



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

# Downtown Redevelopment Authority

For the period January 1, 2023 through December 31, 2023

*Published August 26, 2024*

Report No. 1035319



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

August 26, 2024

Board of Directors  
Downtown Redevelopment Authority  
Vancouver, Washington

**Report on Financial Statements**

Please find attached our report on the Downtown Redevelopment Authority's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Downtown Redevelopment Authority January 1, 2023 through December 31, 2023**

Board of Directors  
Downtown Redevelopment Authority  
Vancouver, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Downtown Redevelopment Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 24, 2024.

Our report includes a reference to other auditors who audited the financial statements of the Vancouver Hotel and Convention Center Project (the Project), as described in our report on the Authority's financial statements. The financial statements of the Project were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Project or that are reported on separately by those auditors who audited the financial statements.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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Pat McCarthy, State Auditor

Olympia, WA

July 24, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Downtown Redevelopment Authority January 1, 2023 through December 31, 2023**

Board of Directors  
Downtown Redevelopment Authority  
Vancouver, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the accompanying financial statements of the Downtown Redevelopment Authority, a component unit of the City of Vancouver, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Downtown Redevelopment Authority, as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Vancouver Hotel and Convention Center Project (the Project), which represents 7 percent and 100 percent, respectively, of the assets and revenues of the Authority. Those statements were audited by other audits, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Project, is based solely on the reports of the other audits. The financial statements of the Project were not audited in accordance with *Government Auditing Standards*.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed;



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority’s ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2024 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

July 24, 2024

## FINANCIAL SECTION

### **Downtown Redevelopment Authority January 1, 2023 through December 31, 2023**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2023

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2023

Statement of Revenues, Expenses and Changes in Net Position – 2023

Statement of Cash Flows – 2023

Notes to Financial Statements – 2023

Downtown Redevelopment Authority  
(A component unit of the City of Vancouver)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2023

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Vancouver Downtown Redevelopment Authority's (the "Authority" or "DRA") discussion and analysis offers readers of the DRA's financial statements a narrative overview and analysis of the Authority's financial activities for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and notes to the financial statements (which immediately follow this discussion).

### **FINANCIAL HIGHLIGHTS**

- At December 31, 2023, the liabilities of the DRA exceeded its assets and deferred outflows of resources by \$2.20 million.
- Net investment in capital assets of negative \$16.36 million represents the deficit component of the DRA's net position. This is a result of accumulated depreciation growing at a faster rate than the reduction of the associated capital debt.
- The Authority reported net operating income of \$2.56 million. This is a decrease of \$1.36 million from the prior year's operating income of \$3.92 million.
- The Authority has reported a positive unrestricted net position of \$7.15 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis provide an introduction and overview to the DRA's basic financial statements and is intended to assist users in interpreting the Authority's basic financial statements. We will also provide discussion and analysis of certain plans, projects, and trends necessary for understanding the full context of the financial condition of the Authority. The DRA is a special purpose business-type government. The purpose of the Authority is to own the Vancouver Conference Center Hotel, approve its budget and oversee its activities and operations.

#### **Basic Financial Statements**

The basic financial statements are comprised of two components: 1) enterprise fund financial statements, and 2) notes to the financial statements. Because the Authority is a special-purpose government engaged only in business-type activities, only fund financial statements are presented as the basic financial statements.

#### **Enterprise Fund Financial Statements**

A fund is a grouping of related accounts that are used to maintain control over resources that are segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting for compliance with finance related legal requirements. The single fund of the DRA is reported as an enterprise fund. The financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The Statement of Net Position presents information on all the Authority's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose like that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the DRA is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the Authority's net position changed during 2023. The DRA distinguishes between operating and non-operating revenues as well as expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the DRA are charges to customers for lodging, meals, and banquet services. This statement separates operating program revenue (revenue generated by specific programs through charges for services) from general nonoperating revenue (revenue provided by taxes and other sources not tied to a particular program). This shows the extent to which a program relies on general revenue for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues are reported when they are earned, and expenses are reported as soon as liabilities are incurred. Items such as unpaid vendor invoices for items received in 2023 and earned but unused vacation leave will be included in the statement of revenues, expenses and changes in net position as an expense, even though the cash associated with these items was not distributed in 2023.

The Statement of Cash Flows presents the cash and cash equivalent activity of the Authority. It classifies cash flows into four activities: 1) operating activities, 2) non-capital financing activities, 3) capital and related financing activities and 4) investing activities.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund statements. The notes to the financial statements can be found following the statement of cash flows.

## FINANCIAL ANALYSIS

### Statement of Net Position

As noted earlier, changes in net position over time may serve as a useful indicator of a government's financial position. The Authority's total net position is negative \$2.20 million at December 31, 2023. The following table reflects the condensed and comparative version of the Statement of Net Position:

<b>Downtown Redevelopment Authority</b>				
<b>Statement of Net Position</b>				
	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Current and other assets	\$	19,428,838	\$	18,948,562
Capital assets		30,486,836		30,666,740
<b>Total assets</b>		<b>49,915,674</b>		<b>49,615,302</b>
Deferred outflows of resources		695,423		764,965
Current liabilities		6,584,366		5,552,857
Noncurrent liabilities		46,226,699		51,026,477
<b>Total liabilities</b>		<b>52,811,065</b>		<b>56,579,334</b>
<b>Net position</b>				
Net investment in capital assets		(16,359,799)		(18,494,656)
Restricted for capital purposes		-		945,428
Restricted for debt service		7,007,151		6,945,345
Unrestricted		7,152,680		4,404,816
<b>Total net position</b>	<b>\$</b>	<b>(2,199,968)</b>	<b>\$</b>	<b>(6,199,067)</b>

Capital assets and liabilities account for the majority of the Authority's total assets and liabilities. In 2023, total net position increased by \$4.0 million. This is a decrease of \$1.3 million over 2022's change in net position of \$5.3 million. In 2023 there was an increase of total revenues of \$1.3 million driven primarily by interest earned and hotel tax collections. Also in 2023, there was an increase in total expenses of \$2.6 million, driven primarily by operating expenses and loss on disposal of capital asset.

The entire \$7 million of the Authority's cash with the Trustee is subject to restrictions imposed by the bond indenture. As of 2023 end, there are no monies restricted for capital assets, as all construction in progress activity was fully capitalized during the year.

## Statement of Revenues, Expenses and Changes in Fund Net Position

Key elements in the changes in net position are discussed below. A condensed version of the Statement of Revenues, Expenses and Changes in Fund Net Position for the past two years is shown in the following table. The full statement is a tabular depiction of the relationship of revenues and expenses for the DRA.

### Downtown Redevelopment Authority Summary of Changes in Fund Net Position

	2023	2022
<b>Revenues</b>		
Operating revenues		
Charges for services	\$ 19,854,472	\$ 19,396,815
Nonoperating revenues		
Interest earned	650,547	204,327
Intergovernmental contributions	4,223,802	3,784,114
<b>Total revenues</b>	<b>24,728,821</b>	<b>23,385,256</b>
<b>Expenses</b>		
Operating expenses		
Supplies and contractual services	15,774,488	13,895,741
Depreciation	1,523,368	1,580,753
Nonoperating expenses		
Excise tax	302,494	280,920
(Gain) Loss on disposal of capital assets	1,016,800	-
Interest and fiscal charges	2,166,478	2,391,886
<b>Total expenses</b>	<b>20,783,628</b>	<b>18,149,300</b>
Excess of deficiency before special and extraordinary items	3,945,193	5,235,956
Special items	53,906	107,813
Extraordinary items	-	-
<b>Change in net position</b>	<b>3,999,099</b>	<b>5,343,769</b>
Fund net position - beginning	(6,199,067)	(11,542,836)
<b>Fund net position - ending</b>	<b>\$ (2,199,968)</b>	<b>\$ (6,199,067)</b>

In 2023, total revenues increased by \$1.34 million. Intergovernmental contributions come from two sources; the City of Vancouver lodging tax and the City Public Facilities District sales tax credit, which increased 25% and increased 3%, respectively.

The Authority's total expenses increased by \$2.6 million. Of this amount, supplies and contractual services increased by \$1.9 million over the prior year. No assets were sold, and there was a loss on partial disposal of the building asset related to the lobby remodel. Overall, there was a decrease in interest and fiscal charges.

The Authority's increase in net position of \$3.99 million was primarily attributed to the increased operational revenues and hotel tax collections.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

On December 31, 2023, the Authority's investment in capital assets, which includes buildings and equipment for the Conference Center-Hotel, totaled \$30.49 million. In 2020, the Hilton began a lobby remodel project that was completed in June 2023. The total amount capitalized for the lobby remodel project was \$2.89 million.

	<b>Total Activities</b>	
	12/31/2023	12/31/2022
Construction in progress	\$ -	\$ 575,177
Buildings (net of depreciation)	29,547,472	28,793,939
Equipment (net of depreciation)	939,365	1,297,624
<b>Total</b>	<b>\$ 30,486,836</b>	<b>\$ 30,666,740</b>

## **Long Term Debt**

At December 31, 2023, the DRA had total outstanding bonds of \$45.81 million. This decreased by \$2.36 million due to scheduled debt payments. The \$1.24 million Due to Other Governmental Units reflects the DRA's liability to the Clark County Public Facilities District for their funding of the construction and operation of the Conference Center Hotel.

## **ECONOMIC OUTLOOK**

During 2023, the DRA's performance was slightly below budgeted expectations. The Budget anticipated approximately \$800 thousand more in revenues and \$450 thousand less in expenses. The revenue forecast for the year was very optimistic, while the inflationary increases in supplies, personnel costs created an upward pressure on expenditures. The annual January of 2024 flow of funds resulted in a substantial distribution of monies to various funds, and a \$726.5 thousand dollar payment to the County PDF loan. The management team of experts assembled from the Hilton's corporate team, Hilton Vancouver management team, and the Authority's asset manager remain diligent in monitoring the events and business trends to help guide the DRA's response during the coming years. Cash flow projections indicate cash flow will be more than sufficient to meet debt service requirements, as well as operating and capital needs in 2024.

## **Requests for Information**

This financial report is designed to provide a general overview of DRA finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Downtown Redevelopment Authority, Financial & Management Services, PO Box 1995, Vancouver, WA, 98668-1995.

**DOWNTOWN REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Vancouver)  
Statement of Net Position  
As of December 31, 2023

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**ASSETS**

Current Assets

Cash and cash equivalents	\$	94,633
Cash with Fiscal Agent		8,984,900
Restricted cash with fiscal/escrow agent		7,007,151
Receivables (net)		
Taxes		1,498,934
Accounts		1,402,691
Interest		66,512
Inventory		49,290
Prepaid expenses		324,727
Total Current Assets		19,428,838

Noncurrent Assets

Construction in Progress		-
Buildings & Other Improvements		52,480,386
Machinery & Equipment		7,863,260
Accumulated depreciation		(29,856,810)
Total noncurrent assets		30,486,836

**TOTAL ASSETS**

**49,915,674**

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on refunding		695,423
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>		<b>695,423</b>

**LIABILITIES**

Current Liabilities

Accounts payable		152,737
Accrued interest payable		1,001,731
Accrued liabilities		1,777,439
Unearned revenue		1,098,155
Bonds, notes and leases payable		2,554,304
Total current liabilities		6,584,366

Non-current liabilities

Bonds, notes and leases payable from restricted assets		44,987,753
Due to other governments		1,238,946
Total noncurrent liabilities		46,226,699

**TOTAL LIABILITIES**

**52,811,065**

**NET POSITION**

Net investment in capital assets		(16,359,799)
Restricted for debt service		7,007,151
Unrestricted		7,152,680
<b>TOTAL NET POSITION</b>		<b>\$ (2,199,968)</b>



**DOWNTOWN REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Vancouver)  
Statement of Revenues, Expenses and Changes in Net Position  
For the year ended December 31, 2023

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<b>OPERATING REVENUES</b>	
Charges for services	\$ 19,854,472
Total operating revenues	19,854,472
<b>OPERATING EXPENSES</b>	
Supplies and contractual services	15,774,488
Depreciation	1,523,368
Total operating expenses	17,297,856
<b>Operating income (loss)</b>	2,556,616
<b>NONOPERATING REVENUE (EXPENSES)</b>	
Interest earnings	650,547
Intergovernmental contributions	4,223,802
Excise tax	(302,494)
Gain (Loss) on disposal of capital assets	(1,016,800)
Interest and fiscal charges	(2,166,478)
Total nonoperating revenues (expenses)	1,388,577
<b>SPECIAL ITEMS</b>	
Gain on extinguishment of debt	53,906
Total special items	53,906
Change in net position	3,999,099
<b>TOTAL NET ASSETS - BEGINNING</b>	\$ (6,199,067)
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ (2,199,968)</b>

**Downtown Redevelopment Authority**  
**(A Component Unit of the City of Vancouver)**  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2023

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from operating activities	\$ 20,194,264
Cash payments for goods and services	(15,214,157)
Net cash provided (used) by operating activities	<u>4,980,107</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Receipts from other governments	6,119,495
Payments to other governments	(3,595,989)
Net cash provided (used) by noncapital financing activities	<u>2,523,506</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on capital debt	(3,400,960)
Interest paid on capital debt	(2,062,338)
Purchase of capital assets	(2,360,264)
Net cash provided (used) by capital and related financing activities	<u>(7,823,562)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipt of interest	632,269
Net cash provided (used) by investing activities	<u>632,269</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	312,320
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	15,774,363
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 16,086,683</u>
<b>Reconciliation of ending cash</b>	
Restricted	\$ 7,007,151
Non-restricted	9,079,533
Total Cash	<u>\$ 16,086,684</u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Net operating income (loss)	\$ 2,556,616
Adjustments to reconcile net operating income (loss) to net cash provided by operations:	
Depreciation expense	1,523,368
(Increase) Decrease in receivables	(15,740)
(Increase) Decrease in inventories	(5,883)
(Increase) Decrease in prepaid items	(52,545)
Increase (Decrease) in current payables	618,759
Increase (Decrease) in unearned revenue	355,532
Total adjustments	<u>2,423,491</u>
Net cash provided (used) by operating activities	<u>\$ 4,980,107</u>

Downtown Redevelopment Authority  
(A Component Unit of the City of Vancouver)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023

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## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Downtown Redevelopment Authority (the Authority or DRA) conform to generally accepted accounting principles as applied to local governmental units. The more significant accounting policies are described below. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

### A. REPORTING ENTITY

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 Conference Center Hotel project. The DRA is a component unit of the City of Vancouver (the City), Washington, the primary government. The DRA Board is composed of seven members who are appointed by the City Council of Vancouver to four-year terms. The City can 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 in the City of Vancouver's annual financial report. The City of Vancouver's financial statements can be obtained from the City of Vancouver, Financial & Management Services, PO Box 1995, Vancouver, WA 98668-1995.

The Downtown Redevelopment Authority retains the Hilton Hotels Corporation as a Manager for its Conference Center Hotel project, which constitutes most of the Authority's ongoing operations. Financial statements for the Conference Center Hotel project can be obtained from the City of Vancouver, Financial & Management Services, PO Box 1995, Vancouver, WA 98668-1995.

### B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, contributions, and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Authority distinguishes 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 Authority are room rents and meal revenues from hotel, banquet and restaurant usage. Operating expenses for this enterprise fund include the cost of personnel and contractual services and supplies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is the government's policy to use restricted resources for their intended uses, and unrestricted resources for other uses.

### C. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

#### 1. Deposits and Investments

The DRA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. Statutes authorize the Authority to invest in obligations of the U. S. Treasury, commercial paper, repurchase agreements, Local Government Investment Pools and the State Treasurer's Investment Pool. The City of Vancouver Investment Pool operates in accordance with appropriate state laws and regulations. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the state pool is the same as the amortized value of the pool shares. For the most part, investments for the DRA, are reported at fair value.

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

#### 2. Receivables and Payables

All trade receivables are shown net of an allowance for uncollectible accounts. Accrued interest receivable consists of amounts earned on investments, but not received at the end of the year.

#### 3. Inventories and Prepaid Items.

The inventories consist primarily of food, beverage, china, glass, silver, and linens used in the operation of the Conference Center Hotel and are stated at the lower of cost or market using a first-in first-out valuation method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the DRA financial statements.

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4. Restricted Assets

These accounts contain resources being held by the Trustee for debt service and operation of the Conference Center Hotel. The use of these assets is limited by applicable trust indenture requirements.

5. Capital Assets

Capital assets are generally considered property, plant, and equipment owned by the Authority costing \$5,000 or more, and having an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if the actual cost is not available and are reported in the Statement of Net Position. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are recorded in construction in progress as they are constructed and capitalized upon completion.

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

<u>Asset Category</u>	<u>Useful Life</u>
Buildings	80
Structures	15-30
Leasehold Improvements	5
Other Improvements	5-22
Equipment	5-25

6. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

7. Unearned Revenue

This includes amounts available but not yet earned and Conference Center Hotel guest advance deposits.

8. Restricted Funds

In accordance with bond documents and other related agreements separate restricted fund are required. The assets held in these funds are restricted for specific uses and specific conditions, including capital needs, debt service and other special reserve requirements. Restricted funds on 12/31/2023 included the following:

<u>Purpose</u>	<u>12/31/2023</u>
Debt Service	7,007,151
Capital	-
<b>Total</b>	<b>7,007,151</b>

9. 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), require management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates and assumptions.

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## NOTE 2. DETAILED NOTES

### A. DEPOSITS AND INVESTMENTS

#### Deposits

Cash and investments are presented on the Statement of Net Position in the basic financial statements at fair value or amortized cost, which approximates fair value.

*Custodial credit risk (deposits).* Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The Authority has not adopted a policy that addresses deposit custodial risk; however, the Authority's deposits are covered by Federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commissioner (PDPC). In the event of a bank failure, claims for Authority's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

The Authority does not have a deposit policy for custodial credit risk.

#### Investments

As required by state law, the Authority may only invest funds in obligations of the U.S. Government, U.S. agency issues, the State Treasurer's Investment Pool, bankers' acceptances, overnight repurchase agreements, commercial paper, the City of Vancouver Investment Pool, money market accounts, or certificates of deposit with Washington State banks and savings and loan institutions.

The City of Vancouver Treasurer acts in a fiduciary capacity for the Authority's unrestricted funds not held by the Trustee and administers an investment pool in which the Authority participates.

As of December 31, 2023, the Authority's interest in the City of Vancouver Investment Pool totaled \$76,878. Investments in the City's pool are stated at fair value and are not subject to categorization because specific instruments cannot be distinguished between those participating in the pool. The fair value of the Authority's position in the pool is the same as the fair value of the pool shares.

The Authority's restricted funds, \$7.01 million, are held by the bond Trustee. The Authority measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: 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.
- Level 3: Unobservable inputs for an asset or liability, to the extent observable inputs are not available.

As of December 31, 2023, the Authority used the Level 2 – quoted market prices, which are significant other observable inputs, to measure the Restricted Investment held with the Trustee in Money Market Funds.

*Credit risk.* Credit risk is the risk that an issuer or related party will not fulfill its obligations. The DRA has not adopted a formal investment policy that limits its investment and diversification by investment type and issuer beyond the limits imposed by State law. As required by state law, all investments of the DRA's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, investments in the State Treasurer's Investment Pool, investments in the City of Vancouver Investment Pool, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. The DRA invests in a money market fund which only invests in U.S. Treasury securities has a credit rating of AAA-mf from Moody's and AAAM from S&P.

*Concentration of credit risk.* Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The DRA has not adopted a policy limiting the amount the DRA may invest in any one issuer. All of the investments are held in the Money Market Fund, which manages its concentration risk with short term investments held within the fund.

*Interest rate risk.* DRA policy limits investment maturities as a means to manage its exposure to fair value losses arising from increasing interest rates. The DRA's investments in the money market fund at December 31, 2023, had a weighted average life of 56 days.

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**B. CAPITAL ASSETS**

A summary of capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
Capital assets, not being depreciated	\$ 575,177	\$ 2,360,264	\$ 2,935,441	\$ -
Construction in progress	575,177	2,360,264	2,935,441	-
Capital assets, being depreciated				
Buildings and other improvements	51,362,898	2,894,058	1,776,571	52,480,385
Machinery and equipment	7,825,996	41,383	4,119	7,863,260
Total capital assets being depreciated	59,188,894	2,935,441	1,780,690	60,343,645
Less accumulated depreciation for:				
Buildings and other improvements	22,568,959	1,123,725	759,770	22,932,914
Machinery and equipment	6,528,372	399,642	4,119	6,923,895
Total accumulated depreciation	29,097,331	1,523,367	763,889	29,856,809
Total capital assets, being depreciated, net	30,091,563	1,412,074	1,016,801	30,486,836
<b>Capital assets, net</b>	<b>\$ 30,666,740</b>	<b>\$ 3,772,338</b>	<b>\$ 3,952,242</b>	<b>\$ 30,486,836</b>

Depreciation expense was charged to the Authority for the year ending December 31, 2023, for \$1.52 million.

**C. LONG-TERM DEBT**

Revenue Bonds

In 2003, the DRA issued bonds in which it pledged income derived from the acquired or constructed assets and taxes pledged to it by other governments 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 Hotel project. In June 2013, the remaining outstanding balance of \$63.12 million of the 2003 DRA revenue bonds were refunded by issuing two series of revenue refunding bonds.

The first series of bonds, \$41.19 million Conference Center Project Refunding Revenue Bonds, were authorized by Resolution No. 2013-05-14-1 by the DRA Board. The Project Revenue Bonds are payable primarily from project revenues received by the Authority. In addition, the City has agreed pursuant to the Amended and Restated Payment Agreement, dated June 1, 2013, between the City and the Authority to make payments to the Trustee from any available funds if and to the extent necessary to pay debt service on the 2013 Project Revenue Bonds. The 2013 Amended and Restated Payment Agreement provides that if on the 10th business day prior to each interest payment date or principal payment date, if there is not sufficient money on deposit with the Trustee in the Project Revenue Bonds Debt Service Account as required by the Indenture, the City shall pay to the Trustee, in immediately available funds, on or prior to the 5th business day prior to the debt service date, the amount of any such deficiency; provided that the aggregate amount of such payments by the City to the Trustee in any calendar year shall not exceed the annual debt service payments on the Project Revenue Bonds. Any payment by the City to pay interest and/or principal on the 2013 Project Revenue Bonds will constitute a loan by the City to the Authority, with interest payable on such amounts at the rate or rates on such 2013 Project Revenue Bonds and the City shall have full rights of subrogation.

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

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The second series of bonds, \$18.05 million Conference Center Project Sales and Lodging Tax Refunding Revenue Bonds, were also issued in June 2013. These bonds were authorized by Resolution No. 2013-05-14-1 by the DRA Board. The Tax Revenue Bonds are payable primarily from 1) certain proceeds of special sales and use taxes imposed by the Vancouver Public Facilities District (the "City PFD") and the Clark County Public Facilities District (the "County PFD"); 2) certain proceeds of a special lodging tax levied by the City (the "Lodging Tax Revenues"); and 3) certain amounts of certain funds and accounts established under the Indenture. The agreements in place for the Sales Taxes imposed by the City PFD will expire March 2026 and the Sales Tax imposed by the County PFD will expire March 2028. Lodging Tax Revenues will continue to be pledged for payment of principal and interest on the Tax Revenue Bonds until the final maturity of this bond series.

If an Event of Default occurs and is continuing with respect the Project Revenue or Tax Revenue bonds, the Trustee shall, upon the request of the owners of a majority in aggregate principal amounts of the bonds, take up to and including the following actions:

For the Project Revenue Bonds:

- Prohibit the Authority from withdrawing funds from any account, with few exceptions, without the Trustee's written consent.
- Commence foreclosure of the Leasehold Mortgage by private sale or judicial foreclosure.
- Accelerate the bonds, whereupon all principal and interest on such bonds shall immediately become due.

For the Tax Revenue Bonds

- Prohibit the Authority from withdrawing funds from any account, with few exceptions, without the Trustee's written consent.
- Take legal action to protect and secure tax revenues pledged for the benefit of bondholders.
- Accelerate the bonds, whereupon all principal and interest on such bonds shall immediately become due.

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

**Outstanding DRA Revenue Bond Debt**

Name of Issuance	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2013 DRA Conference Center Project Refunding Revenue Bonds	\$ 41,185,000	6/27/2013	1/1/2044	4.38%	35,830,000
2013 DRA Conference Center Project Sales & Lodging Tax Refund Revenue Bonds	\$ 18,045,000	6/27/2013	1/1/2034	4.05%	9,980,000
<b>Total Revenue Bonds</b>	<b>\$ 59,230,000</b>				<b>\$ 45,810,000</b>

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
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	1,235,000	1,379,488	2,614,488	1,260,000	211,850	1,471,850
2028	1,300,000	1,322,613	2,622,613	960,000	167,450	1,127,450
2029-2033	7,315,000	5,770,725	13,085,725	2,500,000	438,700	2,938,700
2034-2038	8,960,000	4,078,131	13,038,131	565,000	13,675	578,675
2039-2043	11,120,000	1,865,700	12,985,700	-	-	-
2044	2,535,000	57,038	2,592,038	-	-	-
<b>Total</b>	<b>\$ 35,830,000</b>	<b>\$ 18,962,406</b>	<b>\$ 54,792,406</b>	<b>\$ 9,980,000</b>	<b>\$ 1,833,325</b>	<b>\$ 11,813,325</b>

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The 2013 Project Revenue Bonds require a debt service coverage ratio of 1.05 to 1. The DRA remains in compliance with that provision with a 2023 ratio of 1.26 to 1 coverage. There are several limitations and restrictions contained in the bond indentures. The DRA is in compliance with these requirements.

Direct Borrowing

In order to make the 2013 refunding economically viable, ACA Financial Guarantee Corporation (ACA) contributed \$4.00 million to the Authority, \$1.43 million of which was in consideration of the execution of a direct borrowing note issued by the Authority to ACA, and the balance of which was in consideration for the elimination of any exposure ACA may have with respect to the Series 2003A Bonds. This direct borrowing note is subordinate to the Project Revenue and Tax Revenue bonds. 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 direct borrowing note to ACA, as described above, debt service requirements to maturity are estimated as follows:

Other Long-Term Direct Borrowing Notes			
	Principal	Interest	Total Requirements
2024	\$ -	\$ -	\$ -
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029-2033	21,055	18,158	39,213
2034-2038	370,772	372,135	742,907
2039-2043	812,798	997,628	1,810,426
2044	225,929	304,686	530,615
<b>Total</b>	<b>\$ 1,430,555</b>	<b>\$ 1,692,606</b>	<b>\$ 3,123,161</b>

Due to Other Governments

Under an interlocal agreement with the Vancouver Public Facilities District (PFD), the DRA is liable to the Clark County PFD for state sales credit monies received by the DRA. Payments under this direct borrowing agreement are received by Clark County PFD monthly and forwarded to the DRA. This creates a liability for the DRA to repay these funds via two methods. The first is a predetermined tax cap. The tax cap amount changes each year through 2034. Tax revenue received by the DRA in excess of the tax cap are returned to the Clark County PFD. The second method occurs after funds flow through the 2013 Bond Indenture distribution requirements. The monies available at the end of each year after all required distributions have been made, if any, are split equally between the DRA and the Clark County PFD, and any amounts so distributed to the Clark County PFD decreases the DRA's liability to Clark County PFD.

The direct borrowing from the Clark County PFD has assets pledged as collateral. These assets include pledged tax revenues in excess of the annual tax cap and a portion of the annual surplus operating revenue. If the direct borrowing should default the financial consequences will be whatever action at law or in equity as may be necessary to enforce the agreement. There are no consequences for early termination and prepayment of principal plus interest is allowed at any time without incurring a premium.

Subordinate Management Fee

The DRA constructed and operates the Conference Center Hotel, which is managed by Hilton Hotels Corporation (Hilton). As part of the refinancing of the DRA debt in June 2013, the DRA and Hilton entered into a new management agreement that provides for forgiveness of the subordinate management fee amounts over a 10-year period, on a straight-line basis. The asset pledged as collateral for this direct borrowing loan is an extension of the agreement between Hilton and the DRA. There is no acceleration clause and this direct borrowing loan cannot be terminated early. If the DRA cancels the operating agreement with Hilton then the amount owing on the direct borrowing loan at the time of default becomes fully payable. The DRA and Hilton amended the 2013 agreement in 2018 but that amendment did not change this provision relating to the subordinate management fee. See note III B for more information. The amortization of the final balance of this agreement was recognized in Jun-23. This terms of this agreement have been fully satisfied.



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Changes in Long Term Liabilities

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

	Beginning Balance 1/1/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
<b>Bonds Payable:</b>					
Revenue Bonds	\$ 48,165,000	\$ -	\$ 2,355,000	\$ 45,810,000	\$ 2,525,000
Premiums (discounts)	330,807	-	29,305	301,502	29,304
<b>Total bonds payable</b>	<b>48,495,807</b>	<b>-</b>	<b>2,384,305</b>	<b>46,111,502</b>	<b>2,554,304</b>
<b>Direct borrowing:</b>					
Due to other governments	3,484,419	2,631,372	4,876,845	1,238,946	-
Other long-term direct borrowing notes	1,430,555	-	-	1,430,555	-
Subordinate management fee	53,906	-	53,906	-	-
<b>Component unit long-term liabilities</b>	<b>\$ 53,464,687</b>	<b>\$ 2,631,372</b>	<b>\$ 7,315,056</b>	<b>\$ 48,781,003</b>	<b>\$ 2,554,304</b>

**D. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

At December 31, 2023, the Authority had a deficit net fund position of \$2.20 million. The Authority activities involve the operation of a hotel and conference center in the City's central downtown area. This is a cash flow-based project and the negative net position balance is primarily attributed to accumulated depreciation, a non-cash item. The Authority and its Asset Manager, a hotel industry consultant, monitor Conference Center Hotel activities monthly. Positive net revenue in each of the last few years has resulted in a reduction in the net position deficit.

**NOTE 3. OTHER DISCLOSURES**

**A. RELATED PARTY TRANSACTIONS**

The DRA constructed and operates the Conference Center Hotel, which is managed by Hilton Hotels Corporation. As part of the refinancing of the DRA debt in June 2013, a new agreement was signed with the Manager of the Vancouver Conference Center (Hilton Hotels) that provides for forgiveness of the subordinate management fee amounts over a 10-year period, on a straight-line basis. See note III B for more information. The amortization of the final balance of this agreement was recognized in Jun-23. This terms of this agreement have been fully satisfied.

The Vancouver Public Facilities District (PFD) was created to acquire, construct, own, finance, and operate the Conference Center Hotel project. The Clark County Public Facilities District was created for the purpose of participating in the development of regional centers, consisting of the Convention Center Project and the Exposition Center at the Clark County Fairgrounds. The Vancouver PFD, the County PFD, the City of Vancouver (City), and the DRA entered into interlocal agreements which detail their support for the DRA's project.

During 2023, the DRA recognized intergovernmental revenue of \$2.36 million in sales tax credit monies from the Vancouver PFD for the Conference Center Hotel project and the City of Vancouver contributed \$1.87 million of lodging tax. The amount of support from the Clark County Public Facilities District is described in Note II.D. Intergovernmental Obligations.

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

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

Any payment by the City of this conditional payment amount shall constitute a loan by the City to the DRA, with interest payable on such amounts at the rate or rates on the 2013 Project Revenue bonds. In 2023, the City made no payments under its contingent payment obligation. The DRA has no current expectation of having to incur a liability to the City, as it expects project revenues and tax revenues to be sufficient for such purposes.

The City provides administrative support to the Authority. During 2023, \$120,000 was expensed by the Authority for this support. It is recorded within the Statement of Revenue, Expenses, and Changes in Fund Net Position as supplies and contractual services.

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In October of 2019 DRA purchased a parking license for the lot adjacent to the Hilton. The original term for the parking license was valid for a three-year term and provides parking for large vehicles connected with conventions held at the Convention Center. The agreement was extended for another three-year term effective November 1, 2023. During 2023, \$70,408 was expensed for parking.

**B. SPECIAL AND EXTRAORDINARY ITEMS**

Special Item: Forgiveness of Debt

As part of the refinancing of the DRA debt in June 2013, a new agreement was signed with Hilton, the Manager of the Vancouver Conference Center hotel that provides for forgiveness of the subordinate management fee over a 10-year period, on a straight-line basis. The forgiveness of this fee is recorded as a Special Item, Forgiveness of Debt on the Statement of Revenues, Expenses and Changes in Fund Net Position. During 2023, the outstanding obligation balance of \$53,906 was forgiven. This terms of this agreement have been fully satisfied.

**C. SUBSEQUENT EVENTS**

January of 2024 flow of funds resulted in DRA extinguishing the outstanding debt to the Clark County Public Facilities District. In accordance with the current Interlocal agreement, going forward, the County Public Facilities District sales tax credit revenues will be accumulated at the DRA until the annual tax cap for the year is reached, mostly for cash flow purposes. After the tax cap is reached, in June-July of the year, the revenue will be fully repaid before the end of the year.

On February 21, 2024, American Queen Voyages declared bankruptcy. In 2023, total revenues recognized from American Queen Voyages equaled \$279,786, from guestrooms, restaurant receipts and portorage. Management expects that revenues in 2024 will be backfilled from transient customers.

In Jan-24 and Feb-24, bad debt reserves were recorded for 2023 outstanding invoices totaling \$44,281.40. In Apr-24, receivables totaling \$95,638.61 for 2024 revenues and associated taxes were reclassified as deferred income, pending resolution of claim as submitted to bankruptcy court.

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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

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