



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

City of Longview

Cowlitz County

For the period January 1, 2015 through December 31, 2015

Published July 21, 2016

Report No. 1017126





Washington State Auditor's Office

July 21, 2016

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 dark ink, reading "Troy X. Kelley". The signature is written in a cursive style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
Summary Schedule Of Prior Audit Findings	6
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	7
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance	10
Independent Auditor’s Report On Financial Statements	13
Financial Section.....	17
About The State Auditor’s Office.....	93

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Longview
Cowlitz County
January 1, 2015 through December 31, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Longview are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 reported no 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 its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Longview Cowlitz County January 1, 2015 through December 31, 2015

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.

Audit Period: 1/1/2014 – 12/31/2014	Report Ref. No: 1015194	Finding Ref. No: 2014-001	CFDA Number(s): 20.507
Federal Program Name and Granting Agency: Federal Transit Formula Grant, U.S. Department of Transportation Federal Transit Administration		Pass-Through Agency Name: N/A	
Finding Caption: The City's internal controls were not adequate to ensure compliance with Federal Funding Accountability and Transparency Act reporting requirements.			
Background: The City did not report the one subaward made during FY 2014 in compliance with the Federal Funding Accountability and Transparency Act of 2006 (FFATA).			
Status of Corrective Action: <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input checked="" type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The City did not receive this grant funding during the audit period; therefore, this finding is considered no longer valid.</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, 2015 through December 31, 2015**

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 27, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Longview
Cowlitz County
January 1, 2015 through December 31, 2015**

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) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. 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.

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

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 27, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Longview Cowlitz County January 1, 2015 through December 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 17.

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Arterial Street funds, 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 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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 18 through 31, pension plan information on pages 87 through 89 and other postemployment benefit information on page 90 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 June 27, 2016 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 27, 2016

FINANCIAL SECTION

**City of Longview
Cowlitz County
January 1, 2015 through December 31, 2015**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of Governmental Fund Balances to Net Position for Governmental
Activities – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities – 2015

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
– General and Arterial Street Funds – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2015

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Fiduciary Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Cost-sharing Employer Pension Plans – 2015

Single Employer Plans – 2015

Other Postemployment Benefits – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

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, 2015. 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 \$130,035 (net position). Of this amount, \$18,701 (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 increased by \$3,038, or 2.4% in 2015. While governmental activities increased \$2,566, business-type activities increased \$472.
- As of the close of the current fiscal year, the City of Longview's governmental funds reported combined ending fund balances of \$21,856. Approximately 66 percent, \$14,523 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 \$11,925. The entire \$11,925 fund balance for the general fund was unrestricted, and represented 37 percent of total general fund expenditures.
- The City of Longview's total governmental long-term debt decreased by \$1,003 (6 percent) during the current fiscal year. The key factor behind this decrease was regular principal payments on outstanding bonds.
- Principal retirements for governmental and business type activities in the amount of \$3,403 were processed during the current year.

(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 inflows 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/racquetball center.

The government-wide financial statements report activities for the City of Longview and the Longview Public Development Authority.

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 17 individual governmental funds. Information is presented separately for the general fund and arterial street fund in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The general fund and arterial street fund are the only funds considered to be major funds. Data from the other 15 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. These services predominantly benefit governmental functions and have been included within governmental activities in the government-wide financial statements, except for the smaller portions that pertain to business-type activities.

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 additional 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 \$130,035 at the close of the most recent fiscal year.

By far the largest portion of the City of Longview's net position (70 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

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 37,706	\$ 31,606	\$ 32,089	\$ 33,921	\$ 69,795	\$ 65,527
Capital assets	<u>55,708</u>	<u>49,641</u>	<u>91,419</u>	<u>89,629</u>	<u>147,127</u>	<u>139,270</u>
Total assets	<u>93,414</u>	<u>81,247</u>	<u>123,508</u>	<u>123,550</u>	<u>216,922</u>	<u>204,797</u>
Deferred outflows	1,522	185	464	0	1,986	185
Long-term liabilities outstanding	31,006	22,411	49,453	49,178	80,459	71,128
Other liabilities	<u>2,690</u>	<u>2,743</u>	<u>2,842</u>	<u>3,634</u>	<u>5,532</u>	<u>6,838</u>
Total liabilities	<u>33,696</u>	<u>25,154</u>	<u>52,295</u>	<u>52,812</u>	<u>85,991</u>	<u>77,966</u>
Deferred inflows	<u>2,416</u>	<u>19</u>	<u>467</u>	<u>0</u>	<u>2,883</u>	<u>19</u>
Net position:						
Net investment in capital assets	40,187	33,133	51,652	50,284	91,840	83,417
Restricted	14,059	8,184	5,435	8,211	19,494	16,395
Unrestricted	<u>4,578</u>	<u>14,942</u>	<u>14,123</u>	<u>12,243</u>	<u>18,701</u>	<u>27,185</u>
Total net position	<u>\$ 58,824</u>	<u>\$ 56,259</u>	<u>\$ 71,210</u>	<u>\$ 70,738</u>	<u>\$ 130,035</u>	<u>\$ 126,997</u>

An additional portion of the City of Longview's net position (15 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$18,701) may be used to meet the government's ongoing obligations to citizens and creditors.

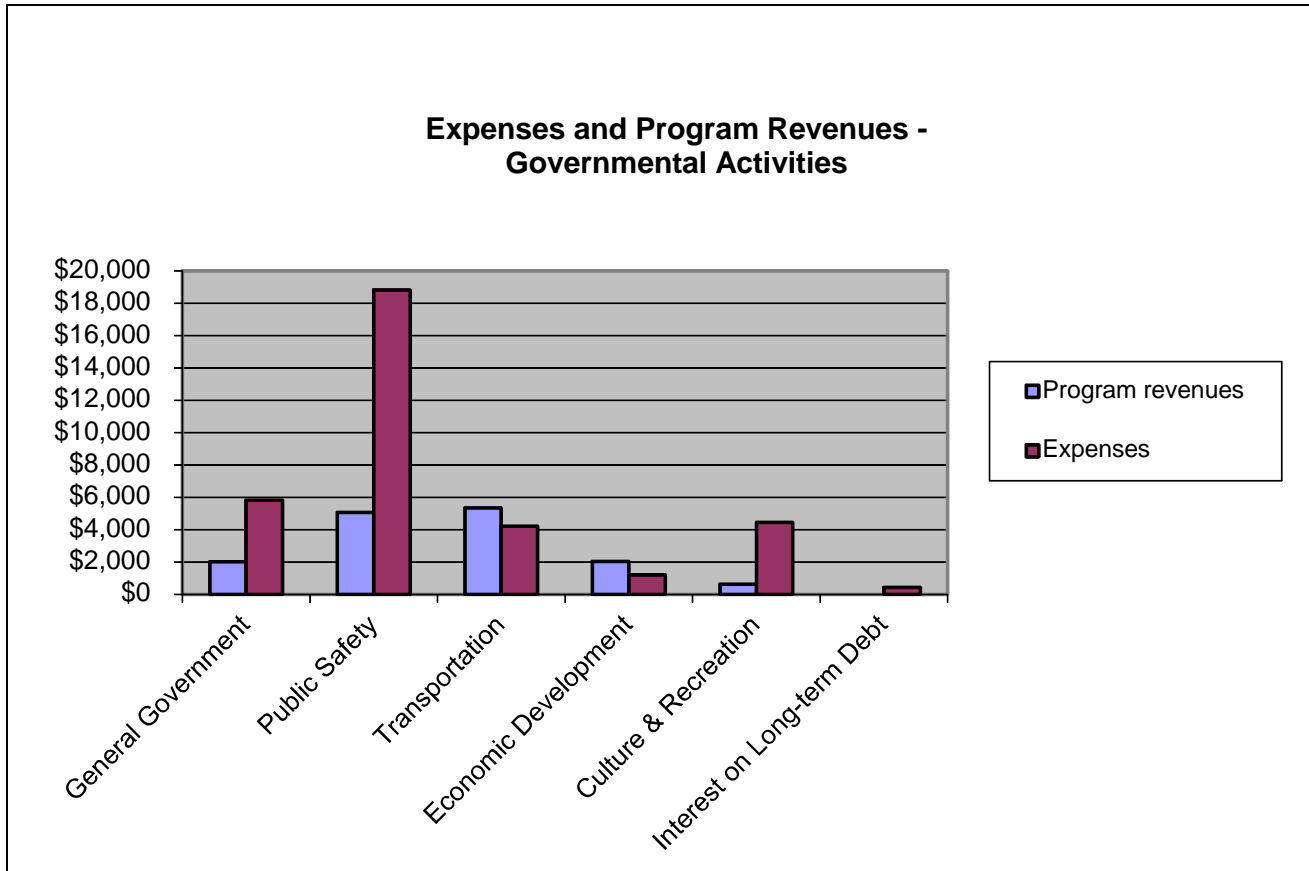
At the end of the current fiscal year, the City of Longview is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true of the prior year.

Governmental activities. Governmental activities increased the City of Longview's net position by \$9,615. Key elements of this increase in governmental net position are as follows:

	Governmental activities		Business-type activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,456	\$ 5,643	\$ 33,681	\$ 30,751	\$ 41,137	\$ 36,394
Operating grants and contributions	2,051	1,899	610	1,534	2,661	3,433
Capital grants and contributions	5,608	2,563	462	784	6,070	3,347
General revenues:						
Property taxes	9,171	8,981	-	-	9,171	8,981
Sales taxes	7,943	7,546	-	-	7,943	7,546
Business/other taxes	10,173	10,040	-	-	10,173	10,040
Other	<u>1,149</u>	<u>1,669</u>	<u>66</u>	<u>45</u>	<u>1,215</u>	<u>1,714</u>
Total revenues	<u>43,551</u>	<u>38,341</u>	<u>34,819</u>	<u>33,114</u>	<u>78,370</u>	<u>71,455</u>
Expenses:						
General government	5,369	5,245	-	-	5,369	5,245
Public safety	18,890	18,792	-	-	18,890	18,792
Transportation	4,289	3,906	-	-	4,289	3,906
Economic development	1,520	1,417	-	-	1,520	1,417
Culture and recreation	4,472	4,762	-	-	4,472	4,762
Interest on long-term debt	430	455	-	-	430	455
Water-Sewer	-	-	18,149	17,459	18,149	17,459
Sanitation	-	-	4,884	4,830	4,884	4,830
Storm water	-	-	2,638	2,544	2,638	2,544
Public transit	-	-	4,588	4,885	4,588	4,885
Golf/tennis racquet	-	-	689	624	689	624
Total expenses	<u>34,971</u>	<u>34,577</u>	<u>30,948</u>	<u>30,342</u>	<u>65,919</u>	<u>64,919</u>
Increase in net position before transfers	8,580	3,764	3,871	2,772	12,451	6,536
Transfers (Note 13)	<u>1,035</u>	<u>1,670</u>	<u>(1,035)</u>	<u>(1,670)</u>	-	-
Increase/(Decrease) in net position	9,615	5,434	2,837	1,102	12,530	6,536
Beginning net position	56,259	50,604	70,738	69,857	126,997	120,461
Change in accounting principle (Note 17)	(6,728)	-	(2,711)	-	(9,439)	-
Prior period adjustments (Note 18)	(322)	221	347	(221)	25	-
Beginning net position restated	<u>49,209</u>	<u>50,825</u>	<u>68,374</u>	<u>69,636</u>	<u>117,583</u>	<u>120,461</u>
Ending net position	<u>\$ 58,824</u>	<u>\$ 56,259</u>	<u>\$ 71,210</u>	<u>\$ 70,738</u>	<u>\$ 130,035</u>	<u>\$ 126,997</u>

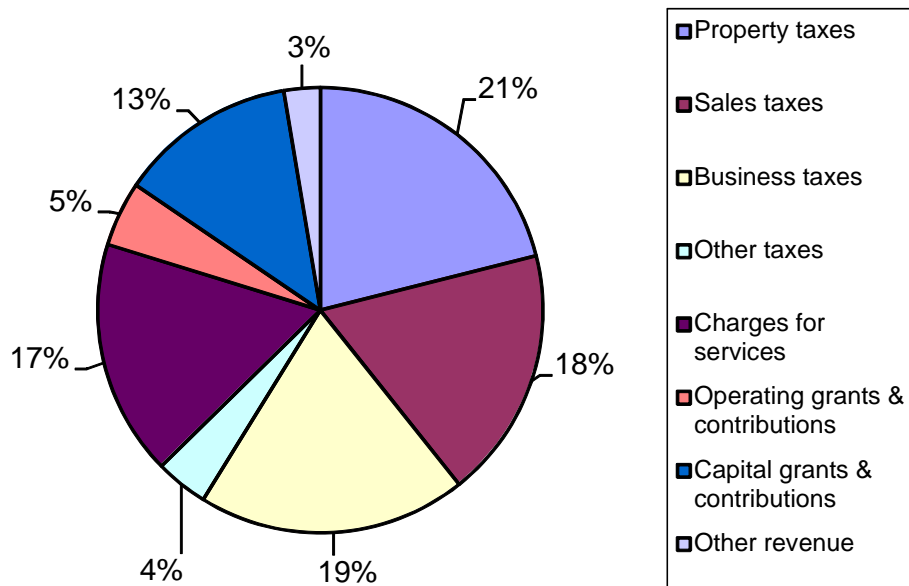
- Property taxes for 2015 increased \$190 (2.1 percent).
- Sales tax revenue increased \$397 (5.3 percent) during the year. This increase in sales tax revenue is largely attributed to increasing automotive sales.
- Business taxes increased \$133 (1.3 percent). The modest increase in business taxes was primarily in the utility sector.
- Other revenues decreased \$520 (31 percent). The 2015 decrease in other revenues is attributed to a one-time gain realized on the disposition of assets reported in 2014.

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 somewhat 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

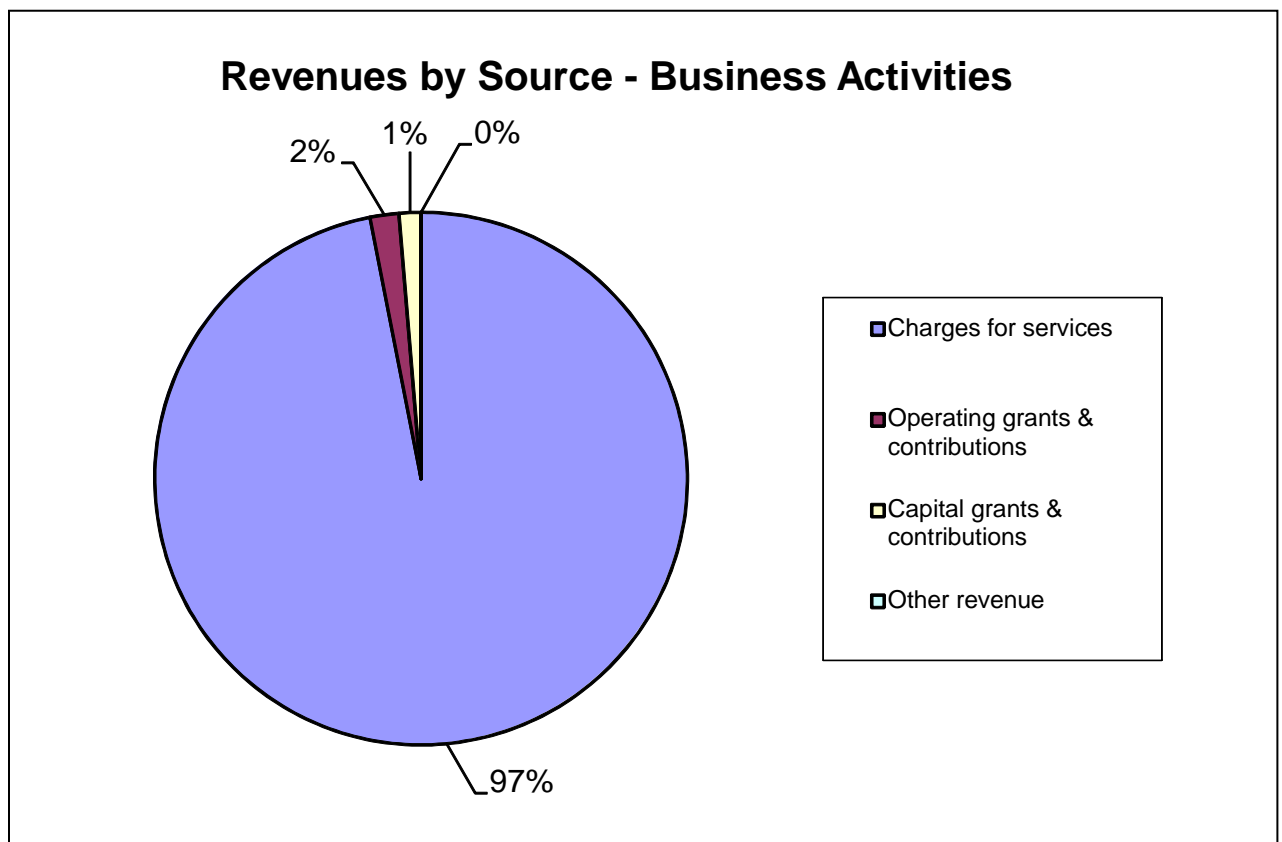


The above chart includes all revenues associated with governmental type activities. In addition to property, sales and business and occupation taxes, the above chart also includes charges for services, operating and capital grants, and contributions. As is illustrated in the above chart, property, sales and business and occupation taxes account for 50 percent of all governmental revenues.

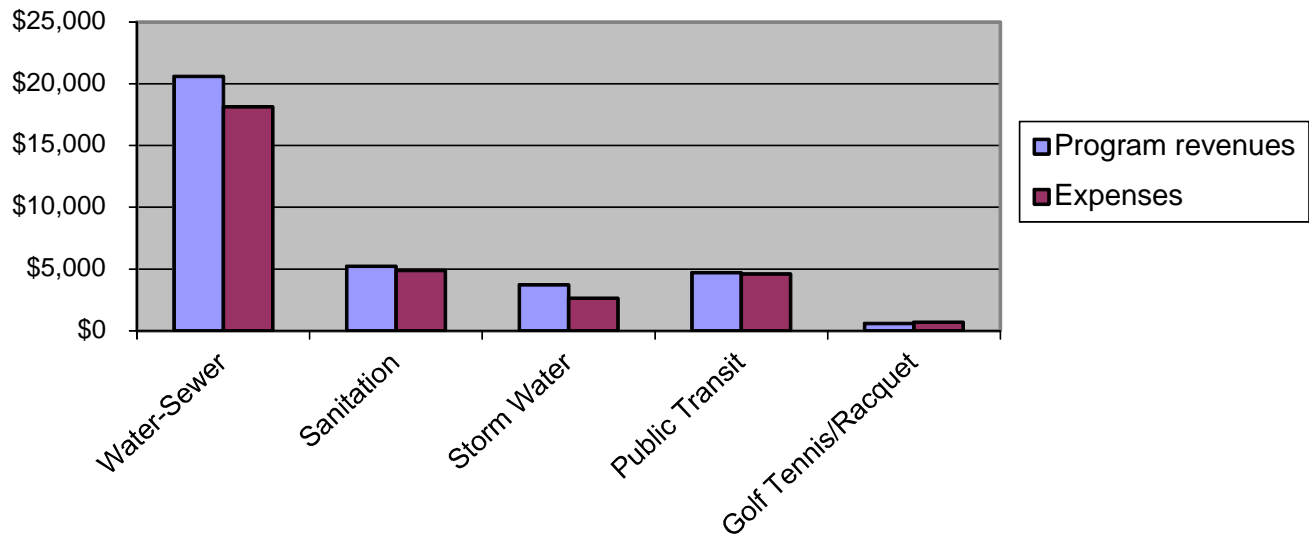
Most operating grant revenues are dedicated toward low-and-moderate income housing projects through the HOME Investment Partnership and Community Development Block Grant programs. In 2015, CDBG funds were also dedicated toward upgrades for the Senior Center and the Highland's Archie Anderson Park. The transportation sector receives significant support from capital grants. Under the umbrella of transportation, the City received capital grant funds for the Downtown Streetscape project. In addition, traffic safety improvements along 14th and 15th Avenue were also largely funded by capital grants provided by the U.S. Department of Transportation. The City also received transportation funding for construction of the Washington Way bridge replacement project. The Washington Way bridge replacement project was completed in November 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 COPS Hiring and Justice Assistance grant programs which include "Secure Our Schools."

Business-type activities. Business-type activities increased the City of Longview's net position \$2,915 in 2015. The water-sewer and sanitary fund are clearly the largest proprietary funds in the City. Their combined program revenues account for 74 percent of all business-type activities. In 2015 the net position for the water-sewer and sanitary funds decreased \$0.8.

- Charges for services for business-type activities increased 9.8 percent. Inflationary increases to water/sewer rates and an expansion in public transit services were the primary drivers behind this increase. The sanitary/recycling portion of this increase was levied to offset the cost associated with increased tipping fees at the landfill, while storm water rates were increased to assist in funding the low-impact development infrastructure improvements along Tennant Way and to provide upgrades for the intake structure at Lake Sacajawea.
- Public transit charges for services accounted for \$4,153 of public transit's \$4,623 total program revenues, while the remaining \$470 was received from operating grant funds.
- Capital grants and contributions accounted for \$462 in revenue for Business-type activities, which largely went toward water-sewer utility improvements and the acquisition of new transit shelters.



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 2015, the City of Longview's governmental funds reported combined ending fund balances of \$21,856, an increase of \$1,770 in comparison with the prior year. Of the \$21,856 total fund balance, approximately 66 percent (\$14,523) constitutes unrestricted fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either nonspendable (\$5,320) or restricted (\$2,012). Amounts restricted are 1) for the purpose of fostering economic development through the granting of loans (\$490); 2) to pay debt service (\$1); 3) for enhancing public safety (\$739); 4) for promoting tourism (\$110); 5) for enhancing parks (\$662); and 6) for enhancing library service (\$10).

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 \$11,925. All of the \$11,925 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 2015 the unrestricted fund balance represents 37 percent of total general fund expenditures.

In addition to the general fund, the City's other major governmental fund is the arterial street fund. In 2015, the arterial street fund provided for two projects with capital expenditures of more than \$6 million. The Washington Way bridge replacement project had expenditures of \$5 million. In addition, the City's investment in the Downtown Streetscape project consisted of more than \$1 million. The majority of the funding for both projects was provided by federal grant awards.

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 \$10,894, and the net position for the sanitary operation amounted to \$1,752. Storm Water's year-end unrestricted net position amounted to \$1,541. Of Storm Water's remaining net position in the amount of \$6,164, \$5,373 is invested in capital assets and the remaining \$790 is restricted for capital projects. Public transit's net position consists of \$318 in net investment in capital assets and (\$602) in unrestricted net position. The unrestricted net position of (\$602) is entirely due to the implementation of GASB Summary Statement No. 68 – Accounting and Financial Reporting for Pensions. The total increase in net position for all proprietary activity at the fund level in 2015 was \$3,384, which includes City of Longview internal service funds.

General Fund Budgetary Highlights

The amended 2015-2016 biennial budget reflects an increase of \$96 from the original appropriation of \$69,786. The 2015-2016 budget amendment can be summarized as follows:

- \$200 increase in sales tax revenue due to an improving economy and increasing automobile sales.
- \$10 increase in grant revenue from the Washington State Library System.
- \$25 addition from marijuana excise taxes.
- \$139 decrease in fund balance
- \$68 increase in general fund expenditures for indigent defense special legal fees.
- \$10 increase in general fund expenditures for program costs associated with the Digital Skills Training Grant.
- Addition of \$18 in general fund expenditures for the AT&T Mobility Settlement.

Total actual 2015 revenues in the amount of \$33,471 were 50.2 percent of the final budgeted 2015-16 revenues of \$66,658. Overall, 2015 revenues were \$332 more than projected. This was largely the result of higher than anticipated sales tax revenues, one-time grant revenues and an increase in state shared revenue. Total 2015 general fund expenditures and transfers amounted to \$32,798, 4.6 percent less than budget.

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, 2015, amounts to \$91,840 (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 increased \$8,462 for the current year. The \$8,462 overall net increase in capital assets is largely due to the infrastructure improvements associated with the Washington Way bridge replacement and Downtown Streetscape projects.

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

	Governmental activities		Business-type activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 5,499	\$ 5,499	\$ 2,622	\$ 2,622	\$ 8,121	\$ 8,121
Buildings and systems	9,270	9,731	11,177	9,282	20,447	19,013
Improvements	1,286	1,235	53,470	49,669	54,756	50,904
Machinery and equipment	14,171	13,325	15,820	13,214	29,991	26,539
Infrastructure	17,241	15,928	-	-	17,241	15,928
Intangibles	-	-	4,164	4,064	4,164	4,064
Construction in progress	<u>8,241</u>	<u>3,318</u>	<u>4,166</u>	<u>10,778</u>	<u>12,407</u>	<u>14,096</u>
Total	<u>\$ 55,708</u>	<u>\$ 49,036</u>	<u>\$ 91,419</u>	<u>\$ 89,629</u>	<u>\$ 147,127</u>	<u>\$ 138,665</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 2015 include the replacement of several water mains in the St. Helens neighborhood and along Nichols Boulevard; additionally, in 2015 water mains were replaced on Washington Way in conjunction with the bridge replacement project and at Ocean Beach and 44th Avenue. Major sewer projects included several pump station rehabilitation projects throughout Longview; in addition to the City's ongoing efforts with the installation of sewer liners.
- Various street infrastructure projects including the Downtown Streetscape project along Commerce Avenue; city-wide pedestrian safety crosswalk improvements along 15th Avenue and school zone safety improvements throughout area schools. Additionally, construction on the Washington Way bridge replacement project was completed in 2015. The City also kept up its ongoing sidewalk replacement projects.
- In 2015, the City completed construction of the Tennant Way streetscape project and continued with its study and evaluation of flushing alternatives for Lake Sacajawea.
- Playground equipment replacements at neighborhood parks, field improvements at 7th Avenue for Longview Girls Softball and funding for skate park upgrades at Cloney Park.
- Fire station improvements at Station #82.
- Contributions toward the historic Shay locomotive pavilion project.

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 \$24,972. Of this amount, \$15,300 comprises debt backed by the full faith and credit of the government and \$2 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. Remaining bonds outstanding in the amount of \$9,670 are secured solely by specified revenue sources (i.e., revenue bonds).

City of Longview's Outstanding Debt

General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 15,230	\$ 16,081	\$ 70	\$ 74	\$ 15,300	\$ 16,155
Special assessment debt	2	6	-	-	2	6
Revenue bonds	<u>-</u>	<u>-</u>	<u>9,670</u>	<u>9,995</u>	<u>9,670</u>	<u>9,995</u>
Total	<u>\$ 15,232</u>	<u>\$ 16,087</u>	<u>\$ 9,740</u>	<u>\$ 10,069</u>	<u>\$ 24,972</u>	<u>\$ 26,156</u>

The City of Longview's bonded debt decreased \$1,184 (5 percent) during the current fiscal year. The key factor in this decrease was the regular principal payments on outstanding bonds. Principal in the amount of \$1,184 was retired during 2015.

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 \$23.8 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 continued to show signs of improvement this past year. Although we continued to see signs of recovery in 2015, the drawn-out recession that has resonated among cities all across America has left its mark on the area's economy. There is no question the prolonged recession has taken its toll on state and local budgets. Fortunately, we have begun to experience a modest turn-around in terms of economic recovery here in Longview. Although the City's financial position improved in 2015, looking ahead- expenditures are projected to outpace revenues over the next five years. While faced with fiscal challenges, we here at the City are confident that our sound financial principles will continue to guide us in a positive manner as we begin to rebound from 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.

Throughout 2015, 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 recent 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 and the surrounding area is the I-5 and SR-432 interchange – the gateway to Longview and its industrial base. Federal, state and local agencies banded together and secured funding allowing for smoother traffic flows and additional industrial growth. Completed in 2012, the new interchanges create better connections to existing roads, increase capacity, decrease congestion and improve safety.

Transportation improvements continue to be at the forefront as Longview looks to establish itself as a leader in economic development. The Industrial Way/Oregon Way intersection connecting State Routes (SR) 432 and SR 433 serving the Longview Industrial Area are currently on the drawing board for major transportation improvements. Included in the Washington State Legislature's 2015 approval of the \$16.1 billion transportation revenue bill was an \$85 million award for improvements to this intersection. The Industrial Way/Oregon Way intersection project is of regional significance, and will result in improvements to the existing transportation network and more efficient connections between marine, rail and highway systems connecting the industrial/manufacturing base of Cowlitz County to the BNSF mainline, the I-5 corridor, and the Pacific Ocean.

The primary purpose of the Washington Way/Oregon Way intersection project and the SR 432/433 corridor are to develop an affordable long-term solution that-

- ✓ Maintains or improves emergency response.
- ✓ Improves travel reliability for all vehicles.
- ✓ Accommodates current and future passenger and freight truck movement across the region and states.
- ✓ Maintains or improves safety for all transportation modes.

The SR 432/433 corridor is part of the National Highway System and supports significant passenger and freight movement.

Longview witnessed modest increases in tax revenue in 2015. Overall tax revenue increased 2.2% percent for the year. The increase in tax revenue is primarily due to a modest uptick in the local economy and improving automobile sales.

During the current year, unreserved fund balance in the general fund increased \$788. This increase in fund balance is the result of slightly higher than anticipated revenues combined with expenditure savings on salaries, and underspending in the supplies and other services and charges categories.

For 2015, Longview's utility customers saw the average monthly combined water/sewer/garbage and storm water rate increase 2.3 percent. On average, Longview's utility customers are billed \$152 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.

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 economic development efforts including the Mint Farm Industrial Park with industrial sites fully serviced by road and utility infrastructure and the City's significant investment in transportation and utilities 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 2015-2016 biennial budget is available and can be viewed on our web site at 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 or by mail at the Department of Finance, City of Longview, P.O. Box 128, Longview, Washington 98632.

City of Longview
STATEMENT OF NET POSITION
As of December 31, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$1,155,873	\$236,317	\$1,392,190
Investments	20,537,228	17,146,415	37,683,643
Restricted investments	0	5,435,225	5,435,225
Receivables, net	4,813,573	7,740,814	12,554,387
Internal balances (Note 13)	(647,190)	647,190	0
Due from other governments	6,621,354	474,002	7,095,356
Inventory/prepayments	0	330,530	330,530
Assets held for resale	0	78,379	78,379
Net pension asset (Note 7)	4,760,077	0	4,760,077
Net healthcare funding surplus (Note 7)	465,708	0	465,708
Capital assets (Note 6)			
Land, intangibles & construction in prog.	13,739,564	10,951,496	24,691,060
Other capital assets, net of depreciation	41,968,222	80,467,294	122,435,516
TOTAL ASSETS	<u>93,414,409</u>	<u>123,507,662</u>	<u>216,922,071</u>
DEFERRED OUTFLOWS			
Pensions	1,352,910	464,551	1,817,461
Bond refunding loss	169,392	0	169,392
TOTAL DEFERRED OUTFLOWS	<u>1,522,302</u>	<u>464,551</u>	<u>1,986,853</u>
LIABILITIES			
Accounts payable	1,509,328	698,248	2,207,576
Due to other governments	2,723	997,835	1,000,558
Accrued liabilities	1,162,864	847,855	2,010,719
Other current liabilities	14,842	297,974	312,816
Long-term liabilities (Note 10)			
Special assessment debt with government commitment due within one year	2,000	0	2,000
Other liabilities due within one year	2,460,589	4,582,788	7,043,377
Liabilities not due within one year			
Net pension liabilities	9,107,753	2,643,760	11,751,513
Net other postemployment benefits	2,616,389	0	2,616,389
Other liabilities	16,819,210	42,226,674	59,045,884
TOTAL LIABILITIES	<u>33,695,698</u>	<u>52,295,134</u>	<u>85,990,832</u>
DEFERRED INFLOWS			
Pensions	2,378,666	466,746	2,845,412
Payments received in advance	37,935	0	37,935
TOTAL DEFERRED INFLOWS	<u>2,416,601</u>	<u>466,746</u>	<u>2,883,347</u>
NET POSITION			
Net investment in capital assets	40,187,674	51,652,474	91,840,148
Restricted for:			
Debt service	5,291,531	736,200	6,027,731
Pensions and Healthcare	4,594,717	0	4,594,717
Criminal justice	2,872,119	0	2,872,119
Capital projects	300,000	4,699,025	4,999,025
Economic development	510,033	0	510,033
Culture & recreation	362,065	0	362,065
Tourism promotion	110,292	0	110,292
Nonexpendable endowments	18,112	0	18,112
Unrestricted	4,577,869	14,122,634	18,700,503
TOTAL NET POSITION	<u>\$58,824,412</u>	<u>\$71,210,333</u>	<u>\$130,034,745</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$5,369,232	\$1,957,082	\$5,731	\$55,487	(\$3,350,932)		(\$3,350,932)
Public safety	18,889,986	4,416,846	648,126	10,679	(13,814,335)		(13,814,335)
Transportation	4,289,139	60,704	618,323	4,677,894	1,067,782		1,067,782
Economic development	1,519,838	583,537	593,457	859,555	516,711		516,711
Culture and recreation	4,472,122	437,679	185,908	3,941	(3,844,594)		(3,844,594)
Interest on long-term debt	430,226	0	0	0	(430,226)		(430,226)
Total governmental activities	34,970,543	7,455,848	2,051,545	5,607,556	(19,855,594)		(19,855,594)
Business-type activities:							
Water-sewer	18,148,520	20,361,840	0	235,842		\$2,449,162	2,449,162
Sanitation	4,883,853	5,194,203	31,325	0		341,675	341,675
Public transit	4,587,939	4,152,796	243,322	226,558		34,737	34,737
Storm water	2,638,495	3,389,712	335,319	0		1,086,536	1,086,536
Golf/misc. athletics	689,004	582,399	0	0		(106,605)	(106,605)
Total business-type activities	30,947,812	33,680,950	609,966	462,400		3,805,504	3,805,504
Total government	\$65,918,355	\$41,136,798	\$2,661,511	\$6,069,956	(19,855,594)	3,805,504	(16,050,090)
General revenues:							
Taxes:							
Property					9,171,112	0	9,171,112
Business					8,500,926	0	8,500,926
Sales					7,943,463	0	7,943,463
Excise					1,635,995	0	1,635,995
Gambling					35,935	0	35,935
Non program specific grants/contributions					1,052,656	0	1,052,656
Unrestricted investment earnings					59,621	66,023	125,644
Miscellaneous					36,390	0	36,390
Transfers (Note 13)					1,034,933	(1,034,933)	0
Total general revenues and transfers					29,471,031	(968,910)	28,502,121
Change in net position					9,615,437	2,836,594	12,452,031
Beginning net position as previously reported					56,258,845	70,737,839	126,996,684
Change in accounting principle (Note 17)					(6,728,095)	(2,711,010)	(9,439,105)
Prior period adjustments (Note 18)					(321,775)	346,910	25,135
Beginning net position, restated					49,208,975	68,373,739	117,582,714
Net position - ending					\$58,824,412	\$71,210,333	\$130,034,745

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview

**BALANCE SHEET
GOVERNMENTAL FUNDS**

As of December 31, 2015

	General	Arterial Street	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$109,262	\$1,992	\$716,283	\$827,537
Investments	8,534,173	0	5,263,303	13,797,476
Receivables (net)				
Taxes	3,674,260	40,076	149,872	3,864,208
Accounts	84,474	0	135	84,609
Assessments	0	0	182,155	182,155
Notes and contracts	0	0	173,439	173,439
Due from other funds	458,794	191,636	3,495	653,925
Interfund loans receivable	1,490,000	0	0	1,490,000
Due from other governments	38,736	1,076,840	5,501,585	6,617,161
Total assets	14,389,699	1,310,544	11,990,267	27,690,510
LIABILITIES				
Accounts payable	445,675	430,355	328,513	1,204,543
Due to other funds	440,278	0	147,560	587,838
Interfund loans payable	0	1,435,000	55,000	1,490,000
Due to other governments	1,690	0	452	2,142
Accrued wages payable	1,086,209	0	22,169	1,108,378
Other current liabilities	4,143	450	10,191	14,784
Total liabilities	1,977,995	1,865,805	563,885	4,407,685
DEFERRED INFLOWS				
Unavailable revenue-property taxes	448,705	0	0	448,705
Other unavailable revenue	0	710,722	229,907	940,629
Payments received in advance	37,935	0	0	37,935
Total deferred inflows	486,640	710,722	229,907	1,427,269
FUND BALANCES				
Nonspendable	0	0	5,320,200	5,320,200
Restricted	0	0	2,011,933	2,011,933
Committed	0	0	1,997,136	1,997,136
Assigned	0	0	1,887,267	1,887,267
Unassigned	11,925,064	(1,265,983)	(20,062)	10,639,019
Total fund balances	11,925,064	(1,265,983)	11,196,474	21,855,555

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, 2015

<i>Total fund balances from the Governmental Funds Balance Sheet</i>		\$21,855,555
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.		49,107,327
Other long-term assets are not available to pay for expenditures of the current period, and therefore revenue is deferred in fund statements.		1,861,163
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.		(15,520,108)
Balances of other long-term obligations not included in governmental funds.		
	Pensions	(5,075,203)
	Healthcare	(2,150,681)
	Compensated absences	<u>(3,506,755)</u>
		(10,732,639)
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.		12,253,114
<i>Total net position from the Statement of Net Position</i>		<u><u>\$58,824,412</u></u>

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, 2015

	General	Arterial Street	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$26,329,355	\$0	\$971,255	\$27,300,610
Licenses and permits	777,956	0	0	777,956
Intergovernmental	2,063,548	5,471,185	1,337,662	8,872,395
Charges for services	3,405,122	0	33,546	3,438,668
Fines	582,785	0	2,415,654	2,998,439
Miscellaneous				
Interest earnings	31,493	0	18,712	50,205
Space and facilities rentals	121,871	0	23,941	145,812
Contributions from private sources	122,921	0	57,917	180,838
Special assessments	0	0	125,232	125,232
Other miscellaneous	36,390	12,747	39,174	88,311
Total revenues	33,471,441	5,483,932	5,023,093	43,978,466
Expenditures:				
Current:				
General government	5,343,302	0	36,473	5,379,775
Public safety	18,003,213	0	1,212,446	19,215,659
Transportation	3,067,336	35,920	7,560	3,110,816
Economic environment	1,086,695	0	576,636	1,663,331
Culture and recreation	4,411,489	0	39,338	4,450,827
Capital outlays	124,318	6,276,571	715,962	7,116,851
Debt service:				
Principal	250,322	0	752,650	1,002,972
Interest and other debt service costs	125,273	885	304,068	430,226
Total expenditures	32,411,948	6,313,376	3,645,133	42,370,457
Excess (deficiency) of revenues over (under) expenditures	1,059,493	(829,444)	1,377,960	1,608,009
Other financing sources (uses):				
Transfers in	113,692	41,674	305,479	460,845
Transfers out	(385,617)	0	(197,078)	(582,695)
Total other financing sources (uses)	(271,925)	41,674	108,401	(121,850)
Net change in fund balances	787,568	(787,770)	1,486,361	1,486,159
Fund balance, January 1 as previously reported	11,137,496	(736,256)	9,684,978	20,086,218
Prior period adjustments (Note 17)	0	258,043	25,135	283,178
Fund balance, January 1 restated	11,137,496	(478,213)	9,710,113	20,369,396
Fund balance, December 31	\$11,925,064	(\$1,265,983)	\$11,196,474	\$21,855,555

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, 2015

<i>Net change in fund balances from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances</i>			\$1,486,159
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.			5,936,820
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.			987,642
Activity for other long-term obligations not included in governmental funds.			
	Pensions	1,271,674	
	Healthcare	(118,294)	
	Compensated absences	(250,579)	
	Other	<u>64,132</u>	966,933
Revenues in the statement of activities that do not provide current financial resources at the fund level.			(309,023)
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.			546,906
<i>Change in net position from the Statement of Activities</i>			<u><u>\$9,615,437</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, 2015

	GENERAL FUND				ARTERIAL STREET FUND			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$52,610,960	\$52,810,960	\$26,329,355	(\$26,481,605)	\$0	\$0	\$0	\$0
Licenses and permits	1,553,900	1,553,900	777,956	(775,944)	0	0	0	0
Intergovernmental	2,866,650	2,901,850	2,063,548	(838,302)	6,514,260	6,514,260	5,471,185	(1,043,075)
Charges for services	7,707,630	7,707,630	3,405,122	(4,302,508)	5,000	5,000	0	(5,000)
Fines	1,306,550	1,306,550	582,785	(723,765)	0	0	0	0
Miscellaneous:								
Interest earnings	33,440	33,440	31,493	(1,947)	0	0	0	0
Space and facilities rentals	171,300	171,300	121,871	(49,429)	0	0	0	0
Contributions from private sources	142,500	142,500	122,921	(19,579)	0	0	0	0
Other miscellaneous	30,000	30,000	36,390	6,390	0	0	12,747	12,747
Total revenues	66,422,930	66,658,130	33,471,441	(33,186,689)	6,519,260	6,519,260	5,483,932	(1,035,328)
Expenditures:								
Current:								
General government	11,545,950	11,631,880	5,343,302	6,288,578	0	0	0	0
Public safety	36,805,060	36,805,060	18,003,213	18,801,847	0	0	0	0
Transportation	6,640,320	6,640,320	3,067,336	3,572,984	65,000	65,000	35,920	29,080
Economic environment	2,253,430	2,253,430	1,086,695	1,166,735	0	0	0	0
Culture and recreation	9,488,430	9,498,630	4,411,489	5,087,141	0	0	0	0
Capital outlays	164,240	164,240	124,318	39,922	7,651,460	7,651,460	6,276,571	1,374,889
Debt service:								
Principal	492,860	492,860	250,322	242,538	210,000	210,000	0	210,000
Interest and fiscal charges	248,340	248,340	125,273	123,067	10,000	10,000	885	9,115
Total expenditures	67,638,630	67,734,760	32,411,948	35,322,812	7,936,460	7,936,460	6,313,376	1,623,084
Excess (deficiency) of revenues over (under) expenditures	(1,215,700)	(1,076,630)	1,059,493	2,136,123	(1,417,200)	(1,417,200)	(829,444)	587,756
Other financing sources (uses):								
Proceeds of general long-term debt	0	0	0	0	1,491,200	1,491,200	0	(1,491,200)
Capital asset disposition proceeds	0	0	0	0	120,000	120,000	0	(120,000)
Transfers in	366,690	366,690	113,692	(252,998)	0	0	41,674	41,674
Transfers out	(2,147,570)	(2,147,570)	(385,617)	1,761,953	(150,000)	(150,000)	0	150,000
Total other fin. sources (uses)	(1,780,880)	(1,780,880)	(271,925)	1,508,955	1,461,200	1,461,200	41,674	(1,419,526)
Net change in fund balances	(2,996,580)	(2,857,510)	787,568	3,645,078	44,000	44,000	(787,770)	(831,770)
Fund balance, January 1, 2015 as previously reported	11,137,496	11,137,496	11,137,496	0	(736,256)	(736,256)	(736,256)	0
Prior period adjustment (Note 18)	0	0	0	0	0	0	258,043	258,043
Fund balance, January 1 restated	11,137,496	11,137,496	11,137,496	0	(736,256)	(736,256)	(478,213)	258,043
Fund balance, December 31, 2015	\$8,140,916	\$8,279,986	11,925,064	\$3,645,078	(\$692,256)	(\$692,256)	(1,265,983)	(\$573,727)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

As of December 31, 2015

Page 1 of 2

	WATER- SEWER	SANITARY	STORMWATER	PUBLIC TRANSIT
ASSETS				
Current assets:				
Cash	\$112,747	\$16,750	\$36,285	\$62,040
Investments	11,711,405	1,554,872	2,817,151	1,012,936
Receivables, net	3,116,601	643,530	430,055	225
Due from other funds	194,553	33,271	8,267	78,624
Due from other governments	336,471	0	74,856	62,675
Inventory	330,530	0	0	0
Total current assets:	15,802,307	2,248,423	3,366,614	1,216,500
Noncurrent assets:				
Restricted investments	4,644,812	0	790,413	0
Noncurrent receivables	3,548,907	0	0	0
Assets held for resale	78,379	0	0	0
Capital assets:				
Land	1,367,668	0	8,640	37,400
Buildings	14,817,187	0	84,453	749,468
Improvements other than buildings	83,423,547	0	7,108,997	111,578
Machinery and equipment	20,124,633	0	471,145	6,203
Intangibles	4,163,538	0	0	0
Construction in progress	618,772	0	3,547,329	0
Less: Accumulated depreciation	(43,383,525)	0	(3,041,057)	(586,155)
Net capital assets	81,131,820	0	8,179,507	318,494
Total noncurrent assets	89,403,918	0	8,969,920	318,494
TOTAL ASSETS	105,206,225	2,248,423	12,336,534	1,534,994
TOTAL DEFERRED OUTFLOWS - PENSIONS	217,248	24,768	90,466	110,211
Total assets and deferred outflows of resources	105,423,473	2,273,191	12,427,000	1,645,205
LIABILITIES				
Current liabilities:				
Accounts payable	216,209	314,647	55,561	106,804
Due to other funds	88,174	12,560	217,771	0
Due to other governments	37,542	0	0	960,293
Accrued wages payable	162,369	18,374	69,449	104,614
Compensated absences	114,877	16,944	49,902	35,386
Customer deposits	480,803	0	0	0
Other current liabilities	191,965	0	104,600	1,271
Current portion of long-term obligations	4,216,835	0	130,560	0
Total current liabilities:	5,508,774	362,525	627,843	1,208,368
Noncurrent liabilities				
Bonds payable, net	6,728,323	0	3,466,106	0
Due to other governments	31,744,737	0	0	0
Compensated absences	83,863	20,013	67,780	8,132
Pension obligation (net)	1,329,780	116,935	486,981	616,094
Total noncurrent liabilities	39,886,703	136,948	4,020,867	624,226
TOTAL LIABILITIES	45,395,477	499,473	4,648,710	1,832,594
TOTAL DEFERRED INFLOWS - PENSIONS	247,136	21,988	73,548	95,664
Total liabilities and deferred inflows of resources	45,642,613	521,461	4,722,258	1,928,258
NET POSITION				
Net investment in capital assets	44,242,157	0	5,373,254	318,494
Restricted for debt service	736,200	0	0	0
Restricted for capital projects	3,908,612	0	790,413	0
Unrestricted	10,893,891	1,751,730	1,541,075	(601,547)
TOTAL NET POSITION	\$59,780,860	\$1,751,730	\$7,704,742	(\$283,053)

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

As of December 31, 2015

Page 2 of 2

	NONMAJOR MINT VALLEY COMPLEX	ENTERPRISE TOTALS	INTERNAL SERVICE FUNDS
ASSETS			
Current assets:			
Cash	\$8,495	\$236,317	\$328,336
Investments	50,051	17,146,415	6,739,752
Receivables, net	1,496	4,191,907	37,334
Due from other funds	0	314,715	127,860
Due from other governments	0	474,002	4,193
Inventory	0	330,530	0
Total current assets:	60,042	22,693,886	7,237,475
Noncurrent assets:			
Restricted investments	0	5,435,225	0
Noncurrent receivables	0	3,548,907	0
Assets held for resale	0	78,379	0
Capital assets:			
Land	1,208,151	2,621,859	56,095
Buildings	1,508,914	17,160,022	967,533
Improvements other than buildings	920,268	91,564,390	604,786
Machinery and equipment	55,047	20,657,028	14,249,366
Intangibles	0	4,163,538	0
Construction in progress	0	4,166,101	224,923
Less: Accumulated depreciation	(1,903,411)	(48,914,148)	(9,502,245)
Net capital assets	1,788,969	91,418,790	6,600,458
Total noncurrent assets	1,788,969	100,481,301	6,600,458
TOTAL ASSETS	1,849,011	123,175,187	13,837,933
TOTAL DEFERRED OUTFLOWS - PENSIONS	21,858	464,551	70,041
Total assets and deferred outflows of resources	1,870,869	123,639,738	13,907,974
LIABILITIES			
Current liabilities:			
Accounts payable	5,028	698,249	304,785
Due to other funds	0	318,505	190,157
Due to other governments	0	997,835	581
Accrued wages payable	12,246	367,052	54,486
Compensated absences	16,948	234,057	60,211
Customer deposits	0	480,803	0
Other current liabilities	138	297,974	58
Current portion of long-term obligations	1,336	4,348,731	0
Total current liabilities:	35,696	7,743,206	610,278
Noncurrent liabilities			
Bonds payable, net	69,064	10,263,493	0
Due to other governments	0	31,744,737	0
Compensated absences	38,655	218,443	25,332
Pension obligation (net)	93,970	2,643,760	287,518
Total noncurrent liabilities	201,689	44,870,433	312,850
TOTAL LIABILITIES	237,385	52,613,639	923,128
TOTAL DEFERRED INFLOWS - PENSIONS	28,410	466,746	80,752
Total liabilities and deferred inflows of resources	265,795	53,080,385	1,003,880
NET POSITION			
Net investment in capital assets	1,718,569	51,652,474	6,600,458
Restricted for debt service	0	736,200	0
Restricted for capital projects	0	4,699,025	0
Unrestricted	(113,495)	13,471,654	6,303,636
TOTAL NET POSITION	\$1,605,074	\$70,559,353	\$12,904,094
Business-type net position used in Internal Service Fund activities		650,980	
Net position of business-type activities		<u>\$71,210,333</u>	

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview

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

For the year ended December 31, 2015

Page 1 of 2

	ENTERPRISE			
	WATER- SEWER	SANITARY	STORMWATER	PUBLIC TRANSIT
Operating revenues:				
Charges for services	\$20,346,882	\$5,174,280	\$3,389,712	\$4,127,202
Miscellaneous	1,390	8,473	0	25,512
Total operating revenues	20,348,272	5,182,753	3,389,712	4,152,714
Operating expenses:				
Cost of sales and services	13,381,782	4,365,061	2,424,720	4,126,659
Administration	1,306,565	540,255	316,298	450,311
Depreciation	3,218,599	0	130,313	14,815
Total operating expenses	17,906,946	4,905,316	2,871,331	4,591,785
Operating income (loss)	2,441,326	277,437	518,381	(439,071)
Nonoperating revenues (expenses):				
Interest revenue	59,810	2,076	2,555	1,531
Interest expense	(662,622)	0	(111,192)	0
Operating grant revenue	0	31,325	335,319	243,322
Disposition of capital assets	(1,265,702)	0	0	0
Other	13,568	11,450	0	82
Total nonoperating revenues (expenses)	(1,854,946)	44,851	226,682	244,935
Income (loss) before capital contributions, special items and transfers	586,380	322,288	745,063	(194,136)
Capital contributions	275,376	0	231,081	226,558
Transfers in	0	0	506,679	0
Transfers out	(506,679)	0	(41,674)	0
Change in net position	355,077	322,288	1,441,149	32,422
Beginning net position as previously reported	60,825,875	1,523,241	6,379,046	333,309
Change in accounting principle (Note 17)	(1,400,092)	(93,799)	(462,363)	(648,784)
Prior period adjustments (Note 18)	0	0	346,910	0
Beginning net position, restated	59,425,783	1,429,442	6,263,593	(315,475)
Net position, December 31	\$59,780,860	\$1,751,730	\$7,704,742	(\$283,053)

The accompanying notes are an integral part of these statements

City of Longview

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

For the year ended December 31, 2015

Page 2 of 2

	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE	TOTAL INTERNAL SERVICE
Operating revenues:			
Charges for services	\$542,689	\$33,580,765	\$6,075,025
Miscellaneous	37,885	73,260	4,193
Total operating revenues	580,574	33,654,025	6,079,218
Operating expenses:			
Cost of sales and services	262,967	24,561,189	3,527,084
Administration	286,119	2,899,548	705,811
Depreciation	41,975	3,405,702	852,320
Total operating expenses	591,061	30,866,439	5,085,215
Operating income (loss)	(10,487)	2,787,586	994,003
Nonoperating revenues (expenses):			
Interest revenue	51	66,023	9,418
Interest expense	(3,191)	(777,005)	0
Operating grant revenue	0	609,966	4,440
Disposition of capital assets	0	(1,265,702)	57,445
Other	1,825	26,925	9,936
Total nonoperating revenues (expenses)	(1,315)	(1,339,793)	81,239
Income (loss) before capital contributions, special items and transfers	(11,802)	1,447,793	1,075,242
Capital contributions	0	733,015	5,600
Transfers in	1,828	508,507	161,697
Transfers out	0	(548,353)	0
Change in net position	(9,974)	2,140,962	1,242,539
Beginning net position as previously reported	1,721,020	70,782,491	(314,496)
Change in accounting principle (Note 17)	(105,972)	(2,711,010)	11,976,051
Prior period adjustments (Note 18)	0	346,910	0
Beginning net position, restated	1,615,048	68,418,391	11,661,555
Net position, December 31	\$1,605,074	\$70,559,353	\$12,904,094

Change in net position from proprietary activities at the fund level (above)	\$2,140,962
Change in net position related to business-type activities	695,632
Change in net positions from government-wide business-type activities	2,836,594

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended December 31, 2015

Page 1 of 4

	WATER- SEWER	SANITARY	STORMWATER	PUBLIC TRANSIT
Cash flows from operating activities:				
Cash flows from customers and users	\$20,825,127	\$5,304,615	\$3,717,766	\$4,480,267
Interfund services provided	0	0	0	0
Cash from other sources	42,628	42,775	260,464	180,729
Cash paid to suppliers	(8,481,906)	(3,918,080)	(688,742)	(1,844,075)
Cash paid to employees	(3,394,811)	(393,812)	(1,362,513)	(1,817,420)
Interfund services used	(2,901,677)	(78,743)	(843,266)	(1,085,892)
Cash paid for taxes and other penalties	(692,727)	(540,548)	(47,885)	(622)
Net cash provided (used) by operating activities	5,396,634	416,207	1,035,824	(87,013)
Cash flows from noncapital financing activities:				
Transfer (in) from other funds	0	0	0	0
Transfer (out) to other funds	0	0	(41,674)	0
Net cash provided (used) by noncapital financing activities	0	0	(41,674)	0
Cash flows from capital and related financing activities:				
Proceeds from debt issuances	59,603	0	3,715,325	0
Transfer of debt issuance proceeds	(3,715,325)	0	0	0
Collection of noncurrent receivables	262,535	0	0	0
Payments of debt principal	(2,292,374)	0	(110,500)	0
Proceeds from sale of capital assets	0	0	0	0
Capital contributions	260,865	0	0	226,558
Purchase of capital assets	0	0	0	0
Construction	(3,313,859)	0	(2,651,556)	0
Interest paid	(678,462)	0	(119,351)	0
Net cash provided (used) by capital and related financing activities	(9,417,017)	0	833,918	226,558
Cash flows from investing activities:				
Proceeds from sale of investments	11,275,130	0	1,650,000	980,000
Purchase of investments	(7,220,000)	(440,000)	(3,450,000)	(1,100,000)
Net cash provided (used) by investing activities	4,055,130	(440,000)	(1,800,000)	(120,000)
Net cash increase (decrease)	34,747	(23,793)	28,068	19,545
Cash and restricted cash, January 1	78,000	40,543	8,217	42,495
Cash and restricted cash, December 31	\$112,747	\$16,750	\$36,285	\$62,040

The accompanying notes are an integral part of these statements

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended December 31, 2015

Page 2 of 4

	ENTERPRISE			
	WATER- SEWER	SANITARY	STORMWATER	PUBLIC TRANSIT
Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating income (loss)	\$2,441,326	\$277,437	\$518,381	(\$439,071)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	3,218,599	0	130,313	14,815
Capital projects expensed	68,924	0	0	0
Accrued pension expense	(40,423)	20,356	7,700	(47,237)
Miscellaneous nonoperating cash activity	42,628	42,775	260,464	180,729
(Increase) decrease from:				
Accounts & notes receivable	(155,433)	(32,389)	(69,307)	(10)
Due from other funds	(7,777)	95,655	6,268	(23,854)
Due from other governments	17,935	5,069	356,085	614,869
Inventory	(40,421)	0	0	0
Increase (decrease) from:				
Accounts payable	(62,748)	6,516	(43,930)	(51,623)
Due to other funds	(107,425)	454	(230,854)	0
Due to other governments	3,914	0	0	78,593
Accrued wages payable	5,653	(12)	(9,666)	(411,364)
Compensated absences	(17,369)	346	7,817	(2,892)
Customer deposits	28,840	0	0	0
Other current liabilities	411	0	102,553	32
Total adjustments	2,955,308	138,770	517,443	352,058
Net cash provided (used) by operating activities	\$5,396,634	\$416,207	\$1,035,824	(\$87,013)
Noncash Investing, Capital and Financing Activities				
Acquisition of capital assets on account	224,473	0	213,146	0
Capital (to) from governmental activities	(1,265,702)	0	231,081	0
Capital (to) from Stormwater	(506,679)	0	0	0
Asset disposition receivables	0	0	0	0
Related party capital and debt participation	6,595	0	0	0
Nonoperating interest income	30,692	2,076	2,555	1,531

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended December 31, 2015

Page 3 of 4

	NONMAJOR MINT VALLEY COMPLEX	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Cash flows from operating activities:			
Cash flows from customers and users	\$582,941	\$34,910,716	\$249,782
Interfund services provided	0	0	6,181,040
Cash from other sources	1,825	528,421	14,375
Cash paid to suppliers	(209,345)	(15,142,148)	(3,016,047)
Cash paid to employees	(277,965)	(7,246,521)	(974,234)
Interfund services used	(22,465)	(4,932,043)	(196,609)
Cash paid for taxes and other penalties	(43,395)	(1,325,177)	(5,717)
Net cash provided (used) by operating activities	31,596	6,793,248	2,252,590
Cash flows from noncapital financing activities:			
Transfer (in) from other funds	1,828	1,828	45,047
Transfer (out) to other funds	0	(41,674)	0
Net cash provided (used) by noncapital financing activities	1,828	(39,846)	45,047
Cash flows from capital and related financing activities:			
Proceeds from debt issuances	0	3,774,928	0
Transfer of debt issuance proceeds	0	(3,715,325)	0
Collection of noncurrent receivables	0	262,535	0
Payments of debt principal	(3,367)	(2,406,241)	0
Proceeds from sale of capital assets	0	0	45,350
Capital contributions	0	487,423	0
Purchase of capital assets	(9,378)	(9,378)	(1,855,601)
Construction	0	(5,965,415)	0
Interest paid	(3,191)	(801,004)	0
Net cash provided (used) by capital and related financing activities	(15,936)	(8,372,477)	(1,810,251)
Cash flows from investing activities:			
Proceeds from sale of investments	50,000	13,955,130	1,400,000
Purchase of investments	(100,000)	(12,310,000)	(1,820,000)
Net cash provided (used) by investing activities	(50,000)	1,645,130	(420,000)
Net cash increase (decrease)	(32,512)	26,055	67,386
Cash and restricted cash, January 1	41,007	210,262	260,950
Cash and restricted cash, December 31	\$8,495	\$236,317	\$328,336

The accompanying notes are an integral part of these statements

City of Longview

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended December 31, 2015

Page 4 of 4

	NONMAJOR MINT VALLEY COMPLEX	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income (loss)	(\$10,486)	\$2,787,587	\$994,003
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	41,975	3,405,702	852,320
Capital projects expensed	0	68,924	0
Accrued pension expense	(5,449)	(65,053)	(16,266)
Miscellaneous nonoperating cash activity	1,825	528,421	14,375
(Increase) decrease from:			
Accounts & notes receivable	0	(257,139)	5,776
Due from other funds	0	70,292	183,272
Due from other governments	0	993,958	(4,193)
Inventory	0	(40,421)	0
Increase (decrease) from:			
Accounts payable	1,860	(149,925)	77,998
Due to other funds	(2,774)	(340,599)	138,306
Due to other governments	0	82,507	0
Accrued wages payable	788	(414,601)	9,321
Compensated absences	3,727	(8,371)	(1,705)
Customer deposits	0	28,840	0
Other current liabilities	130	103,126	(617)
Total adjustments	42,082	4,005,661	1,258,587
Net cash provided (used) by operating activities	\$31,596	\$6,793,248	\$2,252,590
Noncash Investing, Capital and Financing Activities			
Acquisition of capital assets on account	0	437,619	131,622
Capital (to) from governmental activities	0	(1,034,621)	0
Capital (to) from nonmajor enterprise funds	0	(506,679)	0
Asset disposition receivables	0	0	32,800
Related party capital and debt participation	0	6,595	0
Nonoperating interest income	51	36,905	9,318

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview
STATEMENT OF FIDUCIARY NET POSITON
FIDUCIARY FUNDS

As of December 31, 2015

	FIREMEN'S PENSION TRUST FUND	NORTHWEST HEALTH FOUNDATION PRIVATE PURPOSE TRUST FUND	STATE AGENCY FUND
ASSETS			
Cash	\$74,017	\$17,739	\$109,155
Investments			
State investment pool	1,096,587	0	0
TOTAL ASSETS	1,170,604	17,739	109,155
LIABILITIES			
Accounts payable	1,633	1,500	0
Accrued wages payable	1,534	0	0
Accrued employee benefits	519	0	0
Due to other governments	0	0	109,155
TOTAL LIABILITIES	3,686	1,500	109,155
Net position restricted for healthcare benefits	728,173	0	0
Net position restricted for pension benefits	438,745	0	0
Net position held for private purpose trust	0	16,239	0
NET POSITION	\$1,166,918	\$16,239	\$0

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, 2015

	FIREMEN'S PENSION TRUST FUND	NORTHWEST HEALTH FOUNDATION PRIVATE PURPOSE TRUST FUND
ADDITIONS		
Contributions:		
Employer - healthcare	\$638,353	\$0
Employer - pension	126,743	0
Other miscellaneous	48,450	30,000
Total contributions	<u>813,546</u>	<u>30,000</u>
Interest income:		
Investments	<u>1,483</u>	<u>0</u>
Totals investment income	<u>1,483</u>	<u>0</u>
TOTAL ADDITIONS	<u>815,029</u>	<u>30,000</u>
DEDUCTIONS		
Benefits - healthcare	393,133	0
Benefits - pension	103,522	0
Administration	41,454	0
Other trust agreement payments	<u>0</u>	<u>22,052</u>
TOTAL DEDUCTIONS	<u>538,109</u>	<u>22,052</u>
Change in net position - healthcare	252,294	0
Change in net position - pension	<u>24,626</u>	<u>0</u>
TOTAL CHANGE IN NET POSITON	<u>276,920</u>	<u>7,948</u>
Beginning net position	<u>889,998</u>	<u>8,291</u>
Ending net position	<u>\$1,166,918</u>	<u>\$16,239</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview
Notes to the Financial Statements
December 31, 2015

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 also includes the Longview Public Development Authority (PDA), which is a separate legal entity considered to have financial accountability to the City of Longview through a financial benefit or burden relationship, and is therefore considered part of its primary government. The PDA was established by the Longview City Council granting its charter in 2013 created to facilitate the redevelopment of designated properties. With its separate legal status, the PDA is a component unit of the City of Longview presented as a special revenue fund using the blended method of reporting component units. The City of Longview is the PDA's sole source of financial reporting.

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. 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. 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. This report for 2015 incorporates the implementation of GASB Statements #68 – Accounting and Financial Reporting for Pensions, and #71 – Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement #68.

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 applicable to 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 Arterial Street Fund is supported by the State's one-half of one percent gas tax and used for major street construction projects.

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 Stormwater Fund provides flood management and water quality protection through managing programs including public drainage systems, erosion control, and environmental public awareness.
- + 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 #15 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 held in trust for members and beneficiaries of the defined benefit plan that receive postemployment healthcare benefits as well as pension benefits.
 - 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.

NONMAJOR FUNDS

The Mint Valley Complex Fund accounts for the operations and maintenance associated with the Longview Municipal Golf Course and Tennis/Racquetball Facility. This is the only nonmajor enterprise fund of the city and therefor can be separately displayed solely in the nonmajor columns of the enterprise major fund statements. See the Nonmajor Governmental 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.

Fund	Original 2015-2016 Budget	Budgetary Revisions	Revised 2015-2016 Budget
Major Funds			
General	\$ 69,786,200	\$ 96,130	\$ 69,882,330
Arterial Street	8,086,460	0	8,086,460
Special Revenue Funds:			
Downtown Parking	137,170	0	137,170
Economic Development	1,704,880	0	1,704,880
HOME Fund	1,118,500	0	1,118,500
CDBG Entitlement	782,500	0	782,500
Library Grant	0	0	0
Criminal Justice Assistance	873,010	0	873,010
Camera Infraction Program	1,999,470	40,000	2,039,470
Tourism	170,780	0	170,780
Parks and Recreation Mem. Trust	170,320	0	170,320
Public Development Authority	80,000	0	80,000
Total Special Revenue Funds	7,036,630	40,000	7,076,630
Capital Projects Funds:			
Capital Projects	438,000	0	438,000
LID Construction	6,700,000	0	6,700,000
Building Replacement	20,000	0	20,000
Total Capital Projects Funds	7,158,000	0	7,158,000
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. Delinquent special assessment receivable at year end were \$1,547.

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 #13 titled Interfund Transactions for more details.
5. Amounts Due to and from Other Governmental Units - These accounts include amounts due to or from varying levels of federal, state, and local governments for grants, entitlements, temporary loans, taxes and charges for services.
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 and Stormwater Funds. As of financial statement presentation date, restricted investments of \$5,435,225 account for all the restricted assets comprised of \$4,699,025 for capital projects and \$736,200 for debt service..
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 – 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. 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, 2015 are listed as follows:

	VACATION	SICK LEAVE	TOTAL
Governmental	\$2,096,574	\$1,410,181	\$3,506,755
Proprietary	374,148	163,896	538,044
Pension Trust	519	0	519
TOTAL	2,471,241	1,574,077	4,045,318
Proprietary Internal Service Fund amounts above reported with governmental activities			85,543

<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. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
14. Fund Equity - Governmental funds report fund equity as fund balance where proprietary funds and government-wide statements report fund equity as net position. Fund balance is either 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 administrative 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 City does not have a minimum fund balance policy.

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

	Nonmajor Funds						
	General	Arterial Street	Special Revenue	Debt Service	Capital Projects	Library Memorial Trust	Total
Fund balances:							
Nonspendable:							
Loans/contracts receivable	0	0	20,000	5,290,000	0	0	5,310,000
Permanent fund principal	0	0	0	0	0	10,200	10,200
Restricted for:							
Tourism	0	0	110,292	0	0	0	110,292
Community policing	0	0	738,424	0	0	0	738,424
Economic loan program	0	0	490,033	0	0	0	490,033
Economic development	0	0	1,876	0	0	0	1,876
Parks improvements	0	0	362,065	0	300,000	0	662,065
Culture and recreation	0	0	0	0	0	7,912	7,912
Debt service	0	0	0	1,331	0	0	1,331
Committed to:							
Traffic policing	0	0	1,896,192	0	0	0	1,896,192
Parking enforcement	0	0	100,944	0	0	0	100,944
Assigned to:							
Government buildings	0	0	0	0	723,438	0	723,438
General capital projects	0	0	0	0	406,763	0	406,763
Public safety	0	0	136,559	0	0	0	136,559
Economic development	0	0	620,307	0	0	0	620,307
Debt service	0	0	0	200	0	0	200
Unassigned:	11,925,064	(1,265,983)	(20,062)	0	0	0	10,639,019
	11,925,064	(1,265,983)	4,456,630	5,291,531	1,430,201	18,112	21,855,555

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	\$84,413,906
Less: Accumulated depreciation	(35,306,579)
TOTAL	<u>\$49,107,327</u>

Long-term liabilities not due in governmental funds

Bonds payable, net	(\$15,237,136)
Deferred loss on bond refunding	169,392
Due to other governments	(450,364)
Special assessment debt	(2,000)
TOTAL	<u>(\$15,520,108)</u>

Internal service fund net position reported as governmental activities

Total internal service fund net position	\$12,904,094
Net position reported with business-type activities	(650,980)
TOTAL	<u>\$12,253,114</u>

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	\$7,116,850
Depreciation expense-Governmental fund operations	(2,191,889)
Contributions to business-type activities	(270,614)
Contributions from private sources	16,772
Contributions from business-type activities	<u>1,265,701</u>
TOTAL	<u>\$5,936,820</u>

Long-term liability activity reported in government-wide statements

Debt payments expensed in fund statements	\$1,002,972
Amortization of refunding bond loss and bond discount/ premium	(15,330)
TOTAL	<u>987,642</u>

Internal service fund changes in net position attributable to governmental activities

Total internal service fund changes in net position	\$1,242,539
Changes in net position attributable to business-type activities	(695,633)
TOTAL	<u>546,906</u>

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 #14.

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, 2015, were \$1,593,101 which consists of \$1,392,190 as shown on the Statement of Net position, and \$200,911 as reported in the Statement of Fiduciary Net position. The average daily balance maintained during the year was \$3,309,217 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 \$44,215,455 representing their cost with a fair value equal to their carrying value. This amount consists of \$43,118,868 as shown in the Statement of Net Position, and \$1,096,587 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 2015 collection was \$3.426732 per \$1,000 on an assessed valuation of \$2,581,691,836 for a total regular levy of \$8,846,766.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Governmental Activities

	Beginning Balance-restated	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	5,498,514	0	0	5,498,514
Construction in progress	3,317,600	7,268,935	2,345,485	8,241,050
Total capital assets, not being depreciated	8,816,114	7,268,935	2,345,485	13,739,564
Capital assets, being depreciated:				
Buildings	17,150,193	11,505	0	17,161,698
Improvements other than buildings	3,030,640	129,329	0	3,159,969
Machinery and equipment	17,617,499	1,833,870	797,345	18,654,024
Infrastructure	44,962,357	2,839,001	0	47,801,358
Total capital assets being depreciated	82,760,689	4,813,705	797,345	86,777,049
Less accumulated depreciation for:				
Buildings	7,418,617	473,333	0	7,891,950
Improvements other than buildings	1,795,165	78,568	0	1,873,733
Machinery and equipment	4,292,933	966,685	776,640	4,482,979
Infrastructure	29,034,544	1,525,621	0	30,560,165
Total accumulated depreciation	42,541,259	3,044,207	776,640	44,808,826
Total capital assets, being depreciated, net	40,219,430	1,769,498	20,705	41,968,223
Governmental activities capital assets, net	49,035,544	9,038,433	2,366,190	55,707,786

Depreciation expense was charged to functions as follows:

General government	464,024
Public Safety	353,132
Transportation	1,738,564
Economic Environment	2,298
Culture and Recreation	486,189
Total governmental activities depreciation expense	3,044,207

Business-Type Activities

	Beginning Balance-restated	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	2,621,858	0	0	2,621,858
Construction in progress	11,382,798	5,623,670	12,840,368	4,166,100
Intangibles	4,064,024	99,514	0	4,163,538
Total capital assets, not being depreciated	18,068,680	5,723,184	12,840,368	10,951,496
Capital assets, being depreciated:				
Buildings	14,864,243	2,295,780	0	17,160,023
Improvements other than buildings	85,533,835	6,030,558	0	91,564,393
Machinery and equipment	17,293,230	3,381,235	17,437	20,657,028
Other plant assets	35,453	0	35,453	0
Total capital assets being depreciated	117,726,761	11,707,573	52,890	129,381,444
Less accumulated depreciation for:				
Buildings	5,582,574	399,860	0	5,982,434
Improvements other than buildings	35,864,358	2,230,158	0	38,094,516
Machinery and equipment	4,078,953	775,684	17,437	4,837,200
Other plant assets	35,453	0	35,453	0
Total accumulated depreciation	45,561,338	3,405,702	52,890	48,914,150
Total capital assets, being depreciated, net	72,165,423	8,301,871	0	80,467,294
Business-type activities capital assets, net	90,234,103	14,025,055	12,840,368	91,418,790

Depreciation expense was charged to functions as follows:

Water-sewer	3,218,599
Public transit	14,815
Storm water	130,313
Golf/misc. athletics	41,975
Total business-type activities depreciation expense	3,405,702

NOTE 7 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2015:

Aggregate Pension Amounts - All Plans						
	PERS Plan I	PERS Plan 2/3	LEOFF Plan I	LEOFF Plan II	Firemen's Pension	TOTAL
Pension assets	0	0	1,441,444	3,318,633	0	4,760,077
Deferred outflows	34,274	1,165,383	0	617,804	0	1,817,461
Pension liabilities	5,941,133	4,654,836	0	0	1,155,545	11,751,514
Deferred inflows	325,045	1,271,496	243,344	1,005,528	0	2,845,414
Pension expense	(254,489)	(183,379)	(281,104)	(308,591)	(79,235)	(1,106,797)

State Sponsored 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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available 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
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

Contributions - The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%

July through December 2015	11.18%	6.00%
----------------------------	--------	-------

* For employees participating in JBM, the contribution rate was 12.26%

The City's actual contributions to the plan were **\$584,081** for the year ended December 31, 2015.

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

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

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

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

Contributions - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%

Employee PERS Plan 3		varies
----------------------	--	--------

* For employees participating in JBM, the contribution rate was 15.30%

The City's actual contributions to the plan were **\$688,762** for the year ended December 31, 2015.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

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

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

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

Contributions - Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions - The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
State and local governments	5.23%	8.41%

The City's actual contributions to the plan were **\$502,880** for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

There were minor changes in methods and assumptions since the last valuation.

- OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

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

	1% Decrease (6.5 %)	Current Discount Rate (7.5%)	1% Increase (8.5 %)
PERS 1	7,233,345	5,941,133	4,829,949
PERS 2/3	13,610,982	4,654,836	(2,202,549)
LEOFF 1	(922,168)	(1,441,444)	(1,884,030)
LEOFF 2	3,323,396	(3,318,633)	(8,317,012)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the City reported a total pension liability (or asset) for its proportionate share of the state sponsored pension plans as follows:

	Liability (or Asset)
PERS 1	\$5,941,133
PERS 2/3	\$4,654,836
LEOFF 1	(\$1,441,444)
LEOFF 2	(\$3,318,633)

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

	Liability (or Asset)
LEOFF 2 – employer's proportionate share	(\$3,318,633)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	(\$2,194,280)
TOTAL	(\$5,512,913)

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Deferred Outflows of Resources and Deferred Inflows of Resources

Changes in Employer's Proportionate Share				
	2015			
	PERS	PERS	LEOFF	LEOFF
	Plan I	Plan 2/3	Plan I	Plan 2
City of Longview current share of collective net pension liability (asset)	0.113577%	0.130276%	0.119600%	0.322887%
Share at prior measurement date	0.102161%	0.131532%	0.120117%	0.331291%
Change in share since last measurement date	0.011416%	-0.001256%	-0.000517%	-0.008404%

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer's Deferred Outflows of Resources & (Deferred Inflows of Resources)					
	PERS	PERS	LEOFF	LEOFF	
	Plan I	Plan 2/3	Plan I	Plan 2	Totals
Differences between projected and actual earnings on plan investments	(325,045)	(1,242,621)	(243,344)	(1,005,528)	(2,816,538)
Expected and actual experience differences	0	494,810	0	290,602	785,412
Contributions after measurement date	34,274	670,572	0	255,616	960,462
Change in City's proportionate share	0	(28,876)	0	71,586	42,710
Totals	(290,771)	(77,239)	(243,344)	(459,310)	(1,027,954)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Differences Between Projected and Actual Earnings on Plan Investments					
		PERS	PERS	LEOFF	LEOFF
<u>Year</u>		Plan I	Plan 2/3	Plan I	Plan II
2016		(126,524)	(486,798)	(94,571)	(396,765)
2017		(126,524)	(486,798)	(94,571)	(396,765)
2018		(126,524)	(486,798)	(94,571)	(396,765)
2019		54,528	217,773	40,371	184,767
		(325,045)	(1,242,621)	(243,343)	(1,005,528)

Changes in Employer's Share of Net Pension Liability					
		PERS	PERS	LEOFF	LEOFF
<u>Year</u>		Plan I	Plan 2/3	Plan I	Plan II
2016		0	(8,493)	0	13,767
2017		0	(8,493)	0	13,767
2018		0	(8,493)	0	13,767
2019		0	(3,397)	0	13,767
2020		0	0	0	13,767
2021		0	0	0	2,753
		0	(28,876)	0	71,586

Differences in Expected and Actual Experience					
		PERS	PERS	LEOFF	LEOFF
<u>Year</u>		Plan I	Plan 2/3	Plan I	Plan II
2016		0	112,457	0	46,871
2017		0	112,457	0	46,871
2018		0	112,457	0	46,871
2019		0	112,457	0	46,871
2020		0	44,983	0	46,871
2021-22		0	0	0	56,245
		0	494,810	0	290,602

C. Other Local Government Pension Systems - 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. 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 \$48,450. 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. 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.

Investment policies, with respect to Firemen’s Pension Fund assets, follow those that pertain to the City as a whole which conform in all respects to the Revised Code of Washington provision applicable to the investment of public funds. These include procedures and authority for establishing and amending investment policy decisions as well as asset allocation policies. Currently, all investments reported by the funds are those of the State of Washington Local Government Investment Pool. There were no significant investment policy changes during the period. The annual money-weighted rate of return on pension plan investments for the fiscal period was .1639%. This rate of return reflects investment performance, net of pension plan investment expenses and adjusted for the changing amounts actually invested. See Note 4 for additional information on investments.

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	41
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.	17

Pension Liability Including Actuarial Methods and Significant Assumptions

Significant assumptions and other inputs to measure the total pension liability include inflation at 2.5 %, salary increases at 3.0% and cost of living adjustments at 2.5%. Mortality assumptions incorporate RP 2000 mortality tables Scale BB tables for projections. The City’s actuarial study used rates from 7.25% in 2015 grading down 0.25% per year to an ultimate trend rate of 5.0%. The discount rate used in the measurement of the total pension liability was 3.5% to represent both the expected return on assets for the funded portion of the benefit obligation and 3.5% to represent the long-term municipal bond yield for the unfunded portion. Cash flow projection of benefit payments, fire insurance premium taxes, property tax contributions, and investment experience assume a fully funded plan through 2030. The net pension liability at plus 1% of the discount rate is \$1,020,000, while it is \$1,313,000 at minus 1% of the discount rate. The pension plan liability is based on an actuarial valuation date of December 31, 2014 which has been adjusted by adding back a year of discounted

cash flows to derive the net pension liability reported for 2015. The actuarial cost method used was the entry age cost method while the actuarial value of assets used was equal to the market value of assets.

Listed below is further detail regarding the components of the single employer plan that comprise the Firemen's Pension Fund.

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

	PENSION TRUST	HEALTHCARE TRUST	TOTAL
ASSETS			
Cash	\$27,829	\$46,188	\$74,017
Investments			
State investment pool	412,301	684,286	1,096,587
TOTAL ASSETS	440,130	730,474	1,170,604
LIABILITIES			
Accounts payable	614	1,019	1,633
Accrued wages payable	577	957	1,534
Accrued employee benefits	195	324	519
TOTAL LIABILITIES	1,386	2,300	3,686
Net position held in trust	438,745	728,173	1,166,918
NET POSITION	\$438,745	\$728,173	\$1,166,918

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

	PENSION TRUST	HEALTHCARE TRUST	TOTAL
ADDITIONS			
Contributions:			
Employer	\$126,743	\$638,353	\$765,096
Other miscellaneous	8,026	40,424	48,450
Total contributions	134,769	678,777	813,546
Interest income:			
Investments	246	1,237	1,483
Totals investment income	246	1,237	1,483
TOTAL ADDITIONS	135,015	680,014	815,029
DEDUCTIONS			
Benefits	103,522	393,133	496,655
Administration	6,867	34,587	41,454
TOTAL DEDUCTIONS	110,389	427,720	538,109
Change in net position	24,626	252,294	276,920
Beginning net position	414,119	475,879	889,998
Ending net position	\$438,745	\$728,173	\$1,166,918

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 2015, the City's cost for these Medicare premiums was \$31,050. 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 \$681,897 for 2015. 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.

Actuarial Methods and 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.

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 \$872 per month for non-Medicare enrolled retiree only coverage, \$1,751 for non-Medicare enrolled retiree and spouse coverage, \$1,214 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and \$671 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, 2014 was \$1,761,118 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.

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 2015 on principal obligation only.

	Balances Forward	Increases	Decreases	Ending Balances	Due within one year
Governmental activities					
General obligation bonds	\$16,081,232	\$0	\$851,632	\$15,229,600	\$703,664
unamortized (discount) premium	<u>7,605</u>	<u>0</u>	<u>69</u>	<u>7,536</u>	<u>69</u>
Total general obligation bonds	16,088,837	0	851,701	15,237,136	703,733
Special assessment debt with government commitment	6,000	0	4,000	2,000	2,000
Intergovernmental loans	597,704	0	147,340	450,364	166,148
Compensated absences (1)	3,340,822	2,218,493	1,967,017	3,592,298	1,588,708
Net pension liability (2)	7,840,112	1,267,641	0	9,107,753	0
Net OPEB obligation (3)	2,377,776	567,493	328,880	2,616,389	0
Total governmental activities	<u>\$30,251,251</u>	<u>\$4,053,627</u>	<u>\$3,298,938</u>	<u>\$31,005,940</u>	<u>\$2,460,589</u>
Business-type activities					
Revenue bonds	\$9,995,000	\$0	\$325,000	\$9,670,000	\$360,000
unamortized (discount) premium	<u>932,428</u>	<u>0</u>	<u>24,000</u>	<u>908,428</u>	<u>24,000</u>
Total revenue bonds	10,927,428	0	349,000	10,578,428	384,000
General obligation bonds	73,767	0	3,367	70,400	1,336
Intergovernmental loans	35,818,537	69,749	2,071,774	33,816,512	2,071,775
Compensated absences	460,870	250,932	259,300	452,502	234,057
Net pension liability (2)	1,845,021	798,739	0	2,643,760	0
Pollution remediation obligations	1,897,719	0	6,099	\$1,891,620	1,891,620
Total business-type activities	<u>\$51,023,342</u>	<u>\$1,119,420</u>	<u>\$2,689,540</u>	<u>\$49,453,222</u>	<u>\$4,582,788</u>

1) Paid by employee home fund - typically the General Fund

2) See Note 7 for additional details

3) See Note 8 for additional details

C. General Obligation Bonds & Other General Obligation Debt

General Obligation Bonds Outstanding as of December 31, 2014

\$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%.

6,115,000

\$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%.

6,060,000

\$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%.

3,125,000

Total General Obligation Bonds Outstanding**\$15,300,000****Other General Obligation Debt:**

\$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.

214,285

\$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.

186,396

\$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.

49,683

Total Other General Obligation Debt Outstanding**\$450,364**

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

GENERAL OBLIGATION DEBT

Year ending December, 31	Bonds		Other	
	Principal	Interest	Principal	Interest
2016	705,000	616,919	166,147	15,967
2017	745,000	591,604	168,868	11,103
2018	570,000	569,495	64,601	6,084
2019	590,000	550,895	50,748	3,045
2020	850,000	529,082	0	0
2021-25	4,705,000	2,101,013	0	0
2026-30	4,345,000	1,087,395	0	0
2031-35	2,790,000	280,095	0	0
	<u>\$15,300,000</u>	<u>\$6,326,495</u>	<u>\$450,364</u>	<u>\$36,199</u>

D. Revenue Bonds & Other Enterprise Debt**Revenue Bonds:**

\$10,000,000 – 2014 Revenue Bonds due in installments of \$315,000 to \$730,000 through December of 2034 with interest at 3.00% to 5.00%.	<u>\$9,670,000</u>
---	---------------------------

Other Enterprise Debt:

\$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	408,572
---	---------

\$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	693,714
---	---------

\$1,000,000 – 2010 Public Works Trust Fund Loan. Proceeds to fund new Regional Water Treatment Plant. Annual interest of ½% through 2028	693,714
--	---------

\$3,052,350 – 2010 Public Works Trust Fund Loan. Proceeds to fund new Regional Water Treatment Plant. Annual interest of ½% through 2028	2,403,252
--	-----------

\$4,193,183 – 2011 Public Works Trust Fund Loan. Proceeds to fund new Regional Water Treatment Plant. Annual interest of ½% through 2028	4,412,930
--	-----------

\$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	9,643,278
--	-----------

\$11,278,744 – 2012 Public Works Trust Fund Loan for the Mint Farm Regional Water Supply Projects. Annual interest of 1% through 2034	7,140,000
---	-----------

\$7,785,408 – 2012 Public Works Trust Fund Loan for the Mint Farm Regional Water Supply Project. Annual interest of .5% through 2032	8,421,052
--	-----------

<i>Total Other Enterprise Debt</i>	<u>\$33,816,512</u>
---	----------------------------

The annual requirements for outstanding revenue debt are as follows:

REVENUE DEBT

Year ending December, 31	Bonds		Other	
	Principal	Interest	Principal	Interest
2016	360,000	371,650	2,084,639	5,512
2017	375,000	360,850	2,097,867	165,379
2018	385,000	349,600	2,111,471	156,636
2019	395,000	338,050	2,125,461	146,063
2020	405,000	326,200	2,139,847	135,490
2021-25	2,295,000	1,373,400	10,929,727	518,866
2026-30	2,795,000	876,400	9,889,387	243,103
2031-34	2,660,000	271,400	2,438,114	33,347
	<u>\$9,670,000</u>	<u>\$4,267,550</u>	<u>\$33,816,512</u>	<u>\$1,404,397</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% 2,000

Total Local Improvement District Bonds Outstanding **\$2,000**

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

<u>Year ending Dec. 31</u>	<u>Principal</u>	<u>Interest</u>
2016	\$2,000	\$75

NOTE 11 - SHORT-TERM DEBT

The City of Longview had no short-term debt outstanding as of December 31, 2015, but did have applicable debt activity during the fiscal period. The Stormwater Fund entered into an agreement to utilize the Department of Ecology State Revolving Loan Fund to provide local match for the acceptance of related grant financing. Total program costs incurred during 2015 were \$24,598.96 with half pertaining to the loan which was repaid.

NOTE 12 - CONTINGENCIES AND LITIGATION

NOTE 13 - INTERFUND BALANCES AND TRANSACTIONS

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 2015 are as follows:

		TRANSFERS IN							
		General Fund	Arterial Street	Stormwater	Internal Service	Nonmajor Gov'tal	Nonmajor Enterprise	TOTAL	
TRANSFERS OUT									
General Fund					129,537	254,279	1,828	385,644	
Water-Sewer				506,679				506,679	
Stormwater			41,674					41,674	
Internal Service								0	
Nonmajor Governmental		113,692			32,161	51,199		197,052	
Nonmajor Enterprise								0	
TOTAL		113,692	41,674	506,679	161,698	305,478	1,828	1,131,049	
		Net proprietary transfers (bold) to governmental funds							39,846
		<u>Government-wide reclassifications</u>							
		Proprietary asset dispositions							1,265,701
		Proprietary capital contributions							(270,615)
		Net business-type transfers to governmental activities							1,034,932

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, 2015 are as follows:

DUE FROM OTHER FUNDS									
	General Fund	Arterial Street	Nonmajor Governmental	Water-Sewer	Sanitation	Stormwater	Public Transit	Internal Service	TOTAL
DUE TO OTHER FUNDS									
General Fund		1,054	3,495	189,067	33,271	8,267	78,624	126,500	440,278
Nonmajor Governmental	146,201							1,360	147,561
Water-Sewer	88,173								88,173
Sanitation	12,560								12,560
Stormwater	21,703	190,582		5,486					217,771
Internal Service	190,157								190,157
TOTAL	458,794	191,636	3,495	194,553	33,271	8,267	78,624	127,860	1,096,500
Amount due governmental funds (bold) over proprietary funds (italics)									3,789
Resources from business-type activities used in Internal Service Fund operations									650,980
Government-wide internal balances due business-type activities									<u>647,191</u>

- C. Interfund loans authorized by are used to finance fund activities for which resources are not currently available usually are needed to finance capital or special projects. The repayment for these obligations is attached to the interest rate obtained by the City's investable balances throughout the loan term. As of financial presentation date, the City had the following interfund loans outstanding.

<u>INTERFUND LOANS RECEIVABLE</u>		
	General Fund	TOTAL
INTERFUND LOANS PAYABLE		
Arterial Street	1,435,000	1,435,000
Nonmajor Governmental	55,000	55,000
TOTAL	1,490,000	1,490,000

NOTE: All interfund loans eliminated at government-wide level

NOTE 14 - FUND BALANCES

Fund Equity Deficits

The following funds reported deficit fund balances as of December 31, 2015:

Arterial Street Special Revenue Fund

The reported deficit fund balance of \$1,265,983 is mostly covered by funds collected shortly after the cutoff period for recognizing deferred inflows. However, as capital expenditures decrease fund balance, an interfund loan has been established until such time revenues can the balance of the deficit.

CDBG Fund

The timing of grant fund receipts is the sole issue for the deficit as the collection of deferred inflows covers the \$20,062 deficit entirely.

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 \$7,913 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 15 - 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 2015, the City of Longview incurred \$4,702,800 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, 2015, the Economic Development Special Revenue Fund had \$144,698 in loans outstanding, while reporting \$345,335 in cash and investments totaling \$490,033 in fund balance reserved for this program. This fund also holds an additional \$20,000 in fund balance reserved for loans due to an interlocal debt service agreement with the City of Kelso toward financing regional airport hangar 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 Water-Sewer District (BHWSO). Ownership parallels the participation ratio of the volume of water delivered to each participant's citizenry. As of December 31, 2015, ownership distribution was 85.43% for the City to 14.57% for the BHWSO. 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 \$1,277,142 for operations and maintenance, and \$290,065 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 BHWSO reporting an investment for their minority interest in the operation. Below are the 2015 changes in the BHWSO's minority interest.

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

Balance forward	\$3,779,073
Net contributions (uses) of capital funding	(25,768)
Net loss percentage	(182,201)
Ending balance	<u>\$3,571,105</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 2015, The City of Longview paid TRRWA a total of \$5,502,012. 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 4th Avenue North, Kelso, WA 98626.
- E. The City issued general obligation bonds in 2007 to improve the Columbia Theatre pursuant to an interlocal agreement with the Cowlitz County Public Facilities District (PFD). Upon issuance of the bonds, the PFD was loaned \$6,130,000 representing their obligation to the project. As of December 31, 2015, the City's 2007 LTGO Bond Debt Service Fund reports an intergovernmental receivable of \$5,290,000 which is the remaining amount of the loan outstanding from the PFD.

NOTE 16 - JOINT VENTURES

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 \$71,250 to the Board in 2015. The City considers future resources of the joint venture to be stable. Further financial information can be obtained through the City of Kelso at PO Box 819, Kelso, Washington 98626.

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPAL

GASB Statements #68 and #71 establish new standards for measuring and recognizing pension related assets and liabilities, deferred outflows of resources, deferred inflows of resources and pension expense. The intention of this standard is to improve decision making as well as assess accountability and interperiod equity by requiring recognition of the net pension liability along with a more comprehensive measure of pension expense. The implementation of this standard has brought on adjustments to the above mentioned balances both at the government-wide and proprietary fund levels. The change in beginning net position by reporting group due to this change is listed below. See Note 7 for further detail relative to these accounts.

	Govern'tal Activities *	Water- Sewer	Sanitation	Stormwater	Public Transit	Mint Valley Complex	Insurance Reserve	Equipment Rental	Facilities Mntce	TOTALS
Net Pension										
Asset	5,853,142	0	0	0	0	0	0	0	0	5,853,142
Deferred										
Outflows	543,337	104,684	11,904	46,249	57,073	9,924	3,833	16,897	7,381	801,282
Net Pension										
Liability	(7,673,799)	(945,648)	(51,312)	(323,103)	(468,698)	(56,260)	(24,176)	(89,848)	(52,289)	(9,685,134)
Deferred										
Inflows	(5,136,279)	(559,128)	(54,391)	(185,509)	(237,160)	(59,636)	(25,627)	(95,240)	(55,427)	(6,408,396)
Change in acctg prin	6,413,598	1,400,092	93,799	462,363	648,785	105,972	45,970	168,191	100,335	9,439,106

* Excludes Internal Service Fund amounts displayed separately here of \$314,496.

NOTE 18 - PRIOR PERIOD ADJUSTMENTS

- A. The City in 2014 issued combined utility revenue bonds with all debt related balances reported in a consolidated bond fund. Net bonds payable relative to the Stormwater utility have been separated from those reported with the Water-Sewer utility in the amount of \$3,715,325 offset by like amounts due from the Water-Sewer Fund to the Stormwater Fund having no impact on the net position of either fund.
- B. Construction in process relative to business-type activities was included with governmental activities in 2014. Capital assets of 604,953 have been reduced decreasing the net position of governmental activities and increasing the capital assets and net position of the Stormwater Enterprise Fund. The net position of the Stormwater Fund reports a prior period adjustment of \$346,910, which incorporates the recognition of interfund financing from the Arterial Street Special Revenue Fund which reports a prior period adjustment of \$258,043.
- C. The City, prior to this reporting period, did not disclose the balances and activities of the Longview Public Development Authority, a component unit of the City of Longview. As discussed in Note 1, this

is a separate legal entity included within the financial statements of the special revenue funds. The net position balance of the Longview Public Development Authority as of December 31, 2014 brought on as an adjustment to prior periods was \$25,135.

NOTE 19 - OTHER INFORMATION

The City reports a pollution remediation obligation in its Water-Sewer Fund due to the discontinuance of sewer treatment lagoons in favor of diverting sewage to the Three Rivers Regional Wastewater Plant. With the City vacating the treatment site, federal and state regulations require the removal and disposal of residual sewage biosolids as well as to properly decommission the old sewage treatment site. This project was undertaken in 2012 with the estimated liability of \$4.5 million determined by evaluating various alternatives reduced by the anticipated appreciation in land of just over \$600,000 which will be capitalized at project completion. No further events or recoveries are expected to reduce the liability which is currently just under \$1.9 million as displayed in Note 10. These estimations are subject to change as the removal and restoration efforts continue which are expected to be completed in 2016.

Required Supplementary Information

Supplementary Schedules - cost-sharing employer pension plans

Supplementary information regarding the City's participation in various statewide retirement plans administered by the Washington State Department of Retirement Systems is provided below.

Detail on Employer's Proportionate Share			
Plans without Special Funding Situations			
	6/30/2015		
	PERS	PERS	LEOFF
	Plan I	Plan 2/3	Plan I
Collective Net Pension Liability (NPL)	5,230,930	3,573,057	(1,205,221)
City of Longview value of NPL	5,941,133	4,654,836	(1,441,444)
City of Longview share of NPL	0.113577%	0.130276%	0.119600%
City of Longview share of NPL at			
prior measurement date	0.102161%	0.131532%	0.120117%
Change in share since last measurement date	0.011416%	-0.001256%	-0.000517%
Covered payroll	646,234	11,577,313	0
City of Longview value of NPL as a			
percentage of covered payroll	919.35%	40.21%	N/A
Pension plan's fiduciary net position (FNP) *	7,561,078	29,515,161	5,610,149
Total pension liability *	12,789,242	33,085,016	4,404,928
FNP as a percentage of total pension liability	59.12%	89.21%	127.36%

Detail on Employer's Proportionate Share	
Plans with Special Funding Situations	
	6/30/15
	LEOFF
	Plan II
Collective Net Pension Asset (NPA) *	1,027,800
City of Longview share of NPA	0.322887%
City of Longview value of NPA (A)	3,318,633
Nonemployer entities share on NPA (B)	2,194,180
Total of A and B above	5,512,813
Covered payroll	9,383,324
City of Longview value of NPA as a	
percentage of covered payroll	35.37%
Pension plan's fiduciary net position (FNP) *	9,832,669
Total pension asset *	8,804,869
FNP as a percentage of total pension asset	111.67%

* As reported by the Washington State Department of Retirement Systems (in thousands of dollars)

Schedule of Employer Contributions	12/31/15			
	PERS	PERS	LEOFF	LEOFF
	Plan I	Plan 2/3	Plan I	Plan II
Contractually required contributions	584,081	688,762	0	502,880
Above amount recognized by the plan	(584,081)	(688,762)	0	(502,880)
Contractually required contributions in excess of plan recognized contributions	0	0	0	0
Covered payroll	633,215	11,838,443	0	9,615,287
Contributions as a percentage of covered payroll	92.24%	5.82%	N/A	5.23%

Supplementary Schedules – single employer plans

Listed below is supplementary information on the individual pension and healthcare plans that comprise the Firemen's Pension Fund including the application of actuarial methods used to determine the City's obligation and funding status regarding the Fund.

SCHEDULE OF NET HEALTHCARE OBLIGATION & EMPLOYER CONTRIBUTIONS

	2015	2014	2013
Annual Required Contribution (ARC)	\$499,058	\$479,863	\$668,517
Interest on Net Healthcare Oblig. (NHO)	(12,089)	(8,154)	(9,225)
Adjustment to Healthcare Obligation	31,065	19,993	18,219
Annual Healthcare Cost (AHC)	518,034	491,702	677,510
Employer contributions	638,353	604,132	679,835
Percentage of ARC contributed	127.9%	125.9%	101.7%
Percentage of AHC contributed	123.2%	122.9%	100.3%
Increase (decrease) in NHO	(120,319)	(112,430)	(2,325)
Beginning Net Healthcare Obligation	(345,389)	(232,959)	(230,634)
Ending Net Healthcare Obligation	(\$465,708)	(\$345,389)	(\$232,959)

SCHEDULE OF HEALTHCARE FUNDING PROGRESS

	2015	2014	2013
Actuarial accrued liability	\$8,302,554	\$8,302,554	\$11,875,796
Actuarial value of assets	728,173	475,879	596,963
Unfunded actuarial liability (UAL)	7,574,381	7,826,675	11,278,833
Funded ratio	8.8%	5.7%	5.0%
Covered payroll	N/A	N/A	N/A
UAL as a percentage of covered payroll	N/A	N/A	N/A

**SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS**

Last 10 Fiscal Years *

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$0	\$0
Interest	55,780	52,458
Changes of benefit terms	0	243,174
Expected and actual experience differences	0	93,739
Benefit payments	(110,389)	(103,855)
Net change in total pension liability	(54,609)	285,516
Beginning total pension liability	1,648,899	1,363,383
Ending total pension liability (a)	<u><u>\$1,594,290</u></u>	<u><u>\$1,648,899</u></u>
 Plan fiduciary net position		
Contributions - employer	\$134,769	\$128,171
Net investment income	246	115
Benefit payments	(103,522)	(97,924)
Administration	(6,867)	(5,931)
Net change in plan fiduciary net position	24,626	24,431
Beginning plan fiduciary net position	414,119	389,688
Ending plan fiduciary net position	<u><u>\$438,745</u></u>	<u><u>\$414,119</u></u>
Ending net pension liability	<u><u>\$1,155,545</u></u>	<u><u>\$1,234,780</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	27.5%	25.1%
Covered employee payroll	\$0	\$0
Net pension liability as a percentage of above	N/A	N/A

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years *

Numbers in thousands of dollars

	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$578	\$556
Contributions in relation to the actuarially determined contributions	814	773
Contribution deficiency (excess)	<u><u>(\$236)</u></u>	<u><u>(\$217)</u></u>
Covered employee payroll	0	0
Contribution as a percentage of above	N/A	N/A

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN

Last 10 Fiscal Years *

<u>2015</u>	<u>2014</u>
0.16390%	0.09980%

* Information presented since implementation of GASB 67.

Supplementary Schedules – other postemployment benefits

Information presented below represents other postemployment benefits relative to Note 8 of this report.

SCHEDULE OF EMPLOYER CONTRIBUTIONS & NET OPEB OBLIGATION

	2015	2014	2013
Annual Required Contribution (ARC)	\$681,897	\$762,642	\$802,159
Interest on Net OPEB Obligation (NOO)	107,000	93,241	81,493
Adjustment to Net OPEB Obligation	(221,404)	(192,933)	(168,624)
Annual OPEB Cost (AOC)	567,493	662,950	715,028
Employer contributions	328,880	357,190	453,961
Percentage of ARC contributed	48.2%	46.8%	56.6%
Percentage of AOC contributed	58.0%	53.9%	63.5%
Increase (decrease) in NOO	238,613	305,760	261,067
Beginning Net OPEB Obligation	2,377,776	2,072,016	1,810,949
Ending Net OPEB Obligation	\$2,616,389	\$2,377,776	\$2,072,016

SCHEDULE OF OPEB FUNDING PROGRESS

	2015	2014	2013
Actuarial accrued liability	\$7,323,260	\$8,190,433	\$8,614,828
Actuarial value of assets	0	0	0
Unfunded actuarial liability (UAL)	7,323,260	8,190,433	8,614,828
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

CITY OF LONGVIEW, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2015

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Other Identification Number	Current Year Expenditures			Passed Through to Subrecipients	Footnotes
			Direct	Pass Through	Total		
<u>Department of Commerce Economic Development Administration</u>							
Economic Adjustment Assistance	11.307		371,226		371,226	99,100	3,6,7
<i>Total Department of Commerce Economic Development Administration</i>			371,226	0	371,226	99,100	
<u>Department of Housing and Urban Development Office of Community Planning and Development</u>							
Community Development Block Grants/Entitlement Grants	14.218	B-XX-MC-53-0019	296,869		296,869	120,521	4
Community Development Block Grants/Entitlement Grants	14.218	Program income	26		26		2,4
<i>Subtotal CFDA 14.218</i>			296,895	0	296,895	120,521	
HOME Investment Partnerships Program	14.239	DC530203	289,826		289,826	276,029	
<i>Total Department of Housing and Urban Development Office of Community Planning and Development</i>			586,721	0	586,721	396,550	
<u>Department of the Interior National Park Service</u>							
<u>Department of Justice Office of Community Oriented Policing Services</u>							
ARRA-Public Safety Partnership and Community Policing Grant	16.710	2009-RK-WX-0878	14,574		14,574		8
<i>Total Department of Justice Office of Community Oriented Policing Services</i>			14,574	0	14,574	0	
<u>Department of Justice Bureau of Justice Assistance</u>							
Bulletproof Vest Partnership Program	16.607			8,168	8,168		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0241		14,751	14,751		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0548		9,324	9,324		
<i>Subtotal CFDA 16.738</i>			0	24,075	24,075	0	
<i>Total Department of Justice Bureau of Justice Assistance</i>			0	32,243	32,243	0	
<u>Department of Justice Violence Against Women Office</u>							
Washington State Department of Commerce							
Violence Against Women Formula Grant	16.588	F14-31103-076		14,544	14,544		
<i>Total Department of Justice Violence Against Women Office</i>			0	14,544	14,544	0	
<u>Department of Transportation Federal Highway Administration</u>							
Washington State Department of Transportation							
Highway Planning and Construction	20.205	BRM-9908(012)		3,918,239	3,918,239		
Highway Planning and Construction	20.205	HSIP-6729(003)		54,751	54,751		
Highway Planning and Construction	20.205	HSIP-6730(009)		155,992	155,992		
Highway Planning and Construction	20.205	HSIP-0695(010)		1,000	1,000		
Highway Planning and Construction	20.205	STPUS-6771(002)		663,312	663,312		
<i>Subtotal CFDA 20.205</i>			0	4,793,294	4,793,294	0	
<i>Total Department of Transportation Federal Highway Administration</i>			0	4,793,294	4,793,294	0	
<u>Department of Transportation Federal Transit Administration</u>							
Washington State Department of Transportation							
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GCB1631		90,000	90,000	90,000	6
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GCB1632		114,923	114,923	114,923	6
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GCB2090		45,684	45,684	45,684	6
<i>Subtotal CFDA 20.513</i>			0	250,607	250,607	250,607	
New Freedom Program	20.521	GCB2090		8,176	8,176	8,176	6
<i>Subtotal CFDA 20.521</i>			0	8,176	8,176	8,176	
<i>Total Department of Transportation Federal Transit Administration</i>			0	258,783	258,783	258,783	
<u>Department of Transportation National Highway Traffic Safety Administration</u>							
Washington Traffic Safety Commission							
Highway Safety Cluster - Alcohol Impaired Driving Countermeasures Incentive Grant	20.601			8,206	8,206		
<i>Total Department of Transportation National Highway Traffic Safety Administration</i>			0	8,206	8,206	0	
<u>Department of Health and Human Services Centers for Disease Control and Prevention</u>							
National Recreation & Park Association							
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283			5,000	5,000		
<i>Total Department of Health and Human Services Centers for Disease Control and Prevention</i>			0	5,000	5,000	0	
<u>Department of Homeland Security</u>							
Washington State Military Department							
Disaster Grants - Public Assis. (Presidentially Declared Disasters)	97.036	1671-DR-WA		9,809	9,809		
<i>Total Department of Homeland Security</i>			0	9,809	9,809	0	
TOTAL FEDERAL ASSISTANCE			\$972,521	\$5,121,878	\$6,094,399	\$754,433	

The accompanying notes are an integral part of these statements.

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 - USED A 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, 2015, resources in this program consisted of \$490,033 which is detailed below.

	2015
Revolving loan balance	\$144,698
Cash and investments	<u>345,335</u>
Total program balance	490,033
Loan fund administrative expenditures	4,935
Allocable amount of awards expended	494,968
Federal revolving loan program share	<u>75.00%</u>
Amount reported as federal awards expended	\$371,226

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 2015 with no unspent program income while spending all realized program income during the period of \$26.

NOTE 5 - FEDERAL LOANS

The City of Longview incurred no applicable expenditures relative to federal loans in 2015.

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

The total amounts expended for the above programs may include federal expenditure awards 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.

NOTE 9 - INDIRECT RATE ALLOCATION

The City has elected not to use the 10% de minimis cost allocation rate.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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