

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

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**City of Longview**  
**Cowlitz County**

Audit Period  
**January 1, 2013 through December 31, 2013**

**Report No. 1012532**

Issue Date  
**September 15, 2014**



**Washington State Auditor**  
**Troy Kelley**

Independence • Respect • Integrity



## **Washington State Auditor Troy Kelley**

September 15, 2014

Mayor and City Council  
City of Longview  
Longview, Washington

### ***Report on Financial Statements and Federal Single Audit***

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

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

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

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Cowlitz County  
January 1, 2013 through December 31, 2013**

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# Federal Summary

## City of Longview Cowlitz County January 1, 2013 through December 31, 2013

The results of our audit of the City of Longview are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

#### ***Internal Control Over Financial Reporting:***

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

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

### ***FEDERAL AWARDS***

#### ***Internal Control Over Major Programs:***

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

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

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.218	CDBG – Entitlement Grants Cluster - Community Development Block Grants (CDBG)/Entitlement Grants
16.704	ARRA Public Safety Partnership and Community Policing Grant (Recovery Act)
20.507	ARRA Federal Transit - Formula Grants (Recovery Act)
20.507	Federal Transit - Formula Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

# Schedule of Federal Audit Findings and Questioned Costs

**City of Longview  
Cowlitz County  
January 1, 2013 through December 31, 2013**

- 1. The City's internal controls were not adequate to ensure compliance with Federal Transit Formula Grants reporting and subrecipient monitoring requirements leading to questioned costs of \$17,259.**

<b>CFDA Number and Title:</b>	20.507 Federal Transit Formula Grants 20.507 ARRA Federal Transit Formula Grants (Recovery Act)
<b>Federal Grantor Name:</b>	U.S. Department of Transportation
<b>Federal Award/Contract Number:</b>	WA-58-0006, WA-90-0393, WA-90-0494, WA-90-4514, WA-96-0017-00
<b>Pass-through Entity Name:</b>	NA
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$17,259

## Background

During 2013, the City passed through \$2,849,603 in grant funds provided by the U.S. Department of Transportation to the Cowlitz Transit Authority. Grant funding may be used for financing the planning, acquisition, construction, preventative maintenance, and improvement of facilities and equipment in public transportation services. In some circumstances it may also be used to operate a transit system in urbanized areas with populations of less than 200,000.

## Description of Condition

### Reporting

The Federal Funding Accountability and Transparency Act of 2006 (FFATA) requires grantees to report subawards to subrecipients for amounts of \$25,000 or more. They must report each subaward by the end of the month following the month in which it was granted. During our audit, we found the City did not have sufficient internal controls in place to ensure the fiscal year 2013 FFATA reports were filed correctly. The City did not report the one subaward made during the audit period.

## Subrecipient Monitoring

Federal requirements for subrecipient monitoring require (1) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report and (2) ensuring the subrecipient takes timely and appropriate corrective action on all audit findings. During our audit, we found the City did not have sufficient internal controls in place to ensure its subrecipient took corrective action on its audit finding.

The City's subrecipient received an audit finding during its 2012 audit for not maintaining adequate time and effort documentation. While the City did follow up with the subrecipient and prescribe a corrective action, the City did not ensure the corrective action was taken. As a result, our current year audit of the subrecipient found the same condition existed. The City's subrecipient did not maintain adequate time and effort documentation for one employee charged to the grant.

Depending on the number and type activities, time and effort documentaion can be semi-annual certifications by the employee or supervisor that the employee worked solely on that activity, or a monthly personnel activity report, such as a timesheet, for the employees that work on more than one activity. The employee in question, worked on several programs or activities, but did not maintain timesheets or other documentation to support actual hours worked in each activity.

## **Cause of Condition**

City staff did not dedicate the necessary resources to ensure compliance with all applicable grant requirements.

## **Effect of Condition and Questioned Costs**

By not correctly submitting the required FFATA reports, the federal government's ability to ensure transparency and accountability of federal spending is diminished.

Also, without proper controls over subrecipient monitoring, the City cannot ensure the subrecipients are spending grant funds for allowable purposes and meeting grant requirements. As noted by our audit of the City's subrecipient, due to a lack of proper time and effort records, the City was unable to substantiate the accuracy and allowability of the payroll costs charged to the grant in the manner required by the federal granting agency. We are questioning salary and benefit costs totaling \$17,259.

## **Recommendation**

We recommend the City:

- Provide training to personnel to ensure they have an adequate understanding of federal requirements.

- Ensure required reports are accurately compiled, reviewed and submitted in a timely manner.
- Ensure subrecipients take appropriate corrective action on audit findings.
- Work with its federal oversight agency to determine the amount of grant funds to be repaid, if any, to address the questioned costs.

## **City's Response**

*The City of Longview is appreciative of the work performed by the State Auditor's Office on our behalf. The City prides itself in the collaborative efforts it maintains with the State Auditor's Office and endeavors to improve through the incorporation of stronger internal controls ensuring compliance with the cost principles for the Federal Formula Transit Grant.*

*As it relates to the above-referenced finding, the term "passed through" to the Cowlitz Transit Authority as described in the Background section, implies that funds were transferred from the City's accounts. The City would like to clarify that the City is both, the recipient and spending entity as it relates to the Federal Transit Formula Grant, hence, no funds were disbursed to a subrecipient. As such, the ability of the federal government to ensure transparency and accountability of federal spending should not be diminished because the entity on record with the U.S. Department of Transportation is the City of Longview, the same entity responsible for disbursing the grant funds. Because grant funds are in the City's control with no funds disbursed to a subrecipient, subrecipient monitoring with respect to spending grant funds for allowable purposes and meeting grant requirements should not be an issue.*

*Questioned salary and benefit costs of \$17,259 had no effect on amounts received by the City, therefore had no impact on the allowability of payroll costs charged to the grant. These questioned costs have no impact on the financial statements of the City.*

## **Auditor's Remarks**

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

## **Applicable Laws and Regulations**

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in



compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), Appendix B, Section 8(h), states in part:

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

(a) More than one Federal award,

(b) A Federal award and a non-Federal award,

(c) An indirect cost activity and a direct cost activity,

(d) Two or more indirect activities which are allocated using different allocation bases, or

(e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
  - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
  - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
  - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 500, states in part:

- (a) The audit shall be conducted in accordance with GAGAS. ...

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23, states:

**4.23** When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of

contracts or grant agreements that has a material effect on the audit; and  
(4) abuse that has a material effect on the audit.

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

**.07** For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

**Material weakness.** A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Significant deficiency.** 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.

Title 2, Code of Federal Regulations, APPENDIX A TO PART 170 – AWARD TERM, provides, in part:

I. Reporting Subawards and Executive Compensation.

a. *Reporting of first-tier subawards.*

1. *Applicability.* Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111–5) for a subaward to an entity (see definitions in paragraph e. of this award term).

2. *Where and when to report.*

i. You must report each obligating action described in paragraph a.1. of this award term to <http://www.fsrs.gov>.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 400, states in part:

(d) Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

(3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

(5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

## Schedule of Prior Federal Audit Findings

### City of Longview Cowlitz County January 1, 2013 through December 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the City of Longview. The State Auditor's Office has reviewed the status as presented by the City.

<b>Audit Period:</b> 01/01/2012- 12/31/2012	<b>Report Reference</b> <b>No:</b> 1010545	<b>Finding Reference</b> <b>No:</b> 1	<b>CFDA Number(s):</b> 97.044
<b>Federal Program Name and Granting Agency:</b> Assistance to Firefighters Grant, U.S. Department of Homeland Security		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> The City's internal controls were not adequate to ensure compliance with suspension and debarment and reporting requirements.			
<b>Background:</b> The City did not comply with requirements of the Federal Funding Accountability and Transparency Act of 2006, which requires grantees to report subawards to subrecipients for amounts over \$25,000 to the federal government. In addition, we noted the City did not perform required procedures to ensure it was not contracting with suspended or debarred parties.			
<b>Status of Corrective Action: (check one)</b> <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>The City checked for the suspension and department during 2013 and noted the subrecipients were neither suspended nor debarred. The City is aware of the reporting requirements and in the future they will file the required reporting requirements.</i>			

<b>Audit Period:</b> 01/01/2012- 12/31/2012	<b>Report Reference</b> <b>No:</b> 1010545	<b>Finding Reference</b> <b>No:</b> 2	<b>CFDA Number(s):</b> 14.218 and 14.239
<b>Federal Program Name and Granting Agency:</b> Community Development Block Grants, Entitlement and HOME Investment Partnerships Program, U.S. Department of Housing and Urban Development		<b>Pass-Through Agency Name:</b> NA	

<b>Finding Caption:</b> The City's internal controls were not adequate to ensure compliance with Community Development Block Grant and HOME Investment Partnerships Program reporting requirements.
<b>Background:</b> The City did not comply with requirements of the Federal Funding Accountability and Transparency Act of 2006, which requires grantees to report subawards to subrecipients for amounts over \$25,000 to the federal government.
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Fully Corrected         </div> <div> <input type="checkbox"/> Partially Corrected         </div> <div> <input type="checkbox"/> No Corrective Action Taken         </div> <div> <input type="checkbox"/> Finding is considered no longer valid         </div> </div>
<b>Corrective Action Taken:</b> <i>The City filed the required FFATA reports for 2013; further the City has established controls to ensure that attempts to submit the required reports are documented.</i>

<b>Audit Period:</b> 01/01/2012-12/31/2012	<b>Report Reference No:</b> 1010545	<b>Finding Reference No:</b> 3	<b>CFDA Number(s):</b> 16.710
<b>Federal Program Name and Granting Agency:</b> ARRA Public Safety Partnership and Community Policing Grants, U.S. Department of Justice		<b>Pass-Through Agency Name:</b> U.S. Department of Justice	
<b>Finding Caption:</b> The City did not have adequate internal controls to ensure it spent federal funds on allowable activities and complied with cost principles for the Community Oriented Policing Services (COPS) Hiring Recovery Program grant.			
<b>Background:</b> During 2012, the City received reimbursement of payroll costs for employees that did not qualify as entry level positions as required by the grant. This resulted in \$5,760 in questioned costs.			
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Fully Corrected         </div> <div> <input type="checkbox"/> Partially Corrected         </div> <div> <input type="checkbox"/> No Corrective Action Taken         </div> <div> <input type="checkbox"/> Finding is considered no longer valid         </div> </div>			
<b>Corrective Action Taken:</b> <i>The City contacted the federal agency and the federal agency requested the city reduce the reimbursement requests by the amount overpaid until the overpayment has been settled. The City has established controls to ensure only the entry level salary for the positions is reimbursed from this grant award.</i>			

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

**City of Longview  
Cowlitz County  
January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Longview  
Longview, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Longview, Cowlitz County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 23, 2014. As discussed in Note 1 to the financial statements, during the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

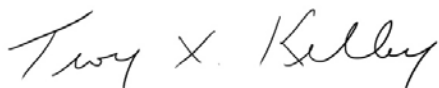
## ***COMPLIANCE AND OTHER MATTERS***

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

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

## ***PURPOSE OF THIS REPORT***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

July 23, 2014



# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**City of Longview  
Cowlitz County  
January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Longview  
Longview, Washington

## ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited the compliance of the City of Longview, Cowlitz County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1. Our opinion on each major federal program is not modified with respect to these matters.

### ***City's Response to Findings***

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

## ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and

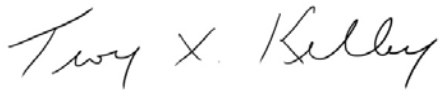
therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 that we consider to be significant deficiencies.

### ***City's Response to Findings***

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

July 23, 2014

# **Independent Auditor's Report on Financial Statements**

## **City of Longview Cowlitz County January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Longview  
Longview, Washington

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Longview, Cowlitz County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 20.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Longview, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Matters of Emphasis***

As discussed in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

July 23, 2014

## **Financial Section**

**City of Longview  
Cowlitz County  
January 1, 2013 through December 31, 2013**

### ***REQUIRED SUPPLEMENTARY INFORMATION***

Management's Discussion and Analysis – 2013

### ***BASIC FINANCIAL STATEMENTS***

Statement of Net Position – 2013

Statement of Activities – 2013

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Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
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Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual  
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Notes to Financial Statements – 2013

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

# Management's Discussion and Analysis

As management of the City of Longview, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Longview for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

## Financial Highlights

- The assets of the City of Longview exceeded its liabilities at the close of the most recent fiscal year by \$120,461 (net position). Of this amount, \$29,657 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Longview's total net position decreased by \$4,125, or 3.3% in 2013. While governmental activities increased \$2,924, business-type activities decreased \$7,049.
- As of the close of the current fiscal year, the City of Longview's governmental funds reported combined ending fund balances of \$19,895. Approximately 58 percent, \$11,593 is unrestricted and available for spending at the government's discretion.
- At the end of the current fiscal year, the total fund balance for the general fund was \$10,119. The entire \$10,119 fund balance for the general fund was unrestricted, and represented 34 percent of total general fund expenditures.
- The City of Longview's total governmental long-term debt increased by \$2,765 (18.5 percent) during the current fiscal year. The key factor behind this increase was the issuance of General Obligation Bonds in the amount of \$3,560 used to finance energy conservation improvements. Principal retirements totaling \$2,564 were processed during the current year. The net increase in business-type debt was \$325. This increase was the result of low-interest intergovernmental loans provided for the City's new water treatment facility.

(See notes to the financial statements, Note 10 for information related to changes in total debt.)

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Longview's basic financial statements. The City of Longview's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Longview's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Longview's assets and deferred outflows of financial resources, as well as liabilities and deferred inflows of financial resources, with the difference between these two groups reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Longview is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event



giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of government-wide financial statements distinguish functions of the City of Longview that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Longview include general government, public safety, highways and streets, economic development and culture and recreation. The business-type activities of the City of Longview include a water and sewer utility, a regional water treatment plant utility, a sanitary utility, a storm water utility, public transit and a golf course-tennis/racquet center.

The government-wide financial statements report activities only for the City of Longview itself, as there is no other organization for which the City is financially accountable.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Longview, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Longview can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Longview maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the building replacement fund, the only two funds considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Longview adopts a biennial appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The City of Longview maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Longview uses enterprise funds to account for its water-sewer, sanitary and storm water utilities, public transit, golf course and tennis/racquet center. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Longview's various functions. The City of Longview uses internal service funds to account for its fleet of vehicles, office equipment, technology and software, self-insurance program, facility maintenance, unemployment compensation and employee benefit programs. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water-sewer utility, sanitary utility and public transit system, all of which are considered to be major funds of the City of Longview. Conversely, the City's internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Longview's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds reported by the City of Longview include the Firemen's Pension Trust Fund, the Northwest Health Foundation Private Purpose Trust Fund and the State Agency Fund.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City of Longview's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Longview, assets exceeded liabilities by \$120,461 at the close of the most recent fiscal year.

By far the largest portion of the City of Longview's net position (65 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Longview uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Longview's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### **City of Longview's Net Position**

	<b><u>Governmental activities</u></b>		<b><u>Business-type activities</u></b>		<b><u>Total</u></b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Current and other assets	\$ 30,293	\$ 26,550	\$ 27,305	\$ 27,865	\$ 57,598	\$ 54,415
Capital assets	<u>46,572</u>	<u>43,229</u>	<u>86,774</u>	<u>91,368</u>	<u>133,346</u>	<u>134,615</u>
Total assets	<u>76,865</u>	<u>69,779</u>	<u>114,079</u>	<u>119,251</u>	<u>190,944</u>	<u>189,030</u>
Deferred outflows	200,190	0	0	0	200,190	0
Long-term liabilities outstanding	21,226	18,284	39,546	39,185	60,772	57,469
Other liabilities	<u>5,212</u>	<u>3,815</u>	<u>4,676</u>	<u>3,160</u>	<u>9,888</u>	<u>6,975</u>
Total liabilities	<u>26,438</u>	<u>22,099</u>	<u>44,222</u>	<u>42,345</u>	<u>70,660</u>	<u>64,444</u>
Deferred inflows	<u>23,036</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,036</u>	<u>0</u>
Net position:						
Invested in capital assets net of related debt	29,366	28,490	49,511	56,058	78,877	84,548
Restricted	8,857	8,699	3,070	1,965	11,927	10,664
Unrestricted	<u>12,380</u>	<u>10,491</u>	<u>17,277</u>	<u>18,883</u>	<u>29,657</u>	<u>29,374</u>
Total net position	<u>\$ 50,604</u>	<u>\$ 47,680</u>	<u>\$ 69,857</u>	<u>\$ 76,906</u>	<u>\$ 120,461</u>	<u>\$ 124,586</u>

An additional portion of the City of Longview's net position (10 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$29,657) may be used to meet the government's ongoing obligations to citizens and creditors.

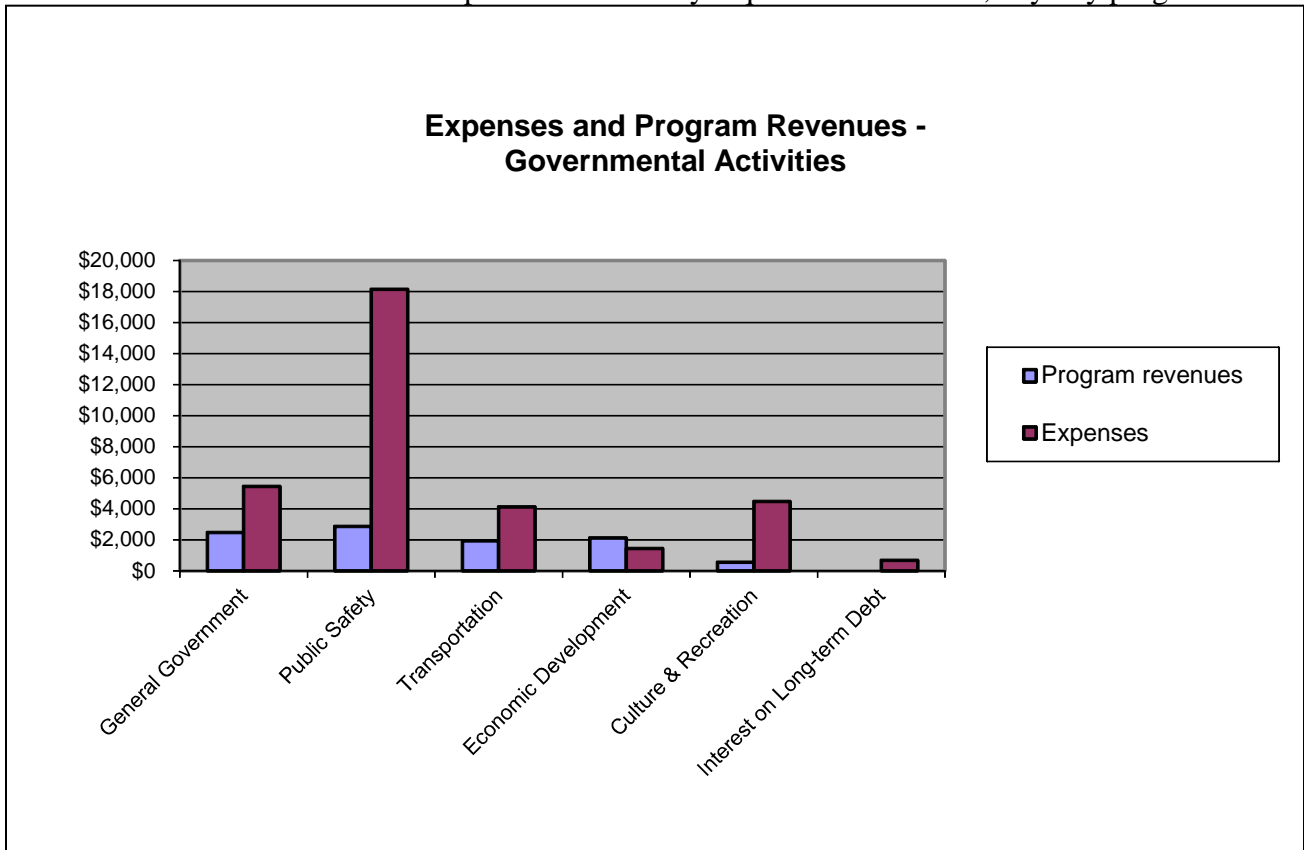
At the end of the current fiscal year, the City of Longview is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true of the prior year.

**Governmental activities.** Governmental activities increased the City of Longview's net position by \$2,924. Key elements of this increase in governmental net position are as follows:

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,439	\$ 5,612	\$ 30,207	\$ 25,366	\$ 35,646	\$ 30,978
Operating grants and contributions	2,067	2,724	2,998	3,224	5,065	5,948
Capital grants and contributions	2,452	2,270	833	5,788	3,285	8,058
General revenues:						
Property taxes	8,852	8,722	-	-	8,852	8,722
Sales taxes	7,442	6,703	-	-	7,442	6,703
Business/other taxes	9,908	9,336	-	-	9,908	9,336
Other	<u>1,032</u>	<u>980</u>	<u>(289)</u>	<u>49</u>	<u>743</u>	<u>1,029</u>
Total revenues	<u>37,192</u>	<u>36,347</u>	<u>33,749</u>	<u>34,427</u>	<u>70,941</u>	<u>70,774</u>
Expenses:						
General government	5,440	5,037	-	-	5,440	5,037
Public safety	18,127	19,800	-	-	18,127	19,800
Transportation	4,111	4,312	-	-	4,111	4,312
Economic development	1,443	1,847	-	-	1,443	1,847
Culture and recreation	4,471	5,061	-	-	4,471	5,061
Interest on long-term debt	670	630	-	-	670	630
Water-Sewer	-	-	16,820	15,799	16,820	15,799
Sanitation	-	-	4,419	4,466	4,419	4,466
Storm water	-	-	2,240	1,724	2,240	1,724
Public transit	-	-	6,993	3,305	6,993	3,305
Golf/tennis racquet	-	-	655	636	655	636
Total expenses	<u>34,262</u>	<u>36,687</u>	<u>31,126</u>	<u>25,930</u>	<u>65,389</u>	<u>62,617</u>
Increase in net position before transfers	2,930	(340)	2,623	8,497	5,552	8,157
Transfers (Note 14)	(6)	1,036	6	(1,036)	-	-
Special Items (Note 13)	-	-	<u>(7,423)</u>	<u>(4,047)</u>	<u>(7,423)</u>	<u>(4,047)</u>
Increase/(Decrease) in net position	<u>2,924</u>	<u>696</u>	<u>(4,795)</u>	<u>3,414</u>	<u>(1,871)</u>	<u>4,110</u>
Net position 1/1/2013	47,680	45,193	76,906	73,492	124,586	118,685
Prior period adjustments (Note 18)	-	1,791	(2,254)	-	(2,254)	1,791
Net position 1/1/2013 restated	<u>47,680</u>	<u>46,984</u>	<u>74,652</u>	<u>73,492</u>	<u>122,332</u>	<u>120,476</u>
Net position 12/31/2013	<u>\$ 50,604</u>	<u>\$ 47,680</u>	<u>\$ 69,857</u>	<u>\$ 76,906</u>	<u>\$ 120,461</u>	<u>\$ 124,586</u>

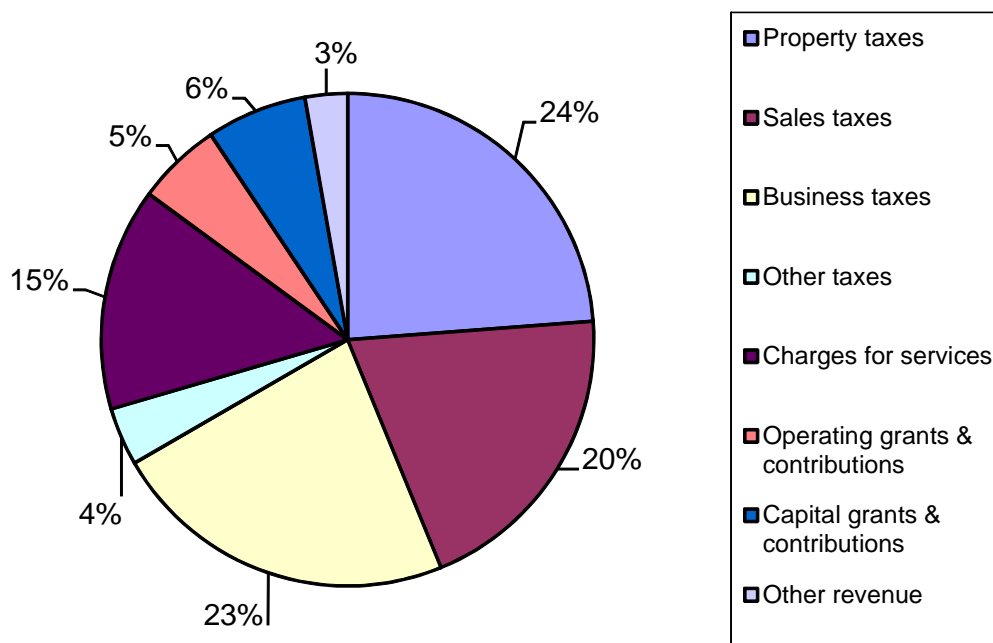
- Property taxes for 2013 increased \$130 (1.5 percent).
- Sales tax revenue increased \$739 (11 percent) during the year. This increase in sales tax revenue is attributed to increasing automotive sales and an increase in construction activity.
- Business taxes increased by \$691 (9 percent). This increase in business taxes is due to an overall increase in utility tax revenue.
- Other revenues increased \$52 (5 percent) in 2013. This increase is due to a modest increase in grant activity from the prior year.

The chart below illustrates the surplus or net subsidy required for different, key city programs.



The illustration above clearly demonstrates that the majority of governmental activities of the City require a subsidy by taxpayers while others such as the Economic Development activities tend to be more self-supporting. General government provides for the administrative functions of the City which include legislative, judicial, executive, legal, finance, human resources and information technology. Within public safety are the police and fire departments. Transportation includes the traffic, street maintenance and engineering departmental activities. Included within culture and recreation are the library, recreation and parks maintenance activities.

## Revenues by Source - Governmental Activities

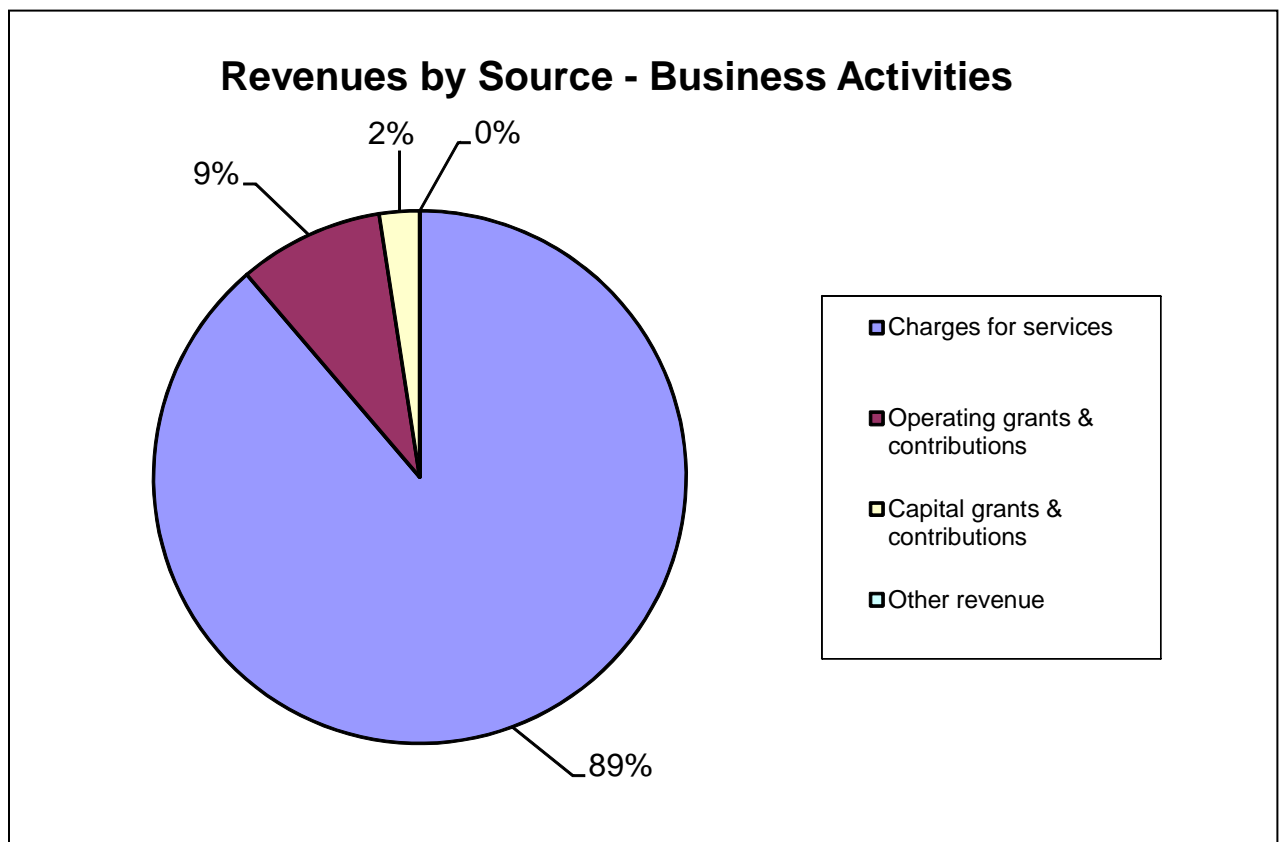


The above chart includes all revenues associated with governmental type activities. In addition to property, sales and business and occupation taxes, the above chart also includes charges for services, operating and capital grants, and contributions. As is illustrated in the above chart, property, sales and business and occupation taxes account for 67 percent of all governmental revenues.

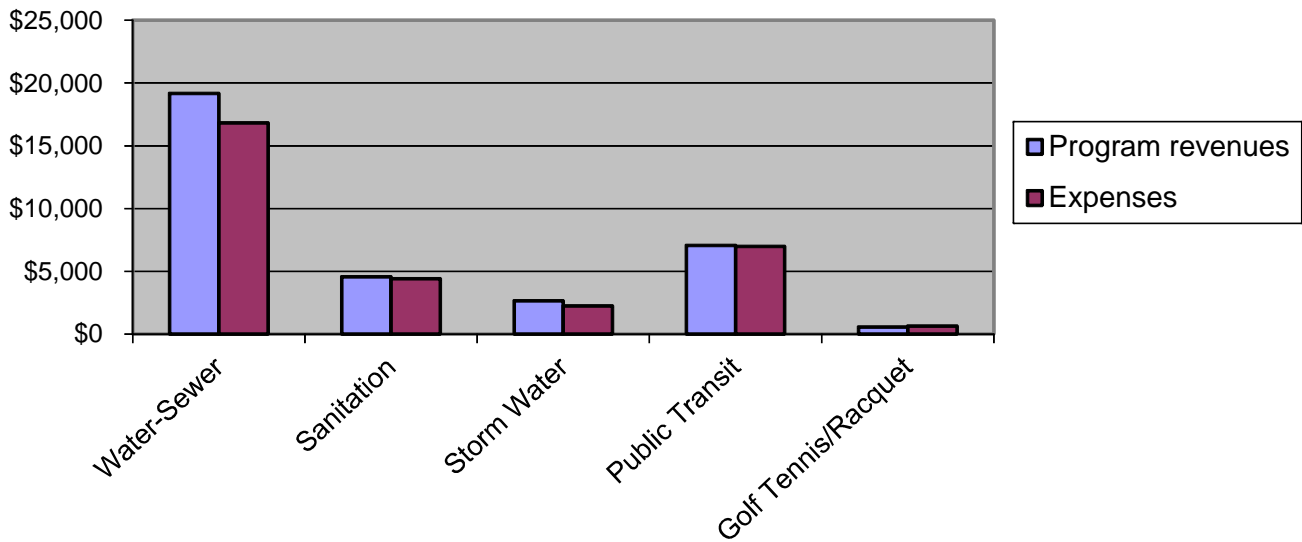
Most operating grant revenues are dedicated toward low-and-moderate income housing projects through the HOME Investment Partnership and Community Development Block Grant programs. The transportation sector receives significant support from capital grants. Under the umbrella of transportation, the City received capital grant funds for traffic safety improvements along 15<sup>th</sup> Avenue and Washington Way. In addition, signal modification projects on 14<sup>th</sup> and 15<sup>th</sup> Avenues were largely funded by capital grants provided by the U.S. Department of Transportation. The City also received transportation funding for design work related to the Washington Way bridge replacement project. Construction on the Washington Way bridge replacement project is scheduled to begin in 2015. Beyond transportation projects, operating grant revenues provide funding for the City's Criminal Justice Assistance Fund programs which include the Street Crimes unit, school resource officers, Highland's satellite office, in addition to the Secure Our Schools, COPS Hiring and Justice Assistance grant programs.

**Business-type activities.** Business-type activities decreased the City of Longview's net position \$7,049 in 2013. The water-sewer and sanitary fund are clearly the largest proprietary funds in the City. Their combined program revenues account for 70 percent of all business-type activities. The decrease in net position of the water-sewer fund for 2013 was \$8,043. This decrease in net position was the direct result of the City replacing its old water treatment facility on the Cowlitz River with a new plant located in the Mint Farm Industrial Park. The primary contributors to the decrease in net position were non-capitalized costs and the undepreciated and unsalvageable value of the old plant.

- Charges for services for business-type activities increased 19.0 percent. The primary driver behind this increase, approximately \$4.2 million was due to the reclassification of contractual revenue received from Cowlitz Transit Authority. The water-sewer portion of this increase was the result of a 2.9 percent water rate hike designed to provide additional resources to help offset the costs associated with the construction of the City's new water treatment facility and rehabilitation of sewer pump stations. The remainder of this increase was largely the result of a rate increase in storm water charges. The storm water rate increase provided for the City's requirement to adhere to the storm water permit regulations imposed by the Department of Ecology and the City's urban forestry program.
- Public transit received \$2,737 in operating grant funds, with all but \$179 coming from the U.S. Department of Transportation.
- Capital grants and contributions accounted for \$833 in revenue for Business-type activities, which largely went toward construction costs of the new water treatment facility.
- Special items under business type activities provides for the completed construction of a new water treatment facility. The new facility located in the Mint Farm Industrial Park replaces the old water treatment plant on the Cowlitz River. Unsalvageable assets at the old plant make up the special item in the amount of \$7,423 (Note 13).



## Expenses and Program Revenues - Business-type Activities



### Financial Analysis of the Government's Funds

As noted earlier, the City of Longview uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Longview's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Longview's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2013, the City of Longview's governmental funds reported combined ending fund balances of \$19,895, an increase of \$2,534 in comparison with the prior year. Of the \$19,895 total fund balance, approximately 58 percent (\$11,593) constitutes unrestricted fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either nonspendable (\$5,615) or restricted (\$2,687). Amounts restricted are 1) for the purpose of fostering economic development through the granting of loans (\$483), 2) to pay debt service (\$63), 3) for the purpose of maintaining and improving the City's transportation infrastructure (\$592), 4) for enhancing public safety (\$370), 5) for promoting tourism (\$110), 6) for enhancing parks (\$753), 7) for enhancing library service (\$1), and 8) (\$314) for capital improvements associated with energy conservation projects.

The general fund is the chief operating fund of the City of Longview. At the end of the current fiscal year, total fund balance of the general fund was \$10,119. All of the \$10,119 general fund balance



was unrestricted and available for spending. As a measure of the general fund's liquidity, it may be useful to compare the unrestricted fund balance to total fund expenditures. For 2013 the unrestricted fund balance represents 34 percent of total general fund expenditures.

The debt service funds have a total fund balance of \$5,621. Of the \$5,621 total debt service fund balance, \$5,565 represents a loan receivable and is nonspendable; \$55 is restricted for the payment of debt service while \$1 is unrestricted and available for debt service and related costs associated with special assessment debt. The debt service funds saw a \$133 decrease in fund balance during the current fiscal year. This decrease in fund balance is the result of annual debt service payments. In 2013 the City retired general obligation bond principal totaling \$567 and special assessment bond principal in the amount of \$10. Interest earnings in the debt service funds amounted to \$239.

**Proprietary funds.** The City of Longview's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water-sewer fund at the end of the year amounted to \$17,393, and the net position for the sanitary operation amounted to \$1,382. All of public transit's \$348 in net position was limited to the City's net investment in capital assets. The total decrease in net position for all proprietary activity at the fund level in 2013 was (\$7,049). The City of Longview has internal service funds which are reported in the fund statements.

## **General Fund Budgetary Highlights**

The 2013-2014 biennial budget reflects the original appropriation of \$64,000.

Total actual 2013 revenues in the amount of \$32,355 were 52 percent of the final budgeted 2013-14 revenues of \$62,536. Overall, 2013 revenues were 4 percent more than projected. This was largely the result of higher than anticipated sales and business and occupation tax revenues. Total 2013 general fund expenditures and transfers amounted to \$30,287, 4 percent less than budget. Actual expenditures in the general fund were less than budgeted expenditures in virtually all categories and across all departments.

## **Capital Asset and Debt Administration**

**Capital Assets.** The City of Longview's investment in capital assets for its governmental and business type activities as of December 31, 2013, amounts to \$133,346 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities and roads. The City of Longview's investment in capital assets decreased \$1,269 for the current year. The \$1,269 overall net decrease in capital assets is due to the write-off associated with the decommissioning of the old water treatment plant on the Cowlitz River in conjunction with the values added for the completed construction of a new regional water source of supply and treatment facility at the Mint Farm Industrial Park.

### City of Longview's Capital Assets (net of depreciation)

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	5,507	\$ 5,507	\$ 2,622	\$ 2,643	8,129	\$ 8,150
Buildings and systems	7,526	7,596	9,357	6,609	16,883	14,205
Improvements	903	1,013	47,157	35,290	48,060	36,303
Machinery and equipment	5,870	6,267	13,810	8,650	19,680	14,917
Infrastructure	21,573	20,972	-	-	21,573	20,972
Intangibles	-	-	4,064	4,064	4,064	4,064
Construction in progress	<u>5,193</u>	<u>1,874</u>	<u>9,764</u>	<u>34,130</u>	<u>14,957</u>	<u>36,004</u>
Total	<u>\$ 46,572</u>	<u>\$ 43,229</u>	<u>\$ 86,774</u>	<u>\$ 91,386</u>	<u>\$ 133,346</u>	<u>\$ 134,615</u>

Major capital asset events during the current fiscal year included the following:

- A variety of water-sewer construction projects were undertaken during the year. Water-sewer construction project expenditures for 2013 include the completed construction of a new regional water source of supply and treatment facility; the west Longview sewer diversion project; replacement of the water mains in the St. Helens neighborhood, Ocean Beach Highway and along 33rd Avenue; and a water/sewer scada system. Major sewer projects included the Hudson Street force main; in addition to sewer pump station rehabilitation projects on Douglas Street, Hudson Street, and 33<sup>rd</sup> Avenue.
- Various street infrastructure projects including a signal modification project at 14<sup>th</sup> and Broadway, in addition to pedestrian safety crosswalk improvements at Washington Way and 28<sup>th</sup> Avenue and on 15<sup>th</sup> Avenue at the intersections of Douglas and Hemlock Streets. The design phase for the Washington Way bridge replacement project began in 2013. The City also kept up its ongoing sidewalk replacement projects.
- In 2013 the City continued with its study and evaluation of flushing alternatives for Lake Sacajawea and design of the Tennant Way streetscape project
- A variety of improvements to local sporting facilities that include baseball facility improvements at John Null, Archie Anderson and Roy Morse Parks; field and facility improvements at 7<sup>th</sup> Avenue for Longview Girls Softball and irrigation upgrades for the Longview soccer fields at 7<sup>th</sup> Avenue Park.
- Plans for theatre streetscape improvements throughout historic downtown Longview.

Additional information on the City of Longview's capital assets can be found in note 6.

**Long-term debt.** At the end of the current fiscal year, the City of Longview had total bonded debt outstanding of \$16,981. Of this amount, \$16,970 comprises debt backed by the full faith and credit of the government and \$11 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. In 2012, the City retired all remaining bonds secured solely by specified revenue sources (i.e., revenue bonds). The City had no revenue bonds outstanding in 2013.

## City of Longview's Outstanding Debt

### General Obligation and Revenue Bonds

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b><u>activities</u></b>		<b><u>activities</u></b>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 16,893	\$ 13,900	\$ 77	\$ 80	\$ 16,970	\$ 13,980
Special assessment debt	11	21	-	-	11	21
Revenue bonds	-	-	-	-	-	-
Total	<u>\$ 16,904</u>	<u>\$ 13,921</u>	<u>\$ 77</u>	<u>\$ 80</u>	<u>\$ 16,981</u>	<u>\$ 14,001</u>

The City of Longview's bonded debt increased \$2,980 (21 percent) during the current fiscal year. The key factor in this increase was the issuance of general obligation bonds in the amount of \$3,560 for the purpose of financing several energy conservation improvement projects throughout the City. Principal in the amount of \$580 was retired during 2013.

State statutes limit the amount of non-voted general obligation debt a governmental entity may issue. The City of Longview's remaining capacity for non-voted debt is approximately \$20 million.

Additional information on the City of Longview's long-term debt can be found in note 10.

## Economic Factors and Next Year's Budgets and Rates

Longview's economy began to show signs of improvement this past year. Although we began to see signs of recovery in 2013, the drawn-out recession that has resonated among cities all across America have left their mark on the area's economy. There is no question the prolonged recession and America's financial melt-down have taken their toll on state and local budgets. Governments at all levels have seen sharp reductions in tax revenue in a time where demand for services continues to rise. Although faced with fiscal challenges, we here at the City are confident that our sound financial principles will continue to guide us as we move through this time of economic uncertainty. Council's strategic initiatives in conjunction with City's budget model aid in establishing spending priorities and allow us to leverage our fundamental economic strengths and keep us well positioned for recovery and growth opportunities.

During the 2013, the City continued its work on a variety of multifaceted programs and projects which helped it to combat much of the uncertainty surrounding the local economy. Participation in county and statewide economic development organizations coupled with an ongoing partnership with Weyerhaeuser Real Estate Development Company at the City's Mint Farm Industrial Park have allowed Longview to position itself as a prime location for industrial site developments such as manufacturing, warehousing and distribution. Longview continues to be in the early stages of discovery and only beginning to experience success resulting from its proximity to major markets and transportation infrastructure.

The area's community leaders have known for years that Longview is at the center of a comprehensive network of import/export shipping, warehouse/distribution opportunities, and overland connections. Our on-going efforts to support and strengthen these assets have helped pave the road to a brighter future. To date, Longview and surrounding areas have made excellent progress towards strengthening its transportation infrastructure. One such example is the deepening of the Columbia River shipping channel. Completed in 2009, the project permitted the U.S. Army Corps of Engineers to deepen the Columbia River channel from its current 40 feet to 43 feet allowing vessels both inbound and outbound to load at ship capacity. At the Port of Longview, the completion of a 3.2 mile industrial rail corridor with traffic overpass signifies the Port's most important property investment in years. The Port's rail project improves traffic safety, eases congestion and allows for the completion of rail spurs that connects new property owners to the rail corridor. Another notable transportation project for the City of Longview is the I-5 and SR-432 interchange – the gateway to Longview and its industrial base. Federal, state and local agencies have worked together and secured funding to ease access to and from the interstate allowing for smoother traffic flows and additional industrial growth. Construction of the I-5 interchange at SR-432 which began in 2009 was completed in early 2012. The new interchanges create better connections to existing roads, increase capacity, decrease congestion and improve safety.

Longview witnessed an increase in sales tax revenues in 2013. Sales tax revenue increased 11 percent for the year. The increase in sales tax revenue is primarily due to improved automobile sales and an uptick in commercial construction activity. Business taxes rose 9% for the same period. The increase in business taxes is due to an overall increase in utility taxes. Higher utility rates and an increase in demand for utility services were largely responsible for the increase in utility tax revenue.

During the current year, unreserved fund balance in the general fund increased \$2,021. This increase in fund balance is the result of higher than anticipated revenues combined with expenditure savings on employee health insurance premiums and energy costs from the implementation of energy efficient conservation measures. It is intended that the use of fund balance will avoid further reductions in general fund services during 2014.

For 2013, Longview's utility customers saw the average monthly combined water/sewer/garbage and storm water rate increase 2.9 percent. On average, Longview's utility customers are billed \$134.54 monthly for water, sewer, sanitary/recycling and storm water utilities. This combined rate increase was necessary to sustain Longview's sound fiscal policies and to provide for the utility's capital investments, in addition to offsetting the inflationary cost increases experienced in each of the City's utilities. In April 2013, Longview's citizens witnessed completion of the City's \$33 million Mint Farm Regional Water Supply Project. This plant is designed to satisfy customer demand for water for at least the next twenty years.

Ongoing challenges for Council and staff continue as we struggle to find that balance between meeting the service demands of our citizens while at the same time acknowledging the call for lower taxes and fees. A strategic Pacific Rim transportation hub, proximity to Portland, Oregon combined with the City's on-going development of the Mint Farm Industrial Park with industrial sites fully serviced by road and utility infrastructure and the City's significant investment in water/sewer infrastructure provide great cause for optimism and serve as the foundation to economic revitalization for all of Longview and its citizens.

A copy of the City's 2013-2014 biennial budget is available and can be viewed on our web site at [www.mylongview.com](http://www.mylongview.com) . The budget offers full details of the City's revenue sources and program expenditures over the two-year biennium.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Longview's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be obtained via the internet at [AskLongview.com](http://AskLongview.com) or by mail at the Department of Finance, City of Longview, PO Box 128, Longview, Washington 98632.

City of Longview

STATEMENT OF NET POSITION

As of December 31, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash	\$1,038,759	\$146,815	\$1,185,574
Deposits with trustees	2,000	0	2,000
Investments	16,800,304	18,789,600	35,589,904
Receivables, net	4,571,532	7,782,771	12,354,303
Internal balances (Note 14)	358,327	(358,327)	0
Due from other governments	7,265,778	538,401	7,804,179
Inventory/prepayments	0	327,090	327,090
Assets held for resale	0	78,379	78,379
Actuarial funding surplus (Note 7-C)			
Net pension obligation	23,685	0	23,685
Net healthcare obligation	232,959	0	232,959
Capital assets (Note 6)			
Land, intangibles & construction in prog.	10,700,048	16,450,000	27,150,048
Other capital assets, net of depreciation	35,871,582	70,324,473	106,196,055
<b>TOTAL ASSETS</b>	<b>76,864,974</b>	<b>114,079,202</b>	<b>190,944,176</b>
<b>DEFERRED OUTFLOWS</b>			
Deferred loss on bond refundings	200,190	0	200,190
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>200,190</b>	<b>0</b>	<b>200,190</b>
<b>LIABILITIES</b>			
Accounts payable/other current liabilities	2,058,346	2,897,701	4,956,047
Matured revenue bonds payable	2,000	0	2,000
Due to other governments	1,283	1,179,838	1,181,121
Accrued liabilities	1,118,713	598,659	1,717,372
Unearned revenue	0	0	0
Long-term liabilities (Note 10)			
Special assessment debt with government commitment due within one year	6,000	0	6,000
Other debt due within one year	2,418,263	4,265,962	6,684,225
Special assessment debt with government commitment not due within one year	5,000	0	5,000
Other debt not due within one year	20,828,761	35,279,579	56,108,340
<b>TOTAL LIABILITIES</b>	<b>26,438,366</b>	<b>44,221,739</b>	<b>70,660,105</b>
<b>DEFERRED INFLOWS</b>			
Payments received in advance	23,036	0	23,036
<b>TOTAL DEFERRED INFLOWS</b>	<b>23,036</b>	<b>0</b>	<b>23,036</b>
<b>NET POSITION</b>			
Net investment in capital assets	29,366,239	49,510,871	78,877,110
Restricted for:			
Debt service	5,628,938	3,069,712	8,698,650
Economic development	822,172	0	822,172
Capital projects	323,909	0	323,909
Criminal justice	598,010	0	598,010
Transportation	597,336	0	597,336
Culture & recreation	753,549	0	753,549
Tourism promotion	113,773	0	113,773
Nonexpendable endowments	19,455	0	19,455
Unrestricted	12,380,381	17,276,880	29,657,262
<b>TOTAL NET POSITION</b>	<b>\$50,603,762</b>	<b>\$69,857,463</b>	<b>\$120,461,225</b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$5,439,611	\$2,468,658	\$8,352	\$1,170	(\$2,961,431)	(\$2,961,431)
Public safety	18,126,723	1,910,677	731,257	218,980	(15,265,809)	(15,265,809)
Transportation	4,110,706	98,532	523,344	1,318,529	(2,170,301)	(2,170,301)
Economic development	1,443,203	560,503	680,819	879,639	677,758	677,758
Culture and recreation	4,471,384	401,083	123,044	33,366	(3,913,891)	(3,913,891)
Interest on long-term debt	670,018	0	0	0	(670,018)	(670,018)
Total governmental activities	34,261,645	5,439,453	2,066,816	2,451,684	(24,303,692)	(24,303,692)
Business-type activities:						
Water-sewer	16,819,524	18,344,896	0	832,575	\$2,357,947	2,357,947
Sanitation	4,419,126	4,504,835	67,912	0	153,621	153,621
Public transit	6,992,488	4,330,297	2,737,229	0	75,038	75,038
Storm water	2,240,354	2,469,353	192,800	0	421,799	421,799
Golf/misc. athletics	654,514	558,011	0	0	(96,503)	(96,503)
Total business-type activities	31,126,006	30,207,392	2,997,941	832,575	2,911,902	2,911,902
Total government	\$65,387,651	\$35,646,845	\$5,064,757	\$3,284,259	(24,303,692)	(21,391,790)
General revenues:						
Taxes:						
Property					8,851,544	8,851,544
Business					8,496,013	8,496,013
Sales					7,442,312	7,442,312
Excise					1,329,628	1,329,628
Gambling					82,584	82,584
Non program specific grants/contributions					948,373	948,373
Gain (loss) on asset dispositions					0	(354,982)
Unrestricted investment earnings					51,962	117,543
Miscellaneous					31,469	31,469
Special items (Note 13)					0	(7,423,083)
Transfers (Note 14)					(6,000)	0
Total general revenues, special items and transfers					27,227,885	19,521,401
Change in net position					2,924,193	(1,870,389)
Beginning net position as previously reported					47,679,569	124,585,760
Prior period adjustment (Note 18)					0	(2,254,146)
Beginning net position, restated					47,679,569	122,331,614
Net position - ending					\$50,603,762	\$120,461,225

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

As of December 31, 2013

	General	Building Replacement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$121,736	\$24,059	\$672,570	\$818,365
Deposits with trustees	0	0	2,000	2,000
Investments	8,400,147	1,489,420	1,745,300	11,634,867
Receivables (net)				
Taxes	3,354,729	0	116,378	3,471,107
Accounts	71,662	0	9,461	81,123
Assessments	0	0	265,936	265,936
Notes and contracts	0	0	243,715	243,715
Due from other funds	334,604	0	0	334,604
Interfund loans receivable	0	0	0	0
Due from other governments	97,806	823,678	6,337,029	7,258,513
Prepaid expenditures	0	0	0	0
Total assets	<u>12,380,684</u>	<u>2,337,157</u>	<u>9,392,389</u>	<u>24,110,230</u>
<b>DEFERRED OUTFLOWS</b>				
Deferred loss on bond refundings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>LIABILITIES</b>				
Accounts payable	535,811	742,102	324,609	1,602,522
Matured bonds/interest payable	0	0	2,000	2,000
Due to other funds	212,300	0	79,309	291,609
Interfund loans payable	0	0	0	0
Due to other governments	1,206	0	37	1,243
Accrued wages payable	977,173	0	24,703	1,001,876
Accrued employee benefits	0	0	0	0
Other current liabilities	4,574	119,277	16,416	140,267
Total liabilities	<u>1,731,064</u>	<u>861,379</u>	<u>447,074</u>	<u>3,039,517</u>
<b>DEFERRED INFLOWS</b>				
Unavailable revenue-property taxes	507,996	0	0	507,996
Other unavailable revenue	0	323,678	320,927	644,605
Payments received in advance	23,035	0	0	23,035
Total deferred inflows	<u>531,031</u>	<u>323,678</u>	<u>320,927</u>	<u>1,175,636</u>
<b>FUND BALANCES</b>				
Nonspendable	0	0	5,615,200	5,615,200
Restricted	0	314,418	2,372,226	2,686,644
Committed	0	0	269,179	269,179
Assigned	0	837,682	375,252	1,212,934
Unassigned	10,118,589	0	(7,469)	10,111,120
Total fund balances	<u>10,118,589</u>	<u>1,152,100</u>	<u>8,624,388</u>	<u>19,895,077</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



*City of Longview*

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO  
NET POSITION FOR GOVERNMENTAL ACTIVITIES**

As of December 31, 2013

<i>Total fund balances from the Governmental Funds Balance Sheet</i>	<b>\$19,895,077</b>
Capital assets do not meet the definition of current financial resources regarding governmental activities, and therefore are not shown on their fund level balance sheets. This amount reflects the total investment in capital assets, net of accumulated depreciation, and does not include assets from internal service funds which are addressed below.	40,538,396
Other long-term assets are not available to pay for expenditures of the current period, and therefore revenue is deferred in fund statements.	1,657,662
Long-term liabilities, primarily bonds payable, are not due within the current reporting period. Therefore, these liabilities not reported in the balance sheet of governmental funds.	(17,519,809)
Internal service funds are used by management to charge the costs of certain activities which are predominately governmental in nature. The net assets of certain internal service funds are included as governmental activities in the statement of net position.	7,916,700
Net actuarial funding differences for pension and healthcare obligations not included in the balances of governmental fund statements.	(1,815,372)
Accrued interest payable on long-term obligations.	(68,892)
<i>Total net position from the Statement of Net Position</i>	<b><u>\$50,603,762</u></b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the year ended December 31, 2013

	General	Building Replacement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$25,491,394	\$0	\$719,089	\$26,210,483
Licenses and permits	797,534	0	0	797,534
Intergovernmental	1,677,035	500,000	2,494,446	4,671,481
Charges for services	3,508,870	0	28,530	3,537,400
Fines	648,539	0	296,297	944,836
Miscellaneous				
Interest earnings	27,224	3,848	253,502	284,574
Space and facilities rentals	88,298	0	13,843	102,141
Contributions from private sources	85,535	0	48,130	133,665
Special assessments	0	0	6,789	6,789
Other miscellaneous	30,318	0	62,655	92,973
<b>Total revenues</b>	<b>32,354,747</b>	<b>503,848</b>	<b>3,923,281</b>	<b>36,781,876</b>
Expenditures:				
Current:				
General government	5,207,930	0	48,868	5,256,798
Public safety	16,872,757	0	810,533	17,683,290
Transportation	2,769,026	0	46,148	2,815,174
Economic environment	750,841	29,137	668,218	1,448,196
Culture and recreation	4,215,290	0	49,799	4,265,089
Capital outlays	118,762	3,317,792	1,436,015	4,872,569
Debt service:				
Principal	29,274	0	739,631	768,905
Interest and other debt service costs	29,809	0	640,210	670,019
<b>Total expenditures</b>	<b>29,993,689</b>	<b>3,346,929</b>	<b>4,439,422</b>	<b>37,780,040</b>
Excess (deficiency) of revenues over (under) expenditures	2,361,058	(2,843,081)	(516,141)	(998,164)
Other financing sources (uses):				
Proceeds of general long-term debt	0	3,560,000	0	3,560,000
Proceeds from disposition of capital assets	1,150	0	0	1,150
Transfers in	1,910	0	288,903	290,813
Transfers out	(293,344)	0	(2,050)	(295,394)
Proceeds from refunding bonds	0	0	0	0
Refunding bond proceeds to escrow agent	0	0	0	0
Discount on bonds sold	0	(23,878)	0	(23,878)
<b>Total other financing sources (uses)</b>	<b>(290,284)</b>	<b>3,536,122</b>	<b>286,853</b>	<b>3,532,691</b>
Net change in fund balances	2,070,774	693,041	(229,288)	2,534,527
Fund balance, January 1	8,047,815	459,059	8,853,676	17,360,550
<b>Fund balance, December 31</b>	<b>\$10,118,589</b>	<b>\$1,152,100</b>	<b>\$8,624,388</b>	<b>\$19,895,077</b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

*City of Longview*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the year ended December 31, 2013

<i>Net change in fund balances from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances</i>	\$2,534,527
Governmental funds report capital outlays as expenditures while they are reported as assets with their cost allocated to depreciation expense over their useful lives in the statement of activities. This amount reflects the net activities for capital asset reported at the government-wide level.	3,225,213
Long-term liabilities are not reported in governmental fund statements. This amount reflects the net activities for long-term liabilities reported at the government-wide level.	(2,878,540)
Revenues in the statement of activities that do not provide current financial resources that are reported as deferred revenue at the fund level.	298,915
The effect of internal service fund activity is eliminated in the government-wide statement of activities. This amount is that portion of internal service fund changes in net assets that is attributable to governmental activities.	6,544
Items below reflect expense adjustments not in the current financial resources measurement focus of governmental funds.	
Accrual adjustment for net pension and net healthcare obligations.	(258,345)
Accrual adjustment for interest payable.	(4,122)
<i>Change in net position from the Statement of Activities</i>	<u><u>\$2,924,192</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

*City of Longview*

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**MAJOR GOVERNMENTAL FUNDS**

For the biennium through December 31, 2013

	<b>GENERAL FUND</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>				
Taxes	\$49,345,350	\$49,345,350	\$25,491,394	(\$23,853,956)
Licenses and permits	1,616,540	1,616,540	797,534	(819,006)
Intergovernmental	2,881,520	2,881,520	1,677,035	(1,204,485)
Charges for services	7,163,110	7,163,110	3,508,870	(3,654,240)
Fines	1,253,950	1,253,950	648,539	(605,411)
<b>Miscellaneous:</b>				
Interest earnings	27,480	27,480	27,224	(256)
Space and facilities rentals	147,980	147,980	88,298	(59,682)
Contributions from private sources	77,500	77,500	85,535	8,035
Other miscellaneous	22,500	22,500	30,318	7,818
<b>Total revenues</b>	<b>62,535,930</b>	<b>62,535,930</b>	<b>32,354,748</b>	<b>(30,181,182)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	9,471,300	9,471,300	5,207,932	4,263,368
Public safety	33,961,310	33,961,310	16,872,757	17,088,553
Transportation	6,000,120	6,000,120	2,769,026	3,231,094
Economic environment	2,191,130	2,191,130	750,841	1,440,289
Culture and recreation	9,314,420	9,314,420	4,215,290	5,099,130
Capital outlays	169,040	169,040	118,762	50,278
<b>Debt service:</b>				
Principal	59,790	59,790	29,274	30,516
Interest and fiscal charges	59,880	59,880	29,809	30,071
<b>Total expenditures</b>	<b>61,226,990</b>	<b>61,226,990</b>	<b>29,993,691</b>	<b>31,233,299</b>
Excess (deficiency) of revenues over (under) expenditures	1,308,940	1,308,940	2,361,057	1,052,117
<b>Other financing sources (uses):</b>				
Capital asset disposition proceeds	0	0	1,150	1,150
Transfers in	0	0	1,910	1,910
Transfers out	(2,741,040)	(2,741,040)	(293,344)	2,447,696
<b>Total other fin. sources (uses)</b>	<b>(2,741,040)</b>	<b>(2,741,040)</b>	<b>(290,284)</b>	<b>2,450,756</b>
Net change in fund balances	(1,432,100)	(1,432,100)	2,070,773	3,502,873
Fund balance, January 1, 2013	8,047,815	8,047,815	8,047,815	0
<b>Fund balance, December 31, 2013</b>	<b>\$6,615,715</b>	<b>\$6,615,715</b>	<b>\$10,118,588</b>	<b>\$3,502,873</b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

As of December 31, 2013

Page 1 of 2

	WATER- SEWER	SANITARY	PUBLIC TRANSIT
<b>ASSETS</b>			
Current assets:			
Cash	\$48,990	\$20,806	\$16,643
Deposits with trustees	0	0	0
Investments	14,768,251	951,835	1,450,258
Receivables, net	2,922,407	626,871	215
Due from other funds	88,851	98,860	0
Due from other governments	438,142	33,716	0
Inventory	319,888	0	0
Prepaid expenses	0	0	7,202
Total current assets:	18,586,529	1,732,088	1,474,318
Noncurrent assets:			
Restricted cash	0	0	0
Restricted investments	0	0	0
Noncurrent receivables	3,924,434	0	0
Deferred charges	0	0	0
Assets held for resale	78,379	0	0
Capital assets:			
Land	1,367,668	0	37,400
Buildings	12,505,830	0	749,468
Improvements other than buildings	74,274,699	0	111,578
Machinery and equipment	16,623,022	17,437	6,203
Intangibles	4,064,024	0	0
Construction in progress	9,097,533	0	0
Other plant assets	35,453	0	0
Less: Accumulated depreciation	(37,104,789)	(14,945)	(556,525)
Net capital assets	80,863,440	2,492	348,124
Total noncurrent assets	84,866,253	2,492	348,124
<b>TOTAL ASSETS</b>	<b>103,452,782</b>	<b>1,734,580</b>	<b>1,822,442</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,746,193	301,491	104,840
Matured revenue bonds payable	0	0	0
Due to other funds	140,291	14,429	88,580
Interfund loans payable	0	0	0
Due to other governments	37,833	0	1,141,981
Accrued wages payable	147,408	17,334	94,381
Accrued employee benefits	125,769	16,239	40,672
Accrued bond interest payable	0	0	0
Customer deposits	428,688	0	0
Other current liabilities	287,978	637	3,864
Current portion of long-term obligations	4,262,767	0	0
Total current liabilities:	7,176,927	350,130	1,474,318
Noncurrent liabilities			
Bonds payable, net	0	0	0
Due to other governments	35,205,698	0	0
Compensated absences	0	0	0
Pollution remediation obligations	0	0	0
Total noncurrent liabilities	35,205,698	0	0
<b>TOTAL LIABILITIES</b>	<b>42,382,625</b>	<b>350,130</b>	<b>1,474,318</b>
<b>NET POSITION</b>			
Net invested in capital assets	43,676,914	2,492	348,124
Restricted for debt service	0	0	0
Unrestricted	17,393,243	1,381,958	0
<b>TOTAL NET POSITION</b>	<b>\$61,070,157</b>	<b>\$1,384,450</b>	<b>\$348,124</b>

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

As of December 31, 2013

Page 2 of 2

	NONMAJOR ENTERPRISE FUNDS	ENTERPRISE TOTALS	INTERNAL SERVICE FUNDS
<b>ASSETS</b>			
Current assets:			
Cash	\$60,374	\$146,813	\$220,397
Deposits with trustees	0	0	0
Investments	1,619,256	18,789,600	5,165,436
Receivables, net	308,844	3,858,337	4,589
Due from other funds	0	187,711	27,450
Due from other governments	66,543	538,401	7,266
Inventory	0	319,888	0
Prepaid expenses	0	7,202	0
Total current assets:	2,055,017	23,847,952	5,425,138
Noncurrent assets:			
Restricted cash	0	0	0
Restricted investments	0	0	0
Noncurrent receivables	0	3,924,434	0
Deferred charges	0	0	0
Assets held for resale	0	78,379	0
Capital assets:			
Land	1,216,791	2,621,859	56,095
Buildings	1,285,200	14,540,498	792,812
Improvements other than buildings	6,524,617	80,910,894	604,786
Machinery and equipment	468,985	17,115,647	12,865,957
Intangibles	0	4,064,024	0
Construction in progress	666,585	9,764,118	542,872
Other plant assets	0	35,453	0
Less: Accumulated depreciation	(4,601,761)	(42,278,020)	(8,829,288)
Net capital assets	5,560,417	86,774,473	6,033,234
Total noncurrent assets	5,560,417	90,777,286	6,033,234
<b>TOTAL ASSETS</b>	<b>7,615,434</b>	<b>114,625,238</b>	<b>11,458,372</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	21,677	2,174,201	299,115
Matured revenue bonds payable	0	0	0
Due to other funds	13,962	257,262	895
Interfund loans payable	0	0	0
Due to other governments	24	1,179,838	39
Accrued wages payable	85,359	344,482	47,946
Accrued employee benefits	71,497	254,177	1,413,350
Accrued bond interest payable	0	0	0
Customer deposits	0	428,688	0
Other current liabilities	2,333	294,812	16,442
Current portion of long-term obligations	3,195	4,265,962	0
Total current liabilities:	198,047	9,199,422	1,777,787
Noncurrent liabilities			
Bonds payable, net	73,881	73,881	0
Due to other governments	0	35,205,698	0
Compensated absences	0	0	2,052,660
Pollution remediation obligations	0	0	0
Total noncurrent liabilities	73,881	35,279,579	2,052,660
<b>TOTAL LIABILITIES</b>	<b>271,928</b>	<b>44,479,001</b>	<b>3,830,447</b>
<b>NET POSITION</b>			
Net invested in capital assets	5,483,341	49,510,871	6,033,234
Restricted for debt service	0	0	0
Unrestricted	1,860,165	20,635,366	1,594,691
<b>TOTAL NET POSITION</b>	<b>\$7,343,506</b>	<b>\$70,146,237</b>	<b>\$7,627,925</b>
Less: Business-type net position used in Internal Service Fund activities		(288,774)	
Net position of business-type activities		<u>\$69,857,463</u>	

*City of Longview*

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS**

For the year ended December 31, 2013

Page 1 of 2

	<b>ENTERPRISE</b>		
	<b>WATER- SEWER</b>	<b>SANITARY</b>	<b>PUBLIC TRANSIT</b>
Operating revenues:			
Charges for services	\$18,168,701	\$4,490,259	\$4,304,052
Miscellaneous	7,182	8,659	25,896
<b>Total operating revenues</b>	<b>18,175,883</b>	<b>4,498,918</b>	<b>4,329,948</b>
Operating expenses:			
Cost of sales and services	10,186,759	3,935,478	6,445,100
Administration	3,051,169	496,792	623,309
Depreciation	3,061,158	2,491	14,815
<b>Total operating expenses</b>	<b>16,299,086</b>	<b>4,434,761</b>	<b>7,083,224</b>
<b>Operating income (loss)</b>	<b>1,876,797</b>	<b>64,157</b>	<b>(2,753,276)</b>
Nonoperating revenues (expenses):			
Interest revenue	61,114	1,411	879
Interest expense	(718,815)	0	0
Operating grant revenue	0	67,912	2,737,229
Disposition of capital assets	(354,982)	0	0
Other	169,013	5,917	349
<b>Total nonoperating revenues (expenses)</b>	<b>(843,670)</b>	<b>75,240</b>	<b>2,738,457</b>
Income (loss) before capital contributions, special items and transfers	1,033,127	139,397	(14,819)
Capital contributions	832,575	0	0
Special items (Note 13)	(7,423,083)	0	0
Transfers in	0	0	0
Transfers out	(231,400)	0	0
<b>Changes in net position</b>	<b>(5,788,781)</b>	<b>139,397</b>	<b>(14,819)</b>
Beginning net position as previously reported	69,113,083	1,245,053	362,943
Prior period adjustments	(2,254,146)	0	0
Beginning net position, restated	66,858,937	1,245,053	362,943
<b>Net position, December 31</b>	<b>\$61,070,156</b>	<b>\$1,384,450</b>	<b>\$348,124</b>

*City of Longview*

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS**

For the year ended December 31, 2013

Page 2 of 2

	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE	TOTAL INTERNAL SERVICE
Operating revenues:			
Charges for services	\$2,995,712	\$29,958,724	\$5,805,765
Miscellaneous	31,652	73,389	679
<b>Total operating revenues</b>	<b>3,027,364</b>	<b>30,032,113</b>	<b>5,806,444</b>
Operating expenses:			
Cost of sales and services	2,537,952	23,105,289	3,675,305
Administration	416,447	4,587,717	686,844
Depreciation	164,192	3,242,656	914,616
<b>Total operating expenses</b>	<b>3,118,591</b>	<b>30,935,662</b>	<b>5,276,765</b>
<b>Operating income (loss)</b>	<b>(91,227)</b>	<b>(903,549)</b>	<b>529,679</b>
Nonoperating revenues (expenses):			
Interest revenue	2,177	65,581	6,713
Interest expense	(3,313)	(722,128)	0
Operating grant revenue	192,800	2,997,941	2,483
Disposition of capital assets	0	(354,982)	(2,500)
Other	0	175,279	3,371
<b>Total nonoperating revenues (expenses)</b>	<b>191,664</b>	<b>2,161,691</b>	<b>10,067</b>
Income (loss) before capital contributions, special items and transfers	100,437	1,258,142	539,746
Capital contributions	0	832,575	0
Special items (Note 13)	0	(7,423,083)	0
Transfers in	237,400	237,400	0
Transfers out	0	(231,400)	(1,418)
<b>Changes in net position</b>	<b>337,837</b>	<b>(5,326,366)</b>	<b>538,328</b>
Beginning net position as previously reported	7,005,669	77,726,748	10,635,239
Prior period adjustments	0	(2,254,146)	(3,545,642)
Beginning net position, restated	7,005,669	75,472,602	7,089,597
<b>Net position, December 31</b>	<b>\$7,343,506</b>	<b>\$70,146,236</b>	<b>\$7,627,925</b>

Change in net position from proprietary activities at the fund level (above)	(\$5,326,366)
Change in net position related to business-type activities	531,784
Change in net positions from government-wide business-type activities	(4,794,582)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the year ended December 31, 2013

Page 1 of 4

	<b>ENTERPRISE</b>		
	<b>WATER- SEWER</b>	<b>SANITARY</b>	<b>PUBLIC TRANSIT</b>
Cash flows from operating activities:			
Cash flows from customers and users	\$18,846,354	\$4,495,245	\$5,173,572
Interfund services provided	0	0	0
Cash from other sources	156,053	40,113	349
Cash paid to suppliers	(7,744,776)	(3,457,557)	(4,551,236)
Cash paid to employees	(3,003,061)	(344,699)	(1,423,132)
Interfund services used	(1,592,663)	(260,518)	(936,487)
Cash paid for taxes and other penalties	(1,150,485)	(480,552)	(622)
<b>Net cash provided (used) by operating activities</b>	<b>5,511,422</b>	<b>(7,968)</b>	<b>(1,737,556)</b>
Cash flows from noncapital financing activities:			
Cash flows from operating grants	0	0	2,950,337
Transfer (in) from other funds	0	0	0
Transfer (out) to other funds	0	0	0
<b>Net cash provided (used) by noncapital financing activities</b>	<b>0</b>	<b>0</b>	<b>2,950,337</b>
Cash flows from capital and related financing activities:			
Proceeds from debt issuances	3,306,056	0	0
Collection of noncurrent receivables	254,439	0	0
Payments of debt principal	(3,281,505)	0	0
Proceeds from sale of capital assets	0	0	0
Capital contributions	651,389	0	0
Contributions from minority interest	0	0	0
Purchase of capital assets	0	0	0
Construction	(8,098,387)	0	0
Interest paid	(718,815)	0	0
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(7,886,823)</b>	<b>0</b>	<b>0</b>
Cash flows from investing activities:			
Proceeds from sale of investments	10,774,707	80,000	1,840,621
Purchase of investments	(8,450,000)	(70,000)	(3,090,000)
<b>Net cash provided (used) by investing activities</b>	<b>2,324,707</b>	<b>10,000</b>	<b>(1,249,379)</b>
Net cash increase (decrease)	(50,694)	2,032	(36,598)
Cash and restricted cash, January 1	99,684	18,774	53,241
<b>Cash and restricted cash, December 31</b>	<b>\$48,990</b>	<b>\$20,806</b>	<b>\$16,643</b>

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the year ended December 31, 2013

Page 2 of 4

	<b>ENTERPRISE</b>		
	<b>WATER- SEWER</b>	<b>SANITARY</b>	<b>PUBLIC TRANSIT</b>
<hr/>			
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
<b>Operating income (loss)</b>	<b>\$1,876,797</b>	<b>\$64,157</b>	<b>(\$2,753,276)</b>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	3,061,158	2,491	14,815
Expensed capital projects	9,590	0	0
Miscellaneous nonoperating cash activity	156,053	40,113	349
(Increase) decrease from:			
Taxes receivable	0	0	0
Accounts & notes receivable	(7,365)	(7,831)	(15)
Due from other funds	(112,586)	(98,860)	0
Due from other governments	342,643	0	0
Inventory	(48,660)	0	0
Prepaid expenses	0	0	7,202
Increase (decrease) from:			
Accounts payable	49,811	38,335	26,743
Due to other funds	108,133	(49,070)	88,580
Interfund loans	0	0	0
Due to other governments	35,585	0	838,653
Accrued wages payable	4,806	1,528	34,616
Accrued employee benefits	11,021	532	4,153
Revenues collected in advance	0	0	0
Customer deposits	9,520	0	0
Other current liabilities	14,916	637	624
Compensated absences	0	0	0
<b>Total adjustments</b>	<b>3,634,625</b>	<b>(72,125)</b>	<b>1,015,720</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$5,511,422</b>	<b>(\$7,968)</b>	<b>(\$1,737,556)</b>
<hr/>			
Noncash Investing, Capital and Financing Activities			
Acquisition of capital assets on account	1,844,116	0	0
Capital (to) from governmental activities	(354,982)	0	0
Capital (to) from Water-Sewer	0	0	0
Capital (to) from nonmajor enterprise funds	(231,400)	0	0
Asset disposition receivables	0	0	0
Related party capital and debt participation	0	0	0
Abandoned capital assets (Note 13)	7,423,083	0	0
Nonoperating interest income	25,758	1,411	879

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the year ended December 31, 2013

Page 3 of 4

	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTAL ENTERPRISE FUNDS</b>	<b>INTERNAL SERVICE FUNDS</b>
Cash flows from operating activities:			
Cash flows from customers and users	\$3,085,961	\$31,601,132	\$223,703
Interfund services provided	0	0	5,701,855
Cash from other sources	166,257	362,772	5,855
Cash paid to suppliers	(698,777)	(16,452,346)	(3,301,441)
Cash paid to employees	(1,480,341)	(6,251,233)	(967,660)
Interfund services used	(678,432)	(3,468,100)	(338,620)
Cash paid for taxes and other penalties	(90,715)	(1,722,374)	(9,053)
<b>Net cash provided (used) by operating activities</b>	<b>303,953</b>	<b>4,069,851</b>	<b>1,314,639</b>
Cash flows from noncapital financing activities:			
Cash flows from operating grants	0	2,950,337	0
Transfer (in) from other funds	6,000	6,000	0
Transfer (out) to other funds	0	0	(1,418)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>6,000</b>	<b>2,956,337</b>	<b>(1,418)</b>
Cash flows from capital and related financing activities:			
Proceeds from debt issuances	0	3,306,056	0
Collection of noncurrent receivables	0	254,439	0
Payments of debt principal	(3,253)	(3,284,758)	0
Proceeds from sale of capital assets	0	0	1,900
Capital contributions	0	651,389	0
Contributions from minority interest	0	0	0
Purchase of capital assets	0	0	(873,792)
Construction	(127,002)	(8,225,389)	0
Interest paid	(3,313)	(722,128)	0
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(133,568)</b>	<b>(8,020,391)</b>	<b>(871,892)</b>
Cash flows from investing activities:			
Proceeds from sale of investments	155,000	12,850,328	1,120,000
Purchase of investments	(350,000)	(11,960,000)	(1,670,000)
<b>Net cash provided (used) by investing activities</b>	<b>(195,000)</b>	<b>890,328</b>	<b>(550,000)</b>
Net cash increase (decrease)	(18,615)	(103,875)	(108,671)
Cash and restricted cash, January 1	78,989	250,688	329,067
<b>Cash and restricted cash, December 31</b>	<b>\$60,374</b>	<b>\$146,813</b>	<b>\$220,396</b>

City of Longview

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the year ended December 31, 2013

Page 4 of 4

	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
<b>Operating income (loss)</b>	<b>(\$91,227)</b>	<b>(\$903,549)</b>	<b>\$529,678</b>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	164,192	3,242,656	914,616
Expensed capital projects	0	9,590	0
Miscellaneous nonoperating cash activity	166,257	362,772	5,855
(Increase) decrease from:		0	0
Taxes receivable	0		
Accounts & notes receivable	(6,048)	(21,259)	6,308
Due from other funds	0	(211,446)	(27,450)
Due from other governments	61,234	403,877	996
Inventory	0	(48,660)	0
Prepaid expenses		7,202	0
Increase (decrease) from:	0		
Accounts payable	(36,452)	78,437	14,196
Due to other funds	13,962	161,605	895
Interfund loans	0	0	0
Due to other governments	0	874,238	0
Accrued wages payable	20,379	61,329	310
Accrued employee benefits	9,398	25,104	(139,689)
Revenues collected in advance	0	0	0
Customer deposits	0	9,520	0
Other current liabilities	2,258	18,435	8,924
Compensated absences	0	0	0
<b>Total adjustments</b>	<b>395,180</b>	<b>4,973,400</b>	<b>784,961</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$303,953</b>	<b>\$4,069,851</b>	<b>\$1,314,639</b>

Noncash Investing, Capital and Financing Activities

Acquisition of capital assets on account	7,889	1,852,005	165,245
Capital (to) from governmental activities	0	(354,982)	0
Capital (to) from Water-Sewer	231,400	231,400	0
Capital (to) from nonmajor enterprise funds	0	(231,400)	0
Asset disposition receivables	0	0	2,600
Related party capital and debt participation	0	0	0
Abandoned capital assets (Note 13)	0	7,423,083	0
Nonoperating interest income	2,177	30,225	3,041

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

*City of Longview*  
**STATEMENT OF FIDUCIARY NET POSITON**  
**FIDUCIARY FUNDS**

As of December 31, 2013

	FIREMEN'S PENSION TRUST FUND	NORTHWEST HEALTH FOUNDATION PRIVATE PURPOSE TRUST FUND	STATE AGENCY FUND
<b>ASSETS</b>			
Cash	\$81,451	\$13,331	\$123,388
Investments			
State investment pool	624,408	0	0
Receivables, net	0	0	0
Due from other governments	0	0	0
<b>TOTAL ASSETS</b>	<b>705,859</b>	<b>13,331</b>	<b>123,388</b>
<b>LIABILITIES</b>			
Accounts payable	30,830	1,382	0
Accrued wages payable	1,605	0	0
Accrued employee benefits	5,625	0	0
Due to other governments	0	0	123,388
<b>TOTAL LIABILITIES</b>	<b>38,060</b>	<b>1,382</b>	<b>123,388</b>
Net position held in trust for pension benefits	389,688	0	0
Net position held in trust for healthcare benefits	278,111	0	0
Net position held for private purpose trust	0	11,949	0
<b>NET POSITION</b>	<b>\$667,799</b>	<b>\$11,949</b>	<b>\$0</b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

*City of Longview*

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

For the year ended December 31, 2013

	<b>FIREMEN'S PENSION TRUST FUND</b>	<b>NORTHWEST HEALTH FOUNDATION PRIVATE PURPOSE TRUST FUND</b>
<b>ADDITIONS</b>		
Contributions:		
Employer - healthcare	\$637,919	\$0
Employer - pension	75,697	0
Other miscellaneous	43,889	26,000
Total contributions	<u>757,505</u>	<u>26,000</u>
Interest income:		
Investments	<u>789</u>	<u>0</u>
Totals investment income	<u>789</u>	<u>0</u>
<b>TOTAL ADDITIONS</b>	<u><b>758,294</b></u>	<u><b>26,000</b></u>
<b>DEDUCTIONS</b>		
Benefits - healthcare	540,858	0
Benefits - pension	95,200	0
Administration	46,991	0
Other trust agreement payments	<u>0</u>	<u>14,051</u>
<b>TOTAL DEDUCTIONS</b>	<u><b>683,049</b></u>	<u><b>14,051</b></u>
Change in net position - healthcare	94,994	0
Change in net position - pension	<u>(19,749)</u>	<u>0</u>
<b>TOTAL CHANGE IN NET POSITON</b>	<u><b>75,245</b></u>	<u><b>11,949</b></u>
Beginning net position	<u>592,554</u>	<u>0</u>
Ending net position	<u><u>\$667,799</u></u>	<u><u>\$11,949</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview  
**Notes to the Financial Statements**  
December 31, 2013

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Longview have been prepared in conformance with generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board as the primary standard setting body for governmental accounting and financial reporting. The City of Longview also follows the Budgeting, Accounting, and Reporting System as developed by the Washington State Auditor's Office designed to promote uniformity among governmental reporting in the State of Washington. The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

The City of Longview was incorporated on February 14, 1924, and operates under the laws of the State of Washington applicable to a Manager/Council form of government. The City of Longview is a general purpose government and provides services typical of a local municipality. As required by GAAP, the City's financial statements include financial position, results of operations and cash flows for all funds and activities controlled by or dependent upon the City. All financial reporting contained herein is of the City of Longview as the primary government.

The reporting entity of the City of Longview includes only itself, as there is no other organization for which the City is financially accountable. Financial accountability is considered to exist if an agency has voting majority of another's governing board, and also has either the ability to impose its will, or there is presence of financial benefit or burden. Financial accountability may also exist through fiscal dependency which is evidenced by a given entity's inability to approve its budget, levy taxes or set rates, or issue bonded debt without approval by another government.

**B. Government-Wide and Fund Financial Statements**

The government-wide statements, the statement of net position and the statement of activities, report activities of the primary government in its entirety with the exception of the fiduciary fund category which is only displayed in the basic financial statements at the fund level. As prescribed by GASB Statement #34, interfund activity has been eliminated or reclassified for presenting the government-wide statements. Exceptions to this general rule are transactions representing interfund services provided and used. Elimination of these activities would misstate both the expenses of the purchasing function and the program revenue of the selling function. This report for 2013 incorporates the implementation of GASB Statement #65 – Items Previously Reported as Assets and Liabilities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-like activities, which rely primarily on user fees to support their operations.

The statement of activities displays the degree to which the direct expenses of a given function are recovered by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from the goods or services of a particular function, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenue items not specifically attributable to any given function are reported instead as general revenues. Indirect costs have been eliminated within the activities of governmental and business-type funds. Such

costs that cross between governmental and business-type activities have not been eliminated and are reported as an expense of the applicable function.

Financial statements are provided separately from the basic financial statements for nonmajor governmental and proprietary funds. Major governmental and enterprise funds are excluded from the financial statements for nonmajor funds as they are reported individually in the basic financial statements. For reasons stated above, the fiduciary funds listed below are reported only within the basic financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of agency funds which have no measurement focus. Under this measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Revenue for grants and similar items are recognized as soon as all imposed eligibility requirements have been met.

Governmental fund financial statements are reported using 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 if they are collected before or within 60 days after year-end as being available to pay liabilities of the current period. Major revenue sources that meet the availability criterion are property taxes, intergovernmental revenues such as grants, and various charges for services. Expenditures generally are recorded when a liability is incurred, as under the accrual method. However, debt service, compensated absences, and claims and judgment expenditures are recorded only when payment is due.

Governmental and business-type activities follow all Governmental Accounting Standards Board (GASB) pronouncements. They also follow Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants as appropriately modified for applicability to the government environment by GASB Statement No. 62.

Interfund activity has generally been eliminated in presenting the government-wide financial statements. Those not eliminated, as stated above, include costs that cross between governmental and business-type activities. Amounts reported as program revenue include 1) charges to customers, 2) operating grants and contributions, including special assessments, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues while general revenues include all taxes. Proprietary funds report operating revenues and expenses separately from those that are non-operating. Operating revenues and expenses generally result from producing and delivering goods or services in connection with the proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating. Operating revenues for all proprietary funds consist primarily of charges to customers for sales and services. Operating expenses are comprised of personnel services, contractual services, utilities and supplies, and repairing and maintaining as well as depreciating capital assets.

The City of Longview may incur expenses for purposes where both restricted and unrestricted net position is available. In such instances as needed, it is the government's policy to use first restricted net position, then unrestricted net position if still required.



## MAJOR FUNDS

The City of Longview currently reports the following as major governmental funds:

- + The General Fund is the general operating fund of the City. It is used to account for all financial resources and transactions of the City, except those required to be accounted for in another fund.
- + The Building Replacement Fund was created to repair, replace, renovate or modernize city owned buildings.

The City of Longview currently reports the following as major proprietary funds:

- + The Water-Sewer Fund accounts for all maintenance, construction, and debt service requirements associated with providing services of the Water-Sewer System.
- + The Sanitation Fund manages the solid waste and recycling programs for the City. Each of these programs is contracted to a private firm providing residential and commercial collection services.
- + The Public Transit Fund reports all activity related to public transit services provided by the City on a cost-reimbursement basis under contract with the Cowlitz Transit Authority (see Note #16 for further detail).

The City of Longview reports these additional fund types:

- + Internal Service Funds are used to account for the financing of goods or services provided to other departments or funds of the City of Longview, or to other governmental units on a cost-reimbursement basis. These funds primarily report the City's rolling stock of equipment and the City's risk management activities.
- + Fiduciary Funds
  - The Firemen's Pension Trust Fund reports resources required to be held in trust for members and beneficiaries of the Firemen's Pension defined benefit pension plan.
  - The Northwest Health Foundation Private Purpose Trust Fund was created to support neighborhood revitalization in the City's highlands area through a private grant.
  - The City's State Agency Fund is custodial in nature and does not report operations having no measurement focus. The State Agency Fund reports assets held for others in an agency capacity consisting mainly of district court funds held for the State of Washington.

See the Nonmajor Governmental Funds, the Nonmajor Enterprise Funds, and the Internal Service Funds sections of this report for a description of the remaining funds operated by the City of Longview.

## D. Budgets and Budgetary Accounting

1. Scope of Budget - The city prepares biennial budgets based on two annual elements for the General, Special Revenue, Capital Projects, and Permanent Trust Funds in accordance with the Municipal Code 35A.34 of the Revised Code of Washington that is on a basis consistent with generally accepted accounting principles. Proprietary fund budgets are adopted utilizing the accrual basis of accounting. Council must approve any increase in resource spending above the amounts authorized by the original budget ordinance.

Budget amounts in the basic financial statements include the original budget amounts and all appropriation transfers and adjustments approved by the city manager or council, as required. The city manager is authorized as chief executive officer to approve budget transfers from one department to another of the same fund, or between line items of the same department or fund. Only the city council has the authority to increase or decrease a given fund's annual budget, which can only be executed by city ordinance.

Biennial budgets are adopted at the level of the fund, and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

Appropriations for general, special revenue, capital projects and permanent funds lapse at the end of the biennium.

2. Procedures for Adopting the Original Budget - The City of Longview's budget procedures are mandated by RCW 35A.34. The steps in the budget process are as follows:

Mid July - Distribution of the budget worksheets and financial information reflecting two prior years actual, and the first six months of the current budget year.

Mid August - Departmental submission of preliminary budget requests and accompanying program narratives, and proposed projects to be included in the plan.

Mid August - Preparation of preliminary revenue estimates.

Mid September - City Manager's staff reviews preliminary budget requests with departments. Revenue estimates are reviewed with finance department.

Late September - City Manager reviews preliminary budget, revenue estimates are further refined, and manager's recommended budget and budget message are prepared.

October - In October, Council sets by ordinance the amount to be raised through property taxes in the ensuing year.

Early November - City Manager presents budget to the City Council.

November through early December - Budget workshops are held with council on the recommended budget. Public hearings concerning the preliminary budget are held in addition to the workshops, which are open to the public.

Mid November - Public hearing concerning proposed budget ordinance.

Second week in December - Adoption of proposed budget.  
(Proper public notice is given in advance of all public hearings.)

The final budget as adopted is published early in the ensuing year, distributed to various agencies, the Chamber of Commerce, and made available to all interested citizens.

3. Amending the Budget - The City Manager is authorized to transfer budgeted amounts between departments within any fund and object classes within departments; however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges, hours, 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, it may do so by ordinance approved by a simple majority after holding two readings of the proposed ordinance amending the budget.

Budget amounts shown in the financial statements include the original budget amounts and all appropriations, transfers and adjustments approved by the City Council. Details for the current budget are presented below.

<b>Fund</b>	<b>Original 2013-2014 Budget</b>	<b>Revisions</b>	<b>Revised 2013-2014 Budget</b>
Major Funds			
General	\$ 63,968,030	\$ -	\$ 63,968,030
Building Replacement	4,199,130	100,000	4,299,130
Special Revenue Funds:			
Arterial Street	9,151,160	0	9,151,160
Downtown Parking	233,590	(57,000)	176,590
Economic Development	1,714,370	0	1,714,370
HOME Fund	1,122,750	0	1,122,750
CDBG Entitlement	742,500	0	742,500
Library Grant	0	0	0
Criminal Justice Assistance	1,298,910	0	1,298,910
Camera Infraction Program	463,240	40,200	503,440
Tourism	87,450	0	87,450
Parks and Recreation Mem. Trust	344,800	300,000	644,800
Total Special Revenue Funds	15,158,770	283,200	15,441,970
Capital Projects Funds:			
Capital Projects	660,600	400,000	1,060,600
LID Construction	3,700,000	0	3,700,000
Total Capital Projects Funds	4,360,600	400,000	4,760,600
Permanent Funds			
Library Trust	2,600	0	2,600

4. Encumbrances - The City of Longview does not formally integrate encumbrance accounting into its general ledger. For operating funds, accounts not expended within the biennium lapse.

## E. Assets, Liabilities and Equities

1. Cash - The City of Longview's cash is considered to include demand deposits, petty cash, and imprest cash, but excludes unavailable deposits with trustees. The City has opted to not include its short-term highly liquid investments as cash equivalents (those investments that can be converted to cash in three months). For more information see Note #4.
2. Investments - See Note #4
3. Receivables - Taxes receivable consist of property taxes and related interest and penalties (See Property Tax Note #5). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year as applicable.

Special assessments are recorded when levied. Special assessments receivable consist of current and long-term assessments, and does not include related interest and penalties. Deferred assessments consist of unbilled special assessments that are liens against the property benefited.

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.

4. Amounts Due to and From Other Funds; Interfund Loans Receivable and Payable - These accounts include all interfund receivables and payables. Amounts reported as due to/from other funds typically represent balances originating from interfund services provided and used, where interfund borrowings are classified as interfund loans receivable/payable. See Note #14 titled Interfund Transactions for more details.
5. Amounts Due to and from Other Governmental Units - These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

The Schedule of Due from and Due to other Governmental Units as of December 31, 2013 is as follows:

*Due from Other Governments:*

<u>Agency</u>	<u>Administering Funds</u>	<u>Amount</u>
Federal	General Fund	\$50,107
	Nonmajor governmental	342,339
	Water-Sewer	84,633
State	General Fund	5,565
	Building Replacement	500,000
	Nonmajor governmental	18,153
	Sanitation	33,717
	Nonmajor Enterprise	66,543
Local	General Fund	42,134
	Building Replacement	323,678
	Nonmajor governmental	5,976,536
	Water-Sewer	353,508
	Internal Service	7,266
TOTAL		<u>\$7,804,179</u>

*Due to Other Governments:*

<u>Agency</u>	<u>Administering Funds</u>	<u>Amounts</u>
State	General Fund	1,206
	Nonmajor governmental	37
	Nonmajor governmental (long-term) *	808,401
	Water-Sewer	37,833
	Water-Sewer (long-term)	37,186,526
	Public Transit	1,141,981
	Nonmajor enterprise	24
	Internal Service Funds	40
	State Agency Fund **	123,388
TOTAL		<u>\$39,299,436</u>

\* Governmental activities reported only in the government-wide statement of net position.

\*\* Reported only at the fund level under the fiduciary fund type.

6. Inventories/Prepaid Items - Inventories in governmental funds consist of expendable materials and supplies held for consumption. Ending inventories in governmental funds are accounted for under the purchases method as an expenditure at the time of acquisition as they are generally immaterial. Prepayments are limited to subscriptions and memberships where expenditure recognition criteria has not been realized and are consequently reported as an asset using the consumption method.

Inventories in proprietary funds are valued by the weighted average method, which approximates the market value. A physical count is taken once at every year end.

7. Restricted Assets. The City of Longview reports restricted assets in connection with the issuance of revenue bonds in the Water-Sewer Fund. No such funds were held as of financial statement presentation date as the Water-Sewer Fund had no applicable debt.
8. Capital Assets and Depreciation

Capital assets include tangible or intangible items used in operations that have a useful life extending beyond the current operating cycle, which the City has defined as one year. Capital assets also must have an initial value of at least \$5,000. Capital assets are comprised of land and land improvements, buildings, improvements other than buildings, machinery and equipment, works of art and historical treasures, and infrastructure. Infrastructure assets are long-lived in nature that normally are immovable and can be preserved for a significant number of years beyond most capital assets. Examples include roads, bridges, signals, landscaping, sidewalks and lighting systems.

Capital assets are capitalized and depreciated in the government-wide financial statements regarding governmental assets, and in the proprietary fund statements regarding proprietary assets. This does not include land, which is never depreciated, or construction in progress, which is depreciated when completed. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements. Capital assets are valued at cost where historical cost records are available and at an estimated historical cost where such records are not available. Donated capital assets are valued at their estimated fair value at the time of donation.

Improvements that materially add to the value or extend the useful life of capital assets are capitalized. Other repairs and maintenance costs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Assets are depreciated under the straight-line method. The classes of depreciable capital assets as well as their useful lives are as follows:

Buildings	25 – 50 years
Improvements other than buildings	25 – 50 years
Heavy vehicles and equipment	5 – 15 years
Light vehicles	2 - 15 years
Infrastructure	40 – 80 years

9. Deferred Outflows of Financial Resources – GASB Statement 65 mandates separate reporting regarding the consumption of net position that pertains to future periods. The City reports a refunding bond loss at the government-wide level for governmental activities.
10. Accumulated Unpaid Employee Leave Benefits

Sick Leave and Vacation Leave - City employees are credited with sick and vacation leave amounts monthly at rates established by City Ordinance or Union Agreement. Sick leave is accrued at 8 hours per month by employees. Vacation leave is accrued monthly to employees at annual rates ranging from 10 to 30 days, depending upon tenure and union agreements.

The contracts with employees call for the accumulation of vacation leave and sick leave. At termination of employment, employees with required length of service may receive cash payment for all accumulated vacation leave up to a maximum of 480 hours, and a percentage of the unused sick leave after a minimum of 10 years service as described below.

Vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability in the proprietary or fiduciary fund from which it will be paid, while governmental funds only report such liabilities if they have matured. All other vacation leave as well as all sick leave benefits are reported in the Employee Benefits Reserve Internal Service Fund. This fund accumulates resources for the eventual payment of these liabilities with amounts reported as disbursements from the operating funds and revenues to the Employees Benefit Reserve Fund as payments are realized by the reserve fund. In accordance with the provisions of the Governmental Accounting Standards Board's Statement #16, Accounting for Compensated Absences," no sick leave liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

The accumulated unpaid governmental and proprietary leave benefits on December 31, 2013 are listed as follows:

	VACATION	SICK LEAVE	TOTAL
Governmental	\$1,880,062	\$1,256,242	\$3,136,304
Proprietary	386,042	197,840	583,882
Pension Trust	3,102	2,523	5,625
<b>TOTAL</b>	<b>2,269,206</b>	<b>1,456,605</b>	<b>3,725,811</b>
Governmental fund compensated absences above			\$3,136,304
Long-term proprietary reported in Employee Benefits Reserve			329,706
Governmental activities compensated absences shown in Note 1.E.10			3,466,010

<u>YEARS OF SERVICE</u>	<u>Amount to be paid by City Resolution</u>
Less than 10 years of full time employment	None
After 10 years of full time employment	12.5% of accrued unused sick leave
After 15 years of full time employment	25.0% of accrued unused sick leave
After 20 years of full time employment	37.5% of accrued unused sick leave
After 25 years & more of full time employment	50.0% of accrued unused sick leave

Upon the death of an employee, the beneficiary shall be paid at the 50.0% rate.

11. Deferred Inflows of Financial Resources – GASB Statement 65 mandates separate reporting regarding the acquisition of net position that pertains to future periods. Government wide statements report collections from services that are unearned while governmental funds also report services from which collections are unavailable.
12. Long-Term Debt - See Note #10 and the Debt Capacity schedules in the Statistical Section for additional details on long-term debt.
13. Fund Equity - Governmental funds report fund equity as fund balance where proprietary funds and government-wide statements report fund equity as net position. GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes criteria for reporting governmental fund balances. This standard has not affected the total amount of reported fund balances but has substantially changed the approach to reporting their components. Fund balance is either restricted, classified as nonspendable or restricted, or it is unrestricted, classified as committed, assigned and/or unassigned. These classifications are based primarily on the extent to which the City is bound to observe constraints imposed on the use of governmental fund resources. City policy is

that the City Council as the government's highest level of decision making authority must take formal action by ordinance to establish, modify, or rescind amounts reported as committed fund balance. With respect to assigned fund balances, within the City's policy regarding fund balances, the City Manager, the Assistant City Manager, as well as the Finance Director have the authority to assign amounts to specific purposes. The City considers restricted amounts to have been spent when expenditures are incurred for which both restricted and unrestricted fund balance is available. Regarding amounts in the unrestricted fund balance classifications, funds are considered spent first from committed fund balance, followed by assigned, then unassigned fund balances.

The following displays the composition of governmental fund balances at year end.

	Nonmajor Funds						
	General	Building Replacement	Special Revenue	Debt Service	Capital Projects	Library Memorial Trust	Total
Fund balances:							
Nonspendable:							
Loans/contracts receivable	0	0	40,000	5,565,000	0	0	5,605,000
Permanent fund principal	0	0	0	0	0	10,200	10,200
Restricted for:							
General government	0	0	110,007	0	0	0	110,007
Capital projects	0	314,418	0	0	0	0	314,418
Public safety	0	0	369,854	0	0	0	369,854
Transportation	0	0	591,846	0	0	0	591,846
Economic environment	0	0	482,726	0	0	0	482,726
Culture and recreation	0	0	753,350	0	0	9,255	762,605
Debt service	0	0	0	55,186	0	0	55,186
Committed to:							
Public safety	0	0	269,179	0	0	0	269,179
Assigned to:							
General government	0	837,682	3,767	0	0	0	841,449
Capital projects	0	0	0	0	9,493	0	9,493
Public safety	0	0	74,373	0	0	0	74,373
Transportation	0	0	5,490	0	0	0	5,490
Economic environment	0	0	280,832	0	0	0	280,832
Debt service	0	0	198	1,100	0	0	1,298
Unassigned:	10,118,589	0	(7,185)	(283)	0	0	10,111,121
	10,118,589	1,152,100	2,974,437	5,621,003	9,493	19,455	19,895,077

## NOTE 2 -

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS RECONCILIATION

#### A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet is followed by a reconciliation between the fund balances of that statement and the net position for governmental activities as found in the statement of net position. Detail to specific reconciling amounts is listed below.

#### Capital assets used in governmental fund operations not providing current fund financial resources

Capital assets used in governmental fund operations	\$71,740,897
Less: Accumulated depreciation	(31,202,501)
<b>TOTAL</b>	<b><u>\$40,538,396</u></b>

#### Long-term liabilities not due in governmental funds

Bonds payable, net	(\$16,900,597)
Deferred loss on bond refunding	200,190
Due to other governments	(808,402)
Special assessment debt	(11,000)
<b>TOTAL</b>	<b>(\$17,519,809)</b>

Internal service fund net position reported as governmental activities

Total internal service fund net position	\$7,627,925
Net position reported with business-type activities	288,774
<b>TOTAL</b>	<b>\$7,916,699</b>

**B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

Detail reconciling the net change in fund balances for governmental funds and the change in net position from governmental activities regarding certain differences is listed below.

Capital assets capitalized and depreciated in government-wide statements

Capital outlays	\$4,872,568
Depreciation expense-Governmental fund operations	(2,116,258)
Contributions from private sources	113,918
Contributions from business-type activities	354,985
<b>TOTAL</b>	<b>\$3,225,213</b>

Long-term liability activity reported in government-wide statements

Bonds payable issued net of discount	(\$3,536,122)
Debt payments expensed in fund statements	768,905
Amortization of refunding bond loss and bond discount/ premium	(13,739)
GASB #65 removal of bond issue costs	(97,584)
<b>TOTAL</b>	<b>(\$2,878,540)</b>

Internal service fund changes in net position attributable to governmental activities

Total internal service fund changes in net position	\$538,328
Changes in net position attributable to business-type activities	(531,784)
<b>TOTAL</b>	<b>\$6,544</b>

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City of Longview. An explanation of deficit fund equity balances, as previously noted, is provided in Note #15.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**DEPOSITS**

The City of Longview's deposits are entirely covered by Federal Depository Insurance or by the Washington Public Protection Commission Act of 1969. Deposits are guaranteed in case of default, under



the act, by all other public depositories operating in the state as to both the amount on deposit plus any accrued interest. The City’s consolidated cash balances as of December 31, 2013, were \$1,403,744 which consists of \$1,185,574 as shown on the Statement of Net position, and \$218,170 as reported in the Statement of Fiduciary Net position. The average daily balance maintained during the year was \$3,265,400 which represents a compensating balance to cover banking services as no direct charges are paid by the City.

**INVESTMENTS**

Washington State statutes authorize the City to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, bankers' acceptances, repurchase agreements, time certificates of deposit, and the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is not SEC-registered, but regulated under administrative policy by the Washington State Treasurer’s Office with investment policies and procedures for statutory compliance approved by an oversight advisory board. The fair value of the City’s position in the pool is equal to the value of the pool’s shares. Additionally, the Firemen's Pension Fund is authorized to invest in obligations of Federal, State, and local government owned public utilities, and in corporate bonds rated A or better by Standard & Poor's Corporation, or A or better by Moody's Bond Ratings.

As of financial statement presentation date, the City’s investments were in the Washington State Treasurer's Investment Pool (LGIP). The City’s investment in the State’s investment pool is not rated. However, the investment pool’s investment policy limits the types of securities available for investment. These investments totaled \$36,214,311 representing their cost with a fair value equal to their carrying value. This amount consists of \$35,589,903 as shown in the Statement of Net Position, and 624,408 as reported in the Statement of Fiduciary Net position. If applicable, where fair value differs from cost, quoted market prices are used as basis to estimate fair value. The interest-rate risk assumed by the City is equal to the average maturity of the LGIP’s investments, which at financial statement presentation date was 50 days. The City has no formally adopted investment policy regarding the investment risks in which it is exposed.

In accordance with generally accepted accounting principles, the City’s investments are reported at fair value on the balance sheet. Consequently, any changes in the fair value of investments are recognized as revenue in the operating statement. For financial reporting, such changes in the fair value of investments have not been separated from interest income representing realized gains and losses.

**NOTE 5 - PROPERTY TAXES**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

	<u>Property Tax Calendar</u>
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 taxes are recorded as a receivable when levied, offset in the fund financial statements by a deferred inflow representing amounts unavailable for expenditure. At year end, property tax revenues are recognized for

collections to be distributed by the county treasurer in January. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The City of Longview may levy up to \$ 3.60 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

1. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to 6 percent per year, after adjustments for new construction. If the assessed valuation increases by more than 6 percent due to revaluation, the levy rate will be decreased.
2. The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

The City of Longview's property tax assessment for 2013 collection was \$3.410017 per \$1,000 on an assessed valuation of \$2,502,611,760 for a total regular levy of \$8,533,950.

## NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

### Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	5,506,797	0	0	5,506,797
Construction in progress	1,874,097	5,278,498	1,959,343	5,193,252
Total capital assets, not being depreciated	7,380,894	5,278,498	1,959,343	10,700,049
Capital assets, being depreciated:				
Buildings	14,594,052	279,570	0	14,873,622
Improvements other than buildings	2,777,970	52,892	0	2,830,862
Machinery and equipment	17,283,535	648,471	824,181	17,107,825
Infrastructure	39,010,645	2,080,420	0	41,091,065
Total capital assets being depreciated	73,666,202	3,061,353	824,181	75,903,374
Less accumulated depreciation for:				
Buildings	6,997,762	350,003	0	7,347,765
Improvements other than buildings	1,793,372	134,497	0	1,927,869
Machinery and equipment	10,988,734	1,066,694	817,181	11,238,247
Infrastructure	18,038,231	1,479,680	0	19,517,911
Total accumulated depreciation	37,818,099	3,030,874	817,181	40,031,792
Total capital assets, being depreciated, net	35,848,103	30,479	7,000	35,871,582
Governmental activities capital assets, net	43,228,997	5,308,977	1,966,343	46,571,631

Depreciation expense was charged to functions as follows:

General government	493,556
Public Safety	324,538
Transportation	1,657,838
Economic Environment	13,074
Culture and Recreation	541,868
Total governmental activities depreciation expense	3,030,874

## Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	2,643,037	1,089,272	1,110,452	2,621,857
Construction in progress - restated Note 18	31,875,712	8,317,752	30,429,346	9,764,118
Intangibles	4,064,024	0	0	4,064,024
Total capital assets, not being depreciated	38,582,773	9,407,024	31,539,798	16,449,999
Capital assets, being depreciated:				
Buildings	17,631,989	7,977,283	11,068,772	14,540,500
Improvements other than buildings	68,175,969	15,610,963	2,876,037	80,910,895
Machinery and equipment	14,405,398	6,997,443	4,287,193	17,115,648
Other plant assets	35,453	0	0	35,453
Total capital assets being depreciated	100,248,809	30,585,689	18,232,002	112,602,496
Less accumulated depreciation for:				
Buildings	11,023,239	396,454	6,236,747	5,182,946
Improvements other than buildings	32,885,715	2,076,944	1,208,880	33,753,779
Machinery and equipment	5,755,129	769,258	3,218,542	3,305,845
Other plant assets	35,453	0	0	35,453
Total accumulated depreciation	49,699,536	3,242,656	10,664,169	42,278,023
Total capital assets, being depreciated, net	50,549,273	27,343,033	7,567,833	70,324,473
Business-type activities capital assets, net	89,132,046	36,750,057	39,107,631	86,774,472

Depreciation expense was charged to functions as follows:

Water-sewer	3,061,158
Sanitation	2,491
Public transit	14,815
Storm water	122,217
Golf/misc. athletics	41,975
Total business-type activities depreciation expense	3,242,656

## NOTE 7 - PENSION PLANS

Substantially all City of Longview 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 retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, PO Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The following disclosures are made pursuant to the GASB Statement 27, Accounting for Pensions by State and Local Government Employers and the GASB Statement 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and 27.

### A. Public Employees' Retirement System (PERS)

#### Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment.

PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes. Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977, and by either February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plans 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, will less than five years to live.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at age 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months. The monthly benefit is subject to a minimum for retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan I members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan I provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age 60, at which time the benefit is converted to the member's service retirement amount. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC

and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury. The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

Plan 2 retirement benefits are vested after the completion of five years of eligible service. Plan 2 members for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost of living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65. PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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. PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child(ren) of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65. For fiscal 2013, the DRS' PERS Plan 3 contributions were \$99+ million while plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old and were hired before May 1, 2013, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 year old, and were hired before May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. PERS Plans 2 and 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefits amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at three percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty related death benefit is provided to the beneficiary of the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The City of Longview has no PERS employees or retirees participating in the optional Judicial Multiplier Program.

There are 1,176 participating employers participating in PERS. [1] Membership in PERS consisted of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and beneficiaries receiving benefits	82,242
Terminated plan members entitled to but not yet receiving benefits	30,515
Active plan members vested	106,317
Active plan members non-vested	44,273
Totals	<u>263,347</u>

#### Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions

finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013 were:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
Employer*	9.21%	9.21%	9.21%**
Employee	6.00%	4.92%	***

\* The employer rates include the employer administrative expense fee currently set at 0.18%.

\*\* Plan 3 defined benefit portion only.

\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the City of Longview and the employees made the required contributions. [2] The City of Longview's required contribution for the years ended December 31, were as follows:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
2013	91,811	1,309,947	116,987
2012	92,605	1,158,627	88,612
2011	89,254	1,006,536	88,612

## B. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans I and II

### Plan Description

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being the exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

<u>Term of Service</u>	<u>Percent of Final Average</u>
20+	2.0%
10-20	1.5%
5-10	1.0%

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 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan I provides death and disability benefits. Death benefits for survivors of Plan I members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan I disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per each year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. 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. A cost-of-living allowance is granted (based on the Consumer Price index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.



Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAX and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption

A one-time duty-related death benefit is provided to the beneficiary of the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOPP Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws. LEOPP members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following of the latest valuation date for the plans of June 30, 2012:

Retirees and beneficiaries receiving benefits	10,189
Terminated plan members entitled to but not yet receiving benefits	689
Vested active plan members	14,273
Nonvested active plan members	<u>2,633</u>
Totals	<u>27,784</u>

#### Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. 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. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For DRS' fiscal year 2013, the state contributed \$54.8 million to LEOFF Plan 2. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, were:

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
Employer	0.18%	5.23%
Employee	0.00%	8.41%

The employer rates include the employer administrative expense fee currently set at 0.18%.

Both the City of Longview and the employees made the required contributions. The City of Longview's required contributions for the years ended December 31, were:

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
2013	0	1,241,215
2012	0	1,223,383
2011	0	1,133,177

### C. Other Local Government Pension System - Firemen's Pension Fund

#### **Plan Description:**

The City of Longview is also the administrator of a pension retirement system called the Firemen's Pension Plan. The Firemen's Pension Plan is a single employer defined benefit retirement plan limited to firefighters and beneficiaries employed before March 1, 1970. It is a closed plan that provides pension and post-employment health care benefits some of which can be in excess of LEOFF benefits to LEOFF members hired prior to October 1, 1977.

No new employees have been covered by this plan since March 1, 1970. Pension obligations for all firefighters retired since March 1, 1970, whether hired before or since that same date, have been assumed by the State of Washington Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), with the exception of certain minimal benefits in excess of the LEOFF benefits.

The LEOFF act provides that members are vested after five years of service and are eligible for service retirement after working a minimum of five years or more and are at least age 50. Under both LEOFF and the prior pension act (RCW 41.18), which is funded from the Firemen's Pension Fund, members are eligible for disability retirement if disabled for a minimum of six months. Under RCW 41.18, members are eligible for benefits after completing 25 years of service. Since there have been no new employees eligible for retirement benefits under RCW 41.18 since 1970, and no new employees eligible for provisions of LEOFF I retirement since October 1, 1977, all employees are fully vested.

The Firemen's Pension Trust Fiduciary Fund is used to account for the defined benefit plan. The activities of this plan are reported using the accrual basis of accounting with benefits and refunds of the defined benefit pension plan recognized when due in accordance with the plan. Both the pension and post-retirement healthcare benefits components are reported on an actuarial funding basis regarding their respective annual required contributions. Currently, a stand-alone report is not issued, and no other entity reports the balances or activities of the plan. The authority for funding the plan is addressed by RCW 41.26, which directs the City to compare benefits payable, and cover any excess not paid by the LEOFF pension system. There are no direct plan contribution requirements for the few remaining active plan members. However, see Section B of this note for their funding rates to the LEOFF System. The funding requirements of the employer are actuarially determined, and can be referenced through the schedules that are presented at the later part of this note. Funding for the plan arises from three primary sources: 45% of the tax on fire insurance premiums collected by the State is earmarked by State law for distribution to cities for this purpose, interest earnings on investments and biennially budgeted contributions from the City's General Fund addressed earlier as employer contributions. The fund did realize on behalf payments from taxes on fire insurance premiums during the fiscal period of \$43,899. The costs of administering the plan are financed through resources accumulated from these funds. The Firemen's Pension Fund makes three types of payments (1) pensions to eligible members or beneficiaries retired prior to March 1, 1970, (2) amounts to certain eligible members or beneficiaries retired after that

date if the amount received from LEOFF does not equal or exceed the amount entitled from the Firemen’s Pension Fund, and (3) medical services for both active and retired firefighters, excluding those hired since October 1, 1977. The medical services are an obligation that may be paid directly from the City’s General Fund if so desired. The pension benefits are tied to the current pay, rates for the rank the members held at retirement and/or the cost of living index. Benefits are established in accordance with RCW’s 41.16, 41.18, 41.20, and 41.26.

Benefits are calculated based on length of service (2% for each year of service, or 50% flat rate for disability retirees) and on the final average salary (calculated over the last two years of credited service). Each firefighter in service on March 1, 1970 receives the greater of benefits payable under the LEOFF system and the benefits available under the old law. Where benefits under the old law exceed those under LEOFF, the excess benefits are paid by the Firemen’s Pension Fund of the City.

Post-retirement medical benefits are available to firefighters and law enforcement officers hired before October 1, 1977, only. For retirees hired before June 8, 1961, only medical expenses that are directly related to their disability retirement are eligible for payment. Those who retired after June 8, 1961, have medical insurance paid by the City through the City’s normal medical insurance carrier. The City will also pay any expense in excess of those covered by the medical insurance carrier. All benefits are funded on a pay-as-you-go basis. 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 City's pension fund covers its membership obligations for full or partial retirement allowances under LEOFF Plans 1 and 2. Obligations for medical expenses are funded for the most part by group insurance. Medical expenses include medical, hospital and nursing care not payable by workmen's compensation, social security or group insurance

Current membership in the Firemen's Pension Fund is comprised of the following:

<u>Group</u>	<u>Plan members</u>
Retirees and beneficiaries currently receiving	
Medical and/or pension benefits	42
Active employees fully vested	0
The LEOFF Act requires a varying obligation of the city for benefits paid to Firefighters:	
1. Firefighters and beneficiaries hired before, but not retired on March 1, 1970 receive 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 only, for life.	24
2. For 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.	18

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**Firemen’s Pension Defined Benefit Plan**  
**Actuarial and Related Supplementary Information**

Listed below is detail describing the actuarial methods and assumptions used to determine the City’s obligation and funding status regarding the Firemen’s Pension Fund. This information shows that over the past few

years, the funded ratio of both the pension and healthcare components have been decreasing. It should also be noted that the projection of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations.

ACTUARIAL METHODS & SIGNIFICANT ASSUMPTIONS

Valuation Date	December 31, 2012
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent closed
Amortization Period	18 years
Asset Valuation Method	Market value
Investment Rate of Return	4%
Projected Salary Increases	3.5%
Cost of Living Adjustments	3%
Inflation rate component	3%

SCHEDULE OF NET PENSION OBLIGATION & EMPLOYER CONTRIBUTIONS

	2013	2012	2011
Annual Required Contribution (ARC)	\$79,364	\$76,312	\$90,718
Interest on Net Pension Oblig. (NPO)	(931)	(991)	(1,306)
Adjustment to Net Pension Obligation	1,840	1,957	2,096
Annual Pension Cost (APC)	80,272	77,278	91,508
Employer contributions	80,670	75,790	90,163
Percentage of ARC contributed	101.6%	99.3%	99.4%
Percentage of APC contributed	100.5%	98.1%	98.5%
Increase (decrease) in NPO	(398)	1,488	1,345
Beginning Net Pension Obligation	(23,287)	(24,775)	(26,120)
Ending Net Pension Obligation	(\$23,685)	(\$23,287)	(\$24,775)

SCHEDULE OF PENSION FUNDING PROGRESS

	2013	2012	2011
Actuarial accrued liability	\$1,409,204	\$1,409,204	\$1,637,634
Actuarial value of assets	70,837	62,897	86,070
Unfunded actuarial liability (UAL)	1,338,367	1,346,307	1,551,564
Funded ratio	5.0%	4.5%	5.8%
Covered payroll	N/A	N/A	N/A
UAL as a percentge of covered payroll	N/A	N/A	N/A

SCHEDULE OF NET HEALTHCARE OBLIGATION & EMPLOYER CONTRIBUTIONS

	2013	2012	2011
Annual Required Contribution (ARC)	\$668,517	\$642,805	\$504,664
Interest on Net Healthcare Oblig. (NHO)	(9,225)	(9,770)	(8,458)
Adjustment to Healthcare Obligation	18,219	19,295	12,806
Annual Healthcare Cost (AHC)	677,510	652,330	509,012
Employer contributions	679,835	638,703	593,682
Percentage of ARC contributed	101.7%	99.4%	117.6%
Percentage of AHC contributed	100.3%	97.9%	116.6%
Increase (decrease) in NHO	(2,324)	13,627	(84,670)
Beginning Net Healthcare Obligation	(230,634)	(244,261)	(159,591)
Ending Net Healthcare Obligation	(\$232,959)	(\$230,634)	(\$244,261)

SCHEDULE OF HEALTHCARE FUNDING PROGRESS

	2013	2012	2011
Actuarial accrued liability	\$11,875,796	\$11,875,796	\$10,873,022
Actuarial value of assets	596,963	530,056	566,728
Unfunded actuarial liability (UAL)	11,278,833	11,345,740	10,306,294
Funded ratio	5.0%	4.5%	5.2%
Covered payroll	N/A	N/A	N/A
UAL as a percentage of covered payroll	N/A	N/A	N/A

Listed below is financial statement information for the current fiscal period on the individual pension and healthcare plans that comprise the activity of the Firemen's Pension Fund.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
FIREMEN'S PENSION FUND**

	PENSION TRUST	HEALTHCARE TRUST	TOTAL
<b>ASSETS</b>			
Cash	\$47,530	\$33,921	\$81,451
Investments			
State investment pool	364,368	260,040	624,408
<b>TOTAL ASSETS</b>	<b>411,898</b>	<b>293,961</b>	<b>705,859</b>
<b>LIABILITIES</b>			
Accounts payable	17,991	12,839	30,830
Accrued wages payable	937	668	1,605
Accrued employee benefits	3,282	2,343	5,625
<b>TOTAL LIABILITIES</b>	<b>22,210</b>	<b>15,850</b>	<b>38,060</b>
Net position held in trust	389,688	278,111	667,799
<b>NET POSITION</b>	<b>\$389,688</b>	<b>\$278,111</b>	<b>\$667,799</b>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIREMEN'S PENSION FUND**

	PENSION TRUST	HEALTHCARE TRUST	TOTAL
<b>ADDITIONS</b>			
Contributions:			
Employer	\$75,697	\$637,919	\$713,616
Other miscellaneous	4,656	39,233	43,889
Total contributions	80,353	677,152	757,505
Interest income:			
Investments	84	705	789
Totals investment income	84	705	789
<b>TOTAL ADDITIONS</b>	<b>80,436</b>	<b>677,858</b>	<b>758,294</b>
<b>DEDUCTIONS</b>			
Benefits	95,200	540,858	636,058
Administration	4,985	42,006	46,991
<b>TOTAL DEDUCTIONS</b>	<b>100,185</b>	<b>582,864</b>	<b>683,049</b>
Change in net position	(19,748)	94,993	75,245
Beginning net position	409,436	183,118	592,554
Ending net position	\$389,688	\$278,111	\$667,799

**NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**A. Law Enforcement and Firefighters Plan I**

The City of Longview also provides other post employment benefits (OPEB) to all retired law enforcement officers hired prior to October 1, 1977 through participation in the Law Enforcement and Firefighters Plan I (LEOFF I). There are no current employees with all retirees being former police officers as all would be

applicable firefighters are covered within the pension plan stated in Note 7. The system functions like a cost-sharing multiple employer plan, but has been determined by GASB to be reported under GASB Statement 45 as an agent multiple employer plan. The State administered plan does not issue stand-alone reports and is not included in the financial reports of any other entity.

The City of Longview reimburses one hundred percent of the amount of validated claims for medical, and hospitalization costs incurred by pre-Medicare retirees. State statute provides that the City's responsibility for medical payments of LEOFF I retirees is secondary to any other coverage retirees receive or are eligible to receive. The City recognizes a potential savings exists when retirees utilize Medicare as primary coverage and the City for secondary coverage and ineligible expenses. Therefore, upon reaching age 65, the City requires the retirees to apply for and utilize Medicare Part B coverage. In 2013, the City's cost for these Medicare premiums was \$28,323. This expenditure represents a cost of \$104.90 per month for 23 LEOFF I retirees.

Funding obligations for contributions to the plan are established and amended by state statute. The City's OPEB cost is based on the annual required contribution (ARC) of the employer which was \$802,159 for 2013. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities. The City has no active employees covered by LEOFF I with no required contribution from plan members. See the following Schedule of Employer Contributions and Net OPEB Obligation for the City's OPEB cost, its contributions to the plan, and its net OPEB obligation. The General Fund is typically used to liquidate this portion of the City's OPEB obligation.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision. The schedule of funding progress that follows presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Projections of benefits for financial reporting purposes are based on the substantive plan, as understood by the employer and plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## **Law Enforcement and Firefighters Plan I Actuarial and Related Supplementary Information**

### **ACTUARIAL METHODS & SIGNIFICANT ASSUMPTIONS**

The City has elected to use the alternative measurement method as designed by the Washington Office of the State Actuary to calculate the annual required contribution (ARC) of the employer and related information as permitted by GASB Statement 45. The following assumptions used for determining the actuarially accrued liability are individually and collectively reasonable for the purposes of the valuation. Termination and mortality rates were assumed to follow the LEOFF I termination and mortality rates used in the June 30, 2009 actuarial report issued by the Office of the State Actuary (OSA). Please reference this report for applicable rates and assumptions used to derive reported calculations. Healthcare costs and trends were determined by an independent actuary and used by OSA in the state-wide LEOFF I medical study performed in 2011. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit, with results based on grouped data of 4 active and 4 inactive groupings.

SCHEDULE OF EMPLOYER CONTRIBUTIONS & NET OPEB OBLIGATION \*\*

	2013	2012	2011
Annual Required Contribution (ARC)	\$802,159	\$892,647	\$810,599
Interest on Net OPEB Obligation (NOO)	81,493	68,836	57,418
Adjustment to Net OPEB Obligation	(168,624)	(142,436)	(118,810)
Annual OPEB Cost (AOC)	715,028	819,047	749,207
Employer contributions	453,961	537,795	495,472
Percentage of ARC contributed	56.6%	60.2%	61.1%
Percentage of AOC contributed	63.5%	65.7%	66.1%
Increase (decrease) in NOO	261,067	281,252	253,735
Beginning Net OPEB Obligation	1,810,949	1,529,696	1,275,961
Ending Net OPEB Obligation	\$2,072,016	\$1,810,949	\$1,529,696

SCHEDULE OF OPEB FUNDING PROGRESS \*\*

	2013	2012	2011
Actuarial accrued liability	\$9,586,620	\$9,586,620	\$8,705,466
Actuarial value of assets	0	0	0
Unfunded actuarial liability (UAL)	9,586,620	9,586,620	8,705,466
Funded ratio	0.0%	0.0%	0.0%
Covered payroll	N/A	N/A	N/A
UAL as a percentage of covered payroll	N/A	N/A	N/A

**B. Association of Washington Cities Employee Benefit Trust**

The City of Longview is a participating Employer in the Association of Washington Cities Employee Benefit Trust (Trust), a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of Participating Employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and nature of medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to the Trust at 1076 Franklin Street SE, Olympia, WA 98501-1346.

The Trust provides that contribution requirements are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute \$830 per month for non-Medicare enrolled retiree only coverage, \$1,667 for non-Medicare enrolled retiree and spouse coverage, \$1,280 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and \$899 for Medicare-enrolled retiree and spouse coverage. Participating employers are required contractually to contribute at a rate assessed each year by the Trust. The City's contribution to the Trust for the year ended December 31, 2013 was \$2,011,920 which equaled the required contributions for the year.

**NOTE 9 - RISK MANAGEMENT**

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed the Washington Cities Insurance Authority (WCIA) on January 1, 1981 in which the City of Longview is a member. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 162 Members. New members initially contract for a three-year



term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

The Insurance Reserve Internal Service Fund is used to account for the City's risk management activities, which is responsible for collecting interfund premiums, purchasing insurance policies, and administering claim settlements. Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police professional, public officials' errors or omissions, stop-gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance is subject to the aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

The City has experienced no significant reductions in insurance coverage from coverage in the prior year by major risk category, and has incurred no settlements that exceeded insurance coverage in any of the preceding three years.

Standard property insurance coverage for buildings and personal property, automobile physical damage, fidelity bonds, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the member's deductible up to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. Third party contracts exist for the use of a claims investigation company, consultants for personnel issues and land use problems, insurance brokerage and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the Interlocal Agreement, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments, which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

WCIA is governed by a Board of Directors, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA. The City retains no risk as risk transfers to WCIA resulting in no unpaid claims for which the City is financially liable.

#### Other Self-Insurance Funds

The City is self-insured for claims regarding unemployment insurance and workers compensation which are administered by third parties. Resources set aside as of financial statement presentation date for unemployment claims are approximately \$250,000 while no funds are specifically set aside for workers compensation claims which are administered through the activities of the Insurance Reserve Fund. The City purchases excess workers compensation insurance with policy limits of \$1,000,000 and a deductible of \$500,000. The City has realized no claims to date that have exceeded insurance coverage but did close a workplace injury claim in early 2014 that was open from 2005 for just over \$818,000.

## **NOTE 10 - LONG-TERM LIABILITIES**

## A. General Obligation, Revenue, and Special Assessment Bonds

General Obligation bonds are a direct obligation of the City for which its full faith and credit are pledged. The debt service on general obligation bonds is paid from Debt Service as well as other specific governmental funds. Debt Service for voter-approved issues is funded by special property tax levies, while debt service for City Council authorized issues is funded from regular property taxes.

Revenues bonds are created by ordinance, adopted by the City Council, and financed from Enterprise Fund revenues pledged as security for the repayment of the revenue bonds.

Special Assessment bonds are created by ordinance, adopted by the City Council, and financed by assessments on property owners. A separate guaranty fund is available to cover most outstanding delinquencies at the end of the assessment period. The City's obligation does not extend beyond the Guaranty Fund assets.

## B. Changes in Long-Term Liabilities

The accompanying schedule lists the City's debt transactions for 2013 on principal obligation only.

	<b>Balances Forward Restated (1)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>	<b>Due within one year</b>
Governmental activities					
General obligation bonds	\$13,899,670	\$3,560,000	\$566,747	\$16,892,923	\$810,380
unamortized (discount) premium	<u>33,213</u>	<u>(23,878)</u>	<u>1,661</u>	<u>7,674</u>	<u>69</u>
Total general obligation bonds	13,932,883	3,536,122	568,408	16,900,597	810,449
Special assessment debt with government commitment	21,000	0	10,000	11,000	6,000
Intergovernmental loans	1,000,559	0	192,158	808,401	194,464
Compensated absences	3,545,642	2,911,854	2,991,486	3,466,010	1,413,350
Net OPEB obligation (2)	1,810,949	715,028	453,961	2,072,016	0
Total governmental activities	<u>\$20,311,033</u>	<u>\$7,163,004</u>	<u>\$4,216,013</u>	<u>\$23,258,024</u>	<u>\$2,424,263</u>

Continued on next page

	<b>Balances Forward Restated (1)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>	<b>Due within one year</b>
Business-type activities					
General obligation bonds	\$80,329	\$0	\$3,253	\$77,076	\$3,195
Intergovernmental loans	35,326,687	3,652,087	1,792,248	37,186,526	1,980,831
Compensated absences	289,130	137,139	172,092	254,177	254,177
Pollution remediation obligations	<u>3,778,382</u>	<u>0</u>	<u>1,496,446</u>	<u>\$2,281,936</u>	<u>2,281,936</u>
Total business-type activities	<u>\$39,474,528</u>	<u>\$3,789,226</u>	<u>\$3,464,039</u>	<u>\$39,799,715</u>	<u>\$4,520,139</u>

1) Deferred outflows removed of \$215,590

2) See Note 8.A for additional details

## C. General Obligation Bonds & Other General Obligation Debt

In April of 2013, the City of Longview sold General Obligation Bonds with a par value of \$3,560,000 providing funds necessary to finance energy conservation improvements in City facilities and vehicles.

Repayments range in principal amounts of \$215,000 to \$255,000 from 2014 to 2028 with interest rates from 0.7% to 5.0%.

**General Obligation Bonds Outstanding as of December 31, 2013**

\$8,095,000 - 2007 Limited Tax General Obligation Bonds due in installments of \$105,000 to \$510,000 through June of 2032 with interest at 4.00% to 5.00%. 6,775,000

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\$7,455,000 – 2010 Limited Tax General Obligation Bonds due in installments of \$115,000 to \$435,000 through December of 2035 with interest at 3.10% to 5.30%. 6,635,000

-----  
\$3,560,000 – 2013 Limited Tax General Obligation Bonds due in installments of \$215,000 to \$280,000 through December 2028 with interest of .7% to 4.08%. 3,560,000

***Total General Obligation Bonds Outstanding*** **\$16,970,000**

**Other General Obligation Debt:**

\$626,398 - Public Works Trust Fund Loan.  
Proceeds were utilized to fund traffic signal upgrades at numerous intersections throughout Longview. Annual interest payments of 2% per annum on outstanding principal balance with final payment due July 1, 2014. Payment for this Public Works Trust Fund Loan is provided by the Arterial Street Fund. 33,326

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\$1,500,000 - Public Works Trust Fund Loan.  
Proceeds were utilized to finance in part the construction of roadways, utilities and other site improvements for the Mint Farm Industrial Park. Annual interest payments of 2% per annum on the outstanding principal balance with final payment due July 1, 2017. Payment for this Public Works Trust Fund Loan is provided by the HUD Fund. 428,571

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\$500,000 – Community Economic Revitalization Board Loan.  
Proceeds were used to finance in part the construction of Roadways, utilities and other site improvements for the Mint Farm Industrial Park. Annual interest payments of 6% per annum on the outstanding principal balance with final payment due July 1, 2019. Payment for this loan is provided by the HUD Fund. 264,515

\$160,000 - – Community Economic Revitalization Board Loan.  
Proceeds were used to finance in part the construction of Roadways, utilities and other site improvements for the Mint Farm Industrial Park. Annual interest payments of 1% per annum on the outstanding principal balance with final payment due in January of 2018. Payment for this loan is provided by the HUD Fund. 81,989

***Total Other General Obligation Debt Outstanding*** **\$808,401**

The annual requirements for outstanding general obligation debt are as follows:

## GENERAL OBLIGATION DEBT

Year ending December, 31	Bonds		Other	
	Principal	Interest	Principal	Interest
2014	815,000	1,261,829	194,463	25,929
2015	855,000	1,276,644	163,574	20,683
2016	705,000	1,091,919	166,147	15,967
2017	745,000	1,106,604	168,868	11,103
2018	570,000	914,495	64,601	6,084
2019-23	4,145,000	5,432,488	50,748	3,045
2024-28	4,850,000	5,072,055	0	0
2029-33	3,520,000	4,069,849	0	0
2034-35	765,000	814,088	0	0
	<u>\$16,970,000</u>	<u>\$21,039,967</u>	<u>\$808,401</u>	<u>\$82,811</u>

### D. Revenue Bonds & Other Enterprise Debt

**Other Enterprise Debt:** Payment for outstanding other enterprise debt which consists of Public Works Trust Fund Loans provided by the Water/Sewer Fund.

\$750,000 – 2005 Public Works Trust Fund Loan. Proceeds to fund replacement of specific components of the County’s sewer treatment plant. Annual interest payments of 1/2% per annum on outstanding principal balance with final payment due July 1, 2010 490,286

\$1,000,000 – 2009 Public Works Trust Fund Loan. Proceeds to fund replacement of specific components of the County’s sewer treatment plant. Annual interest payments of 1/2% per annum on outstanding principal balance with final payment due July 1, 2028 800,439

\$1,000,000 – 2010 Public Works Trust Fund Loan. Proceeds to fund new Regional Water Treatment Plant. Annual interest of 1/2% through 2028 800,439

\$3,052,350 – 2010 Public Works Trust Fund Loan. Proceeds to fund new Regional Water Treatment Plant. Annual interest of 1/2% through 2028 2,772,984

\$4,193,183 – 2011 Public Works Trust Fund Loan. Proceeds to fund new Regional Water Treatment Plant. Annual interest of 1/2% through 2028 4,330,818

\$8,397,696 – 2011 Department of Ecology loan to help in the City’s sewer diversion project to the regional sewage treatment plant. Annual interest of 2.8% through 2031 10,537,879

\$11,278,744 – 2012 Public Works Trust Fund Loan for the Mint Farm Regional Water Supply Projects. Annual interest of 1% through 2034 7,980,000

\$7,785,408 – 2012 Public Works Trust Fund Loan for the Mint Farm Regional Water Supply Project. Annual interest of .5% through 2032 9,473,681

**Total Other Enterprise Debt****\$37,186,526**

The annual requirements for outstanding revenue debt are as follows:

**REVENUE DEBT**

Year ending December, 31	Bonds		Other	
	Principal	Interest	Principal	Interest
2014	0	0	1,980,830	480,569
2015	0	0	1,993,339	454,878
2016	0	0	2,006,203	428,563
2017	0	0	2,019,431	402,247
2018	0	0	2,033,035	375,930
2019-23	0	0	10,383,129	1,484,911
2024-28	0	0	10,663,421	827,622
2029-32	0	0	6,107,138	217,666
	<u>\$0</u>	<u>\$0</u>	<u>\$37,186,526</u>	<u>\$4,672,385</u>

**E. Special Assessment Bonds**

Debt service requirements for special assessment bonds will be met by the collection of assessments receivable that have been levied against property owners. The assessments are liens against the property and subject to foreclosure. In the event of default by property owners to repay the debt, the City is obligated to assume responsibility for payment of the bonds. The LID Guaranty Fund is maintained for these purposes with any requirements exceeding its balances to be covered by the General Fund. Payment for outstanding special assessment bond principal and interest is provided by Debt Service Funds.

49,300 – 2004 Local Improvement District No. 344  
term bonds due September, 2016, interest at 3.75% 4,000

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\$61,710 – 2004 Local Improvement District No. 345  
term bonds due July, 2016, interest at 3.75% 4,000

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\$30,361 – 2004 Local Improvement District No. 346  
term bonds due June 2016, interest at 3.75% 3,000

**Total Local Improvement District Bonds Outstanding \$11,000**

The annual requirements for outstanding special assessment debt are as follows:

<u>Year ending Dec. 31</u>	<u>Principal</u>	<u>Interest</u>
2014	5,000	413
2015	3,000	225
2016	<u>3,000</u>	<u>113</u>
	<u>\$ 11,000</u>	<u>\$751</u>

**NOTE 11 - SHORT-TERM DEBT**

The City of Longview had no applicable short-term debt outstanding as of December 31, 2013, nor did the City have applicable short-term debt activity during 2013.

## **NOTE 12 - CONTINGENCIES AND LITIGATION**

The City of Longview 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. The City of Longview's management believes that such disallowances, if any as described above, would be immaterial.

## **NOTE 13 - SPECIAL AND EXTRAORDINARY ITEMS**

- A. In February of 2013 the City completed construction of a new water treatment facility at the Mint Farm Industrial Park replacing the existing facility off the Cowlitz River. The new groundwater supply system will provide 20 MGD of potable water capacity, which includes 6 MGD of capacity for new growth. The project was primarily funded by low-interest state public trust fund loans as well as federal grants, and rates for local matching funds. Capitalized costs for the new plant were just over \$30 million. The City reports a special item of approximately \$7.4 million representing the book value of the old water treatment facility that is considered abandoned and unsalvageable. As detailed in Note 16.C, Beacon Hill Sewer District is a minority owner relative to these water treatment facilities.
- B. Last year the City of Longview reported a pollution remediation obligation. This was due to sewage treatment lagoons no longer meeting discharge standards. An examination of alternatives resulted in the recommendation to discontinue the use of these lagoons. Federal and state regulations require the removal and disposal of residual sewage biosolids from the discontinued treatment area as well as to properly decommission the old treatment site. This obligation was originally estimated at \$4.5 million, and reduced by costs in 2012 of \$105,000 and \$1.5 million in 2013. A further reduction in the obligation for pollution remediation recognized in 2012 was \$600,000 for the appreciation of land bringing it to its estimated fair value, which will be capitalized at the end of the project. With no estimated recoveries to further reduce the liability, financial statements for 2013 report an ending obligation of roughly \$2.3 million as displayed in Note 10.B.

## **NOTE 14 - INTERFUND BALANCES AND TRANSACTIONS**

### **A. Interfund Transfers**

Interfund transfers generally represent subsidies provided with no corresponding obligation for repayment. The purpose of these transfers may include the need to finance capital, debt or operating activities. Interfund transfers for the City of Longview during 2013 are as follows:

TRANSFERS OUT	TRANSFERS IN			
	General Fund	Nonmajor Gov'tal	Nonmajor Enterprise	TOTAL
General Fund		287,344	6,000	293,344
Water-Sewer			231,400	231,400
Nonmajor Governmental	1,910	140		2,050
Internal Service		1,418		1,418
TOTAL	1,910	288,902	237,400	528,212
Net governmental transfers (bold) over business-type activities (italic)				(6,000)

## B. Due From/To Other Funds

Interfund balances reported in this category are short-term in nature, which result from interfund transactions usually involving the exchange of goods and services within the normal operation of fund activities. Amounts due from/to other funds as of December 31, 2013 are as follows:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS				
	General Fund	Water-Sewer	Sanitation	Internal Service	TOTAL
General Fund		85,989	98,859	27,450	212,298
Water-Sewer	<b>140,292</b>				140,292
Sanitation	<b>14,429</b>				14,429
Public Transit	<b>88,580</b>				88,580
Nonmajor Governmental	79,309				79,309
Nonmajor Enterprise	<b>11,100</b>	2,861			13,961
Internal Service	895				895
TOTAL	334,605	88,850	98,859	27,450	549,764
Net due governmental funds (bold) from business-type activities (italic)					69,553
Add business-type net position used in Internal Service Fund activities					288,774
Government-wide internal balances due from business-type activities					<u>358,327</u>

## NOTE 15 - FUND BALANCES

### Fund Equity Deficits

The following funds reported deficit fund balances as of December 31, 2013:

#### HOME Fund

A deficit fund balance of \$7,186 results from the reversal of a revenue accrual which was necessary due to the program exhausting its reimbursable funds.

#### Employee Benefits Reserve Fund

This Internal Service Fund reports a deficit of \$2,543,593 representing compensated absences that exceed the amounts available to pay the long-term liabilities due in future periods.

### Endowments

The City of Longview is the recipient of a permanent endowment, which was donated to specifically finance library services. This endowment of \$10,200 is reported as nonspendable fund balance in the Library Memorial Trust Fund with an additional \$9,255 reported as restricted fund balance representing funds available for appropriate expenditure. Consistent with regulations, this fund operates on a total-return policy where any portion of the unrestricted fund balance is available for expenditure as long as they meet the restrictions of the endowment.

## NOTE 16 - RELATED PARTY TRANSACTIONS

- A. The City of Longview, a municipal corporation and the Cowlitz Transit Authority, a public transportation benefit area created pursuant to RCW Chapter 36.57A, entered into an Interlocal Agreement to provide public transportation services effective January 1, 1988. The City of Longview provides public transportation services within the area of the Cowlitz Transit Authority in accordance with the comprehensive transit plan of the Cowlitz Transit Authority including but without limitation, the providing of vehicles, vehicle maintenance, vehicle operation, public liability and property damage insurance, supervision, and all labor and services in connection therewith, all in accordance with said comprehensive Transit Plan and in accordance with public transportation schedules as determined by the Cowlitz Transit Authority. The Cowlitz Transit Authority reimburses the City of Longview all costs and expenses incurred by it, in consideration for all of the services provided by the City of Longview, pursuant to the Interlocal Agreement, including all costs of vehicle operations, vehicle maintenance, supervision and overhead, public liability and property damage insurance, reserves for repair and replacement of vehicles, and all costs and expenses incidental thereto, all as set forth in the annual budget of the city. As agreed upon by both parties the City of Longview shall upon presentation of an invoice be compensated quarterly in advance for services to be rendered. In 2013, the City of Longview incurred \$7,068,400 of reimbursable public transit service costs provided on behalf of the Cowlitz Transit Authority. This public transportation service agreement shall continue, unless terminated or extended as herein provided, until December 31, 2016. It can be terminated by either of the parties hereto upon the giving of not less than 180 successive calendar days advance notice to the other, in writing.
- B. The Cowlitz-Wahkiakum Council of Governments is the grantee of a \$300,000 long-term economic deterioration grant, which was awarded by the U.S. Dept. of Commerce, Economic Development Administration (EDA). The City of Longview is a sub-grantee of this award and has included matching funds of \$100,000, or 25% of the total equity interest. There exists a Revolving Loan Fund Contract between the City of Longview and the Council of Governments, which specifies the responsibilities of each party. The RLF Contract establishes the creation of an eleven member Loan Administration Board (7 voting, 4 non-voting) to govern the goals, policies and operations of the program. The seven members on the Board with voting privileges are comprised of five representatives from the local business community and two representatives from the City of Longview's Council. As of December 31, 2013, the Economic Development Special Revenue Fund had \$120,977 in loans outstanding, while reporting \$361,750 in cash and investments totaling \$482,727 in fund balance reserved for this program. This fund also holds an additional \$40,000 in fund balance reserved for loans due to an interlocal debt service agreement with the City of Kelso toward financing regional airport hanger improvements.
- C. In December 1978, the City of Longview (City) entered into an agreement with the Cowlitz Public Utility District No. 1 (PUD) to construct the Regional Water Treatment Plant (RWTP). The arrangement was organized to provide treated water to the residents of both the City and the PUD at the lowest reasonable cost consistent with reliability, safety and expedition. The PUD has since



released their interest to the Beacon Hill Sewer District (BHSD). Ownership parallels the participation ratio of the volume of water delivered to each participant's citizenry. As of December 31, 2013, ownership distribution was 85.45% for the City to 14.55% for the BHSD. Operating and maintenance, as well as capital financing is billed relative to these percentages during the year with adjustments made annually for changes in ownership participation. The City's share of costs relative to the RWTP for the current period was \$1,090,597 for operations and maintenance, and \$1,464,006 for capital. The treatment plant does not have separate legal status which eliminates it from being a component unit or a joint venture. A three-member board comprised of two City representatives and one BHSD representative administer the operation which further separates it from being a joint venture as there is the absence of complete joint control.

The RWTP, reported as a component of the City's Water-Sewer Fund, is the only available source of the operation's financial statements. With the City financially accountable for its activities, total assets and operations are reported by the City with the BHSD reporting an investment for their minority interest in the operation. The 2013 changes in the BHSD's minority interest are reflected below.

#### BHSD Minority Interest in the City of Longview Regional Water Treatment Plant

Balance forward	\$4,981,292
Contributions from capital funding requirements	528,688
Net loss percentage	<u>(1,597,207)</u>
Ending balance	<u>\$3,912,773</u>

- D. The City of Longview entered into an interlocal agreement with Cowlitz County, the City of Kelso and Beacon Hill Sewer District in 1996 to form the Three Rivers Regional Waste Water Authority (TRRWA). The TRRWA is governed by a four member board, one from each entity, and was established to provide sewage treatment services to the citizenry of the respective participating entities. Financing of the central sewage facility is funded based on each participant's proportionate share of flow to the facility along with additional funds forwarded from the participants as system development charges are assessed to new customers. During 2013, The City of Longview paid TRRWA a total of \$5,143,189. This agreement may not be terminated as long as there are debt obligations of the TRRWA. Upon termination, each participant's interest in the net position shall be equal to their proportionate share of payments over the previous 12 calendar months. The City does not have an equity interest in the TRRWA. Complete financial statements for the TRRWA can be obtained from the TRRWA at 207 4<sup>th</sup> Avenue North, Kelso, WA 98626.

#### **NOTE 17 JOINT VENTURES**

- B. The cities of Longview and Kelso along with Cowlitz County and the Port of Longview entered into an agreement in February of 2012 to establish an Airport Board (Board) to jointly fund and manage the operations, maintenance, improvement and regulation of the Southwest Washington Regional Airport. Prior to the agreement the Airport had been owned and operated by the City of Kelso. This agreement took effect in January of 2013 with noncapital assets and liabilities transferred to the board which consists of a member from each party and an at large member to be appointed by majority vote of the other members. The City disbursed payments of \$60,000 to the Board in 2013.

#### **NOTE 18 - PRIOR PERIOD ADJUSTMENTS**

- A. Certain liabilities were reported as a reconciling item in the Statement of Net Position as they were not displayed in the fund financial statements in 2012. However, in 2013 as allowed under generally accepted accounting principles, these compensated absences are reported in the Employee Benefits Reserve Internal

Service Fund. The prior period adjustment to bring these employee benefits on at the fund level resulted in a decrease in net position of \$3,545,642. There was no impact to prior period reporting at the government-wide level as these costs had been reported as stated above. For more detail pertaining to nature and presentation of these costs as they relate to the current period, see Note 1.E.10.

- B. The City has constructed a new water treatment plant as mentioned in Note 13.A. Prior periods reported costs as construction in process that were not considered capital upon completion of the project and allocation of the construction in process account. These amounts totaled roughly two and one-quarter million representing preliminary costs to the project that should have been expensed as incurred.

**CITY OF LONGVIEW, WASHINGTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended December 31, 2013**

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Other Identification Number	Current Year Expenditures			Note Reference
			Direct	Pass Through	Total	
US Dept of Housing and Urban Development:						
CDBG / Entitlement Grants	14.218	B-XX-MC-53-0019	365,439		365,439	7
CDBG / Entitlement Grants	14.218	Program income	140		140	2
HOME Investment Partnerships Program	14.239	DC530203	273,489		273,489	7
HOME Investment Partnerships Program	14.239	Program income			0	2
<i>Total Dept of Housing and Urban Development</i>			<u>639,067</u>	<u>0</u>	<u>639,067</u>	
US Department of the Interior						
Historic Preservation Fund Grants-In-Aid	15-904	A0054083-01		11,294	11,294	
<i>Total US Department the Interior</i>			<u>0</u>	<u>11,294</u>	<u>11,294</u>	
US Department of Justice:						
ARRA-Public Safety Partnership and Community Policing Grant	16.710	2009-RK-WX-0878	160,452		160,452	8
ARRA-Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009-SB-B9-2828	37,347		37,347	8
Bulletproof Vest Partnership Program	16.607		1,578	0	1,578	
<i>Total US Department of Justice</i>			<u>199,377</u>	<u>0</u>	<u>199,377</u>	
US Dept of Transportation:						
Washington State Department of Transportation						
Highway Planning and Construction	20.205	BRM-0695(010)		421,674	421,674	
Highway Planning and Construction	20.205	HSIP-6729(009)		39,818	39,818	
Highway Planning and Construction	20.205	HSIP-6730(009)		26,279	26,279	
Highway Planning and Construction	20.205	STPH-000S(169)		27,057	27,057	
Highway Planning and Construction	20.205	HSIP-0695(010)		10,225	10,225	
Highway Planning and Construction	20.205	STPE-EN10(028)		945	945	
<i>Total US Department of Transportation</i>			<u>0</u>	<u>525,998</u>	<u>525,998</u>	
Federal Transportation Administration:						
ARRA-Federal Transit Formula Grants	20.507	WA-96-X017	178,645		178,645	6,7,8
Washington State Department of Transportation						
Federal Transit Formula Grants	20.507	WA-90-X514		777,134	777,134	6,7
Federal Transit Formula Grants	20.507	WA-90-X393		60,931	60,931	6,7
Federal Transit Formula Grants	20.507	WA-58-0006		1,120,500	1,120,500	6,7
Federal Transit Formula Grants	20.507	WA-90-X393		488,867	488,867	6,7
Federal Transit Formula Grants	20.507	WA-90-X514		60,721	60,721	6,7
Federal Transit Formula Grants	20.507	Program Income		162,805	162,805	2,6,7
<i>Total Federal Transportation Administration</i>			<u>178,645</u>	<u>2,670,958</u>	<u>2,849,603</u>	
US Department of Agriculture						
Washington State Department of Natural Resources						
Cooperative Forestry Assistance	10.664	K244-10-DG-010		10,000	10,000	
<i>Total US Department of Agriculture:</i>			<u>0</u>	<u>10,000</u>	<u>10,000</u>	
National Highway Traffic Safety Administration:						
Washington Association of Sheriffs and Police Chiefs						
State and Community Highway Safety	20.600					
WASPC Traffic Safety				6,708	6,708	
Radar Traffic Grant				351	351	
<i>Total National Traffic Highway Safety Administration:</i>			<u>0</u>	<u>7,060</u>	<u>7,060</u>	
US Department of Homeland Security						
Assistance to Firefighters Grant	97.044					
Intergraph Computer Aided Dispatch		EMW-2011-FR-00377	81,899		81,899	
Safer Grant		W494332N	137,081		137,081	
<i>Total US Department of Homeland Security</i>			<u>218,980</u>	<u>0</u>	<u>218,980</u>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><b>\$1,236,069</b></u>	<u><b>\$3,225,309</b></u>	<u><b>\$4,461,378</b></u>	

## NOTES TO THE SCHEDULE OF FINANCIAL ASSISTANCE

### NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the City's financial statements. The City utilizes the accrual basis of accounting in reporting all grant activity. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred.

### NOTE 2 - PROGRAM COSTS

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

### NOTE 3 - USDA REVOLVING LOAN PROGRAM

The United States Economic Development Agency awarded a \$300,000 long-term deterioration grant to the Cowlitz-Wahkiakum Council of Governments with the City of Longview contributing \$100,000 for a 25% equity interest. As of December 31, 2013, resources in this program consisted of \$482,727 which is detailed below.

	Balance			Ending
<u>EDA Revolving Loan Fund Program</u>	<u>Forward</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Cash	382,427	24,742	45,419	361,750
Loans receivable	<u>98,371</u>	<u>40,000</u>	<u>17,395</u>	<u>120,976</u>
Reserved fund balance	<u>480,798</u>	<u>64,742</u>	<u>62,814</u>	<u>482,726</u>

### NOTE 4 - CITY REVOLVING LOAN PROGRAM

The City has a revolving loan program for low-income housing. Under the CDBG federal program, the City loans funds to qualifying participants considered expenditures that are reported on this schedule for which the City is eligible for reimbursement. Loan repayments of principal and interest are considered program income. The City opened 2013 with no unspent program income while spending all realized program income during the period of \$140.

### NOTE 5 - FEDERAL LOANS

The City of Longview incurred no applicable expenditures relative to federal loans in 2013.

### NOTE 6 - RELATED PARTY TRANSACTIONS

The City of Longview, a municipal corporation and the Cowlitz Transit Authority, a public transportation benefit area created pursuant to RCW Chapter 36.57A, entered into an Interlocal Agreement to provide public transportation services effective January 1, 1988. The City of Longview provides transportation services within the area of the Cowlitz Transit Authority in accordance with the comprehensive transit plan of the Cowlitz Transit Authority. Under the terms of the agreement, the Cowlitz Transit Authority reimburses the City of Longview all costs and expenses incurred toward providing public transportation services as set forth in the City's annual budget. This agreement shall continue until midnight of December 31, 2016, unless sooner terminated or extended.

### NOTE 7 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for program 14.218 is \$306,798 that was passed through to subrecipients that administered their own projects.

### NOTE 8 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Expenditures of this act were funded by ARRA.

# Corrective Action Plan for Findings Reported Under OMB Circular A-133

**City of Longview  
Cowlitz County  
January 1, 2013 through December 31, 2013**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the City of Longview. The State Auditor's Office has reviewed the information as presented by the City.

<b>Finding ref number:</b> 1	<b>Finding caption:</b> The City's internal controls were not adequate to ensure compliance with Federal Transit Formula Grants reporting and subrecipient monitoring requirements leading to questioned costs of \$17,259.
<b>Name, address, and telephone of auditee contact person:</b> Kurt Sacha, Finance Director City of Longview P.O. Box 128 Longview, WA 98632 (360) 442-5030	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>As the State Auditor has determined that funds deposited into City accounts under inter-local agreement with the Cowlitz Transit Authority are subject to subrecipient monitoring, the City will take action to comply with the requirements of the Federal Funding Accountability and Transparency Act of 2006. These actions include, but are not limited to reporting direct applicable grant awards for amounts \$25,000 or more, and defining departmental responsibilities as it relates to the City's and Cowlitz Transit Authority's actions.</i>  <i>Regarding questioned costs of \$17,259, the City has developed measures that will exclude salaries and benefits without proper time and effort documentation from reimbursable grant expenditures.</i>	
<b>Anticipated date to complete the corrective action:</b> September 30, 2014	



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

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**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

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**Kelly Collins, CPA**  
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