the east. Vancouver combines the excitement of a major metropolitan area with small-town charm and abundant recreational opportunities. The City serves a population of over 185,000 and occupies a land area of 51.84 square miles.

The City has operated under the Council-Manager form of government and provides services per its charter adopted February 20, 1952, and last amended by a vote of the people, November 5, 2019. This system empowers the citizens of Vancouver and provides responsive, progressive leadership and a vision for the community. City Council is presided over by the Mayor, who is elected every four years. The six Council Members are elected for four-year terms via City-wide vote. Three Council members are elected during each biennial municipal election. Among its primary duties, the City Council makes laws, sets policies, adopts budgets and oversees a wide-ranging agenda for the community. The City Manager, who is appointed by City Council, heads the administrative branch of City government and directs all City operations, projects and programs.

The City of Vancouver provides a balanced array of services. The City builds and repairs roads, builds and maintains water, sewer and drainage infrastructure, provides fire and police protection services, administers land use policy and takes an active role in Vancouver's commercial and industrial development. The City also designs and maintains Vancouver's many parks and green spaces. The City coordinates recreation activities, fosters neighborhood livability and works to preserve the City's environmental quality and historic legacy. The City is also the fiscal agent for two development authorities, which are reported discretely in the City's financial report and for a Transportation Benefits District. Additional information on separate legal entities can be found in Note 1, Reporting Entity, in the notes to the financial statements.

## **Accounting and Budgeting Procedures under State Law**

Cities and counties of the State of Washington must comply with the Budgeting, Accounting, and Reporting System (BARS) prescribed by the Office of the State Auditor as authorized under RCW 43.09.200 and RCW 43.09.230. State law also provides for annual independent audits by the Office of the State Auditor and requires timely submission of annual financial reports to the state for review. The biennial city budget is controlled at the fund level legally. In practice, the budget is also controlled at the fund-department level in the General Fund. The financial system of the City incorporates a system of financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. Consequently, controls are designed to provide reasonable assurance that transactions are executed in accordance with management authorization and recorded in conformity with GAAP. In addition, these controls ensure that accountability over assets and obligations exists, and that sufficient reporting and review exist to provide adequate information for analysis and comparability of data. Internal control is an area of audit by the State Auditor as well, and City management receives and take action based on their recommendations.


The City prepares budgets in accordance with RCW 35.34. To provide directional guidance to the process, the City prepares a multi-year financial forecast of its revenues and expenditures. Biennial budgets (in which calendar year allocations lapse at year-end) are adopted by the City council for all city funds. All increases in total budgeted appropriations of funds are authorized by the City Council through the budget process. Changes in appropriations within a fund may be authorized by the City Manager. All budgets, for management purposes, are accounted for on a line-item basis with control at the spend category grouping. Estimated purchase order amounts are encumbered prior to the release of the order to the vendor. Such encumbrances also serve to provide budgetary control. Open encumbrances lapse at year-end and must be re-appropriated or absorbed in the next year's operating budget.

## **Information Useful in Assessing the Government's Economic Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

### **Local economy**

Vancouver is located within a metropolitan area that has a diverse economy with a broad base of manufacturing, high technology, retail, plus governmental and business services. Relatively low development costs and a strong labor force have attracted investments to the City. High technology companies, such as Hewlett-Packard, SEH America, and Kyocera have located in the City over the past twenty years. The role of manufacturing jobs in the economy has been decreasing over time. Recently, large employers in the healthcare business and software development have located within the City, including Peace Health, Banfield and a number of smaller startup companies in the tech sector.

Retail trade in the City historically has been hampered by the sales tax in Washington and the lack of sales tax in Oregon. It is estimated that between 25% and 30% of the City's retail expenditures used to occur in Portland, Oregon. As a result, the City was losing an estimated \$10-\$15 million per year in uncollected sales taxes. The COVID pandemic seems to have changed this historic trend. Many City residents chose to make purchases on-line and have them delivered to their houses to avoid unnecessary contact with other people. As a result, the City was able to capture a large portion of the sales that used to be avoided due to the proximity with Oregon. The robust real estate activity led to a spike in construction and remodel – related retail sales and the resulting sales tax. Private construction activity has significantly picked up over the last two years, especially in the multi-family construction sector, school construction in Vancouver was boosted by the successful recent school bond. The auto sales and general retail activity has also been elevated in 2021. 

Many people and businesses are relocating to this region for its natural beauty and many recreational opportunities. Vancouver combines the excitement of a major metropolitan area with small-town charm and abundant recreational opportunities. During the pandemic, many people chose to move out of the urban areas to suburban areas. Home prices in Vancouver jumped by an estimated 22% over 2020 home prices.

### **Long-term financial planning**

The City's 2021-2022 Biennial Budget was created during an unprecedented year in which the world-wide COVID-19 pandemic affected the City's operations. During 2021, the City found itself continuing with telework for some departments, adopting safe operating practices for departments that remained open to the public, and following directives from the Governor on business hours of operations, closures, and reopening procedures. Services continued to be provided to residents through online activity.. Additionally, social justice issues came to the forefront, and resulted in implementation of various measures pertaining to criminal justice and law enforcement. During 2020-2021, the City started its first Safe Park program for shelter-less residents with vehicles and has been preparing its first Stay Safe community opening to accommodate those that did not have places to stay or vehicles. Several additional opportunities are underway to be opened and available early in 2022.

The city has indicated its priority for future planning to include progress towards climate action, public safety and social justice. High priority also has been placed on continued development in strategic redevelopment areas of Vancouver laying the groundwork for revenue enhancement in years to come.



City residents have indicated in the last Community Services Survey that they remain generally satisfied with the quality of life in the City. To maintain this high level of satisfaction, City staff and City Council will continue to focus on service prioritization in light of community priorities while continuing to evaluate expense reductions and explore additional revenue sources in order to put in place a permanent structural solution. The City Manager, under the direction of City Council and pursuant to the City's Financial Policy, has maintained a consistent strategy of restraining on-going costs within existing on-going revenues.

### **Relevant Financial Policies**

In addition to following all laws related to budgeting as outlined by RCW 35, the City has internal financial management policies that are adopted by City Council and reviewed every two years during the budget development process. The policies ensure that the City maintains a healthy financial foundation into the future. The goal of these policies is to promote:

- An extended financial planning horizon to increase awareness of future potential challenges and opportunities.
- Setting aside reserves for contingencies, replacement of capital equipment and facilities, and other similar needs.
- Maintaining the effective buying power of fees and charges and increasing cost recovery where directed to do so.
- Accountability for meeting standards for financial management and efficiency in providing services.
- Planning for the capital needs of the community.
- Maintaining manageable levels of debt while maintaining quality bond ratings.
- Communication to residents and customers on how the community goals are being addressed.

### **Major Initiatives**

Over the last biennium, the City found itself as a major partner during the COVID-19 pandemic by providing city-owned sites as locations for testing and subsequent vaccination locations for the public. As more residents receive vaccinations, the city's focus is now towards recovery efforts for the local economy in the areas of economic development, housing, social equity and inclusion. Approval of major development plans and sale of property for further development continues the city's path forward as a vibrant and attractive location for future employers and a desirable place to live.

### **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Vancouver for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2020. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report, whose contents conform to program standards. The ACFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Vancouver has received a Certificate of Achievement for the last 3 years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA. The report includes, where applicable, the implementation of new GASB statements 83, 84, 88, and 90.

The preparation of this report could not have been accomplished without the efficient and dedicated staff of the Financial & Management Services Team. I would also like to express my thanks to the administrators and employees of the City, and the citizens of Vancouver whose continued cooperation, support, and assistance have contributed greatly to the financial stability of the City of Vancouver.

Finally, I want to point out that the pictures included in this year's ACFR demonstrate Vancouver's energetic, dynamic, and cultural heritage. Every citizen, from the young to the young-at-heart, can enjoy events and activities that entertain and enlighten. We are fortunate to be able to call such a lively community our home.

Respectfully submitted,

A handwritten signature in blue ink that reads "Cyndi A. Turner". The signature is written in a cursive, flowing style.

Cyndi A Turner  
Accounting Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Vancouver  
Washington**

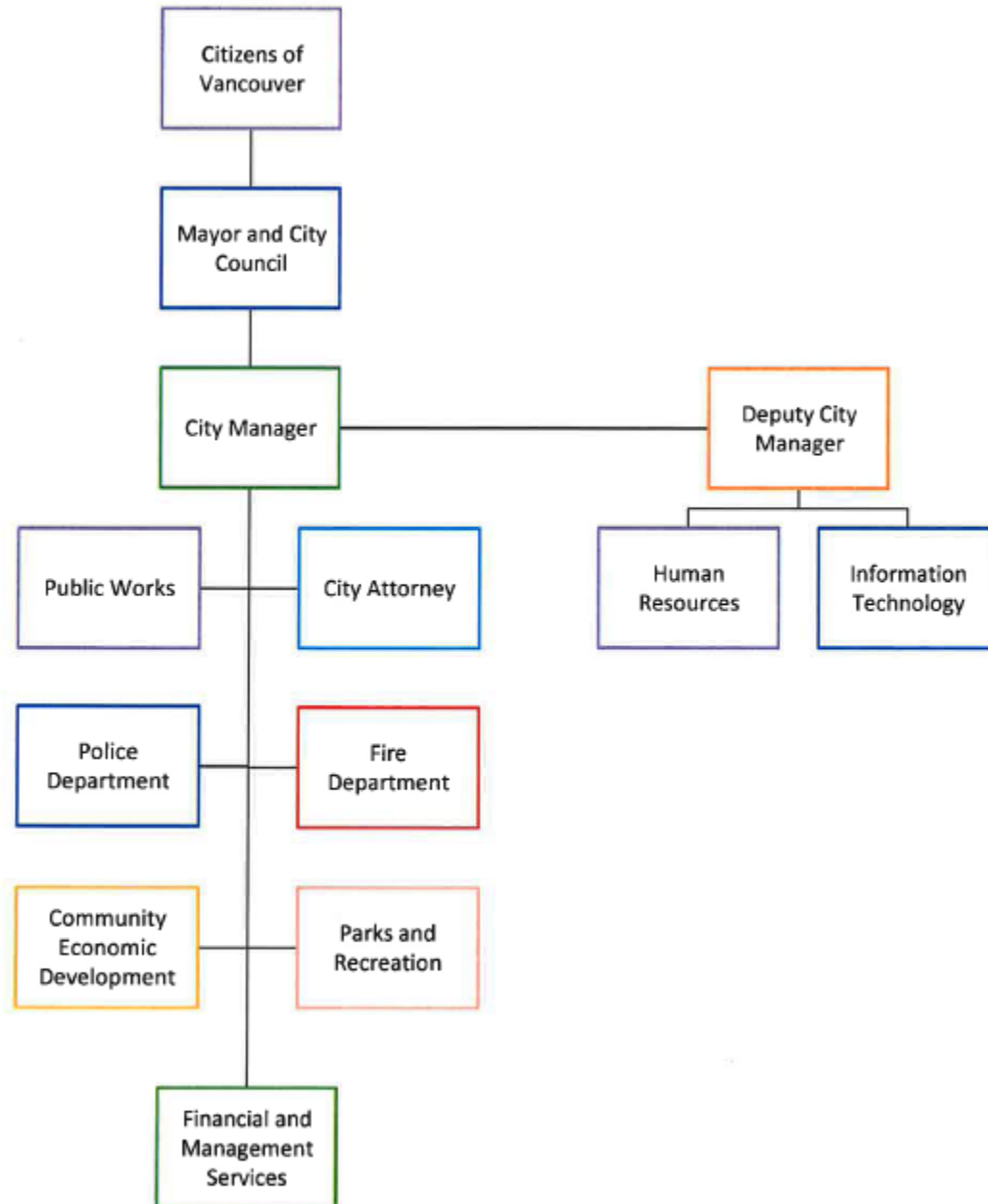
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2020

*Christopher P. Morill*

Executive Director/CEO

# City of Vancouver Organizational Chart





**Anne McEnereny-Ogle**  
2014-Present



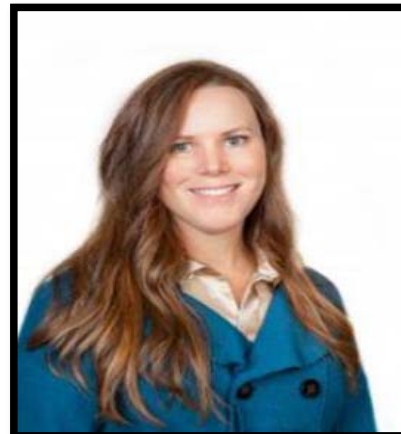
**Bart Hansen**  
2010-Present



**Ty Stober**  
2015-Present



**Erik Paulsen**  
2019-Present



**Sarah J. Fox**  
2020-Present



**Diana H. Perez**  
2022-Present



**Kim D. Harless**  
2022-Present

Independent Auditor's report

Hold for pages 9 - 12