



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

## **Financial Statements Audit Report**

# **City of Long Beach**

**Pacific County**

**For the period January 1, 2016 through December 31, 2016**

**Published July 16, 2018**

**Report No. 1021678**





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

July 16, 2018

Mayor and City Council  
City of Long Beach  
Long Beach, Washington

**Report on Financial Statements**

Please find attached our report on the City of Long Beach's financial statements.

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

Sincerely,

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

Pat McCarthy  
State Auditor  
Olympia, WA

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**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 Long Beach  
Pacific County  
January 1, 2016 through December 31, 2016**

Mayor and City Council  
City of Long Beach  
Long Beach, 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 City of Long Beach, Pacific County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated July 3, 2018.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**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 opinion 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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

July 3, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Long Beach Pacific County January 1, 2016 through December 31, 2016

Mayor and City Council  
City of Long Beach  
Long Beach, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Long Beach, Pacific County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### 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.

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City of Long Beach has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Long Beach, for the year ended December 31, 2016, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.



## **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Long Beach, as of December 31, 2016, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## **Other Matters**

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

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2018 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral

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

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

July 3, 2018

## **FINANCIAL SECTION**

**City of Long Beach  
Pacific County  
January 1, 2016 through December 31, 2016**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2016  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016  
Notes to Financial Statements – 2016

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2016

**City of Long Beach**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Streets</b>	<b>103 Convention Center</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	1,040,773	345,860	102,802	240,655
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	2,268,096	1,312,440	174,245	672,629
320	Licenses and Permits	113,812	113,445	-	-
330	Intergovernmental Revenues	583,934	496,380	87,554	-
340	Charges for Goods and Services	3,083,805	239,009	-	-
350	Fines and Penalties	15,998	15,998	-	-
360	Miscellaneous Revenues	86,311	49,521	4,553	27,043
Total Revenues:		6,151,956	2,226,794	266,351	699,673
<b>Expenditures</b>					
510	General Government	324,042	324,042	-	-
520	Public Safety	1,073,536	1,073,536	-	-
530	Utilities	2,305,795	-	-	-
540	Transportation	245,946	-	245,946	-
550	Natural and Economic Environment	523,569	523,569	-	-
560	Social Services	716	716	-	-
570	Culture and Recreation	928,235	299,676	-	575,852
Total Expenditures:		5,401,839	2,221,538	245,946	575,852
Excess (Deficiency) Revenues over Expenditures:		750,117	5,254	20,405	123,820
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	120,000	-	-	-
397	Transfers-In	82,812	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	32,946	218	717	-
381, 395, 398	Other Resources	74,744	54,744	-	-
Total Other Increases in Fund Resources:		310,501	54,962	717	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	171,921	70,567	-	1,387
591-593, 599	Debt Service	579,974	9,709	-	41,017
597	Transfers-Out	82,812	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	74,744	-	-	-
Total Other Decreases in Fund Resources:		909,450	80,276	-	42,404
<b>Increase (Decrease) in Cash and Investments:</b>		<b>151,168</b>	<b>(20,060)</b>	<b>21,122</b>	<b>81,416</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	1,191,942	325,801	123,923	322,072
<b>Total Ending Cash and Investments</b>		<b>1,191,942</b>	<b>325,801</b>	<b>123,923</b>	<b>322,072</b>

The accompanying notes are an integral part of this statement.

**City of Long Beach**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>105 Capital Improvement Fund</b>	<b>401 Water Operations</b>	<b>410 Stormwater</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	-	-	-
30880	Unreserved	44,655	285,603	21,198
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	108,782	-	-
320	Licenses and Permits	367	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	-	2,612,042	232,754
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	1,235	3,958	-
Total Revenues:		110,384	2,616,000	232,754
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	2,156,944	148,851
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	52,708	-	-
Total Expenditures:		52,708	2,156,944	148,851
Excess (Deficiency) Revenues over Expenditures:		57,676	459,056	83,903
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	120,000	-	-
397	Transfers-In	-	82,812	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	32,011	-
381, 395, 398	Other Resources	-	20,000	-
Total Other Increases in Fund Resources:		120,000	134,823	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	8,078	91,889	-
591-593, 599	Debt Service	-	463,061	66,187
597	Transfers-Out	-	82,812	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	54,744	20,000
Total Other Decreases in Fund Resources:		8,078	692,505	86,187
<b>Increase (Decrease) in Cash and Investments:</b>		<b>169,598</b>	<b>(98,626)</b>	<b>(2,284)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	-	-	-
5088000	Unreserved	214,254	186,977	18,914
<b>Total Ending Cash and Investments</b>		<b>214,254</b>	<b>186,977</b>	<b>18,914</b>

**City of Long Beach**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>Total for All Funds (Memo Only)</b>	<b>601 Investment Trust Funds</b>	<b>651 Agency Funds</b>
308	Beginning Cash and Investments	44,227	15,891	28,336
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	2,858	-	2,858
380-390	Other Increases and Financing Sources	13,614	1,650	11,964
510-570	Expenditures	370	370	-
580-590	Other Decreases and Financing Uses	-	-	-
	Net Increase (Decrease) in Cash and Investments:	16,102	1,280	14,822
508	Ending Cash and Investments	60,329	17,171	43,158

*The accompanying notes are an integral part of this statement.*

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2016 to December 31, 2016**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

The City of Long Beach was incorporated in 1922 and operates under the laws of the State of Washington applicable to a municipal code city with a mayor-council form of government. The city is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, health and social services, and general administrative services. In addition the city owns and operates a water system and a sewer system.

The city reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

**A. Fund Accounting:**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The city's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following are the fund types used:

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund**

This fund is the primary operating fund of the city. It accounts for all financial resources except those required or elected to be accounted for in another fund.

**Special Revenue Funds**

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the city.

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2016 to December 31, 2016**

**Debt Service Funds**

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

**Capital Project Funds**

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

**PROPRIETARY FUND TYPES:**

**Enterprise Funds**

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

**FIDUCIARY FUND TYPES:**

Fiduciary funds account for assets held by the city in a trustee capacity or as an agent on behalf of others.

**Agency Funds**

These funds are used to account for assets that the city holds for others in a custodial capacity.

**B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.



**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2016 to December 31, 2016**

**C. Budgets**

The city adopts annual appropriated budgets for most funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for the financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
001 General Fund	1,961,022.00	1,960,136.00	886.00
003 Capital Projects	675,118.00	126,379.00	548,739.00
004 Law Enforcement	950,818.00	945,299.00	5,519.00
Total General Fund	3,586,958.00	3,031,814.00	555,144.00
101 Streets	247,434.00	245,946.00	1,488.00
103 Convention Center	664,960.00	618,256.00	46,704.00
105 Capital Improvements	60,971.00	60,786.00	185.00
106 Police Sinking Fund	-	-	-
401 Water Sewer Operations	1,696,805.00	1,681,950.00	14,855.00
402 Sewer Operations	1,091,198.00	1,084,687.00	6,511.00
410 Stormwater	240,650.00	235,038.00	5,612.00

Budgeted amounts are authorized to be transferred between 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's legislative body.

**D. Cash and Investments**

See Note 3, *Deposits and Investments*.

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2016 to December 31, 2016**

**E. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five (5) years. Capital assets and inventory are recorded as capital expenditures when purchased.

**F. Compensated Absences**

Vacation leave may be accumulated up to 80 hrs. (10 days) and is payable upon separation or retirement. In cases where city operation have made it impractical for an employee to use vacation time, the department head with approval of the City Administrator or mayor may authorize additional accruals. Sick leave may be accumulated indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

**G. Long-Term Debt**

See Note 6, *Debt Service Requirements*.

**H. Other Financing Sources Or Uses**

The city's "Other Financing Sources or Uses" consist of interfund transactions and non-revenues and non-expenditures.

Interfund transactions are classified as follows:

Transactions that would be treated as revenues and expenditures if they involved external organizations, such as buying goods and services or payments in lieu of taxes, or similarly treated when they involve other funds of the city.

Transfers to support the operation of other funds are recorded as "Operating Transfers" and classified with "Other Financing Sources or Uses".

Transfers to establish or reduce working capital in other funds and transfers of remaining balances when funds are closed are classified as "residual equity transfers" and reported as direct additions or deductions from fund equity.

**Non-Revenues and Non-Expenditures**

The city's non-revenue and non-expenditures consist of interfund loan principal proceeds and/or repayments, debt principal proceeds and/or repayments, county and state fines and forfeitures, and utility fund excise taxes remitted to the state.

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2016 to December 31, 2016**

**I. Risk Management**

See note 8, *Risk Management*.

**J. Reserved Portion of Ending Cash and Investments.**

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the city council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

The city does not have any reserved funds.

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions.

There have been no expenditures exceeding legal appropriations in any of the funds of the city.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

It is the city's policy to invest all temporary cash surpluses. These amounts are included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest is not prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the city or its agent in the governments name.

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

Type of Investment	City of Long Beach's Own Investments	Investments held by city as an agent for other local governments, individuals or private organizations	Total
L.G.I.P.	\$ 338.55	\$ -	\$ 338.55
U.S. Government Securities		-	-
Insured investments	1,484,530.15	-	1,484,530.15
Total	\$ 1,484,868.70	\$ -	\$ 1,484,868.70

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2016 to December 31, 2016**

**NOTE 4 - 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.

Property tax revenues are recognized when cash is received by the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular tax levy for 2016 was \$2.286906 per \$1,000 of assessed valuation of \$256,687,583 for a total regular levy of \$587,000.

**NOTE 5 - INTERFUND LOANS AND ADVANCES**

The following table displays interfund loan activity during 2016.

BORROWING FUND	LENDING FUND	BALANCE 1/1/16	NEW LOANS	REPAYMENTS	BALANCE 12/31/2016
401	001	54,744.00	-	54,744.00	-
410	401	40,000.00	-	10,000.00	30,000.00
410	402	40,000.00	-	10,000.00	30,000.00
		<u>\$ 134,744.00</u>	<u>\$ -</u>	<u>\$ 74,744.00</u>	<u>\$ 60,000.00</u>

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2016 to December 31, 2016**

**NOTE 6 - DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides more details of outstanding debt and liabilities of the city and summarizes the City's debt transactions for year ended December 31, 2016.

The debt service requirements for general obligation bonds and revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 479,147	\$ 122,463	\$ 601,610
2018	\$ 487,547	\$ 110,240	\$ 597,787
2019	\$ 428,596	\$ 97,770	\$ 526,366
2020	\$ 427,272	\$ 87,082	\$ 514,354
2021	\$ 398,962	\$ 76,916	\$ 475,877
2022-2026	\$ 1,237,362	\$ 275,086	\$ 1,512,448
2027-2031	\$ 390,016	\$ 206,120	\$ 596,135
2032-2036	\$ 337,228	\$ 169,542	\$ 506,770
2037-2041	\$ 377,145	\$ 129,625	\$ 506,770
2042-2046	\$ 421,788	\$ 84,982	\$ 506,770
2047-2051	\$ 471,715	\$ 35,055	\$ 506,770
2021-2056	\$ 47,545	\$ 538	\$ 48,083
Total	<u>\$ 5,504,322</u>	<u>\$ 1,395,419</u>	<u>\$ 6,899,740</u>

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2016 to December 31, 2016**

**NOTE 7 - PENSION PLAN**

Substantially all city full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost sharing, multiple-employer public employee defined benefit and defined contribution plans PERS and LEOFF.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The city also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

The city also participates in the LEOFF Plan 2. 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.

At June 30, 2016 (the measurement date of the plans), the City of Long Beach's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability
PERS 1	0.009443%	\$ 507,134
PERS 2/3	0.012114%	\$ 609,930
LEOFF 1	0.002057%	\$ (21,193)
LEOFF 2	0.013974%	\$ (81,277)

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2016 to December 31, 2016**

**NOTE 8 - RISK MANAGEMENT**

The City of Long Beach is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. 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 168 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.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, and employee practices and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million in limits above the self-insured layer is provided by re-insurance. Total limits are \$20 million per occurrence subject to aggregate and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial 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, 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.

A Board of Directors governs WCIA, 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 day to day operations of WCIA.

**City of Long Beach  
Schedule of Liabilities  
For the Year Ended December 31, 2016**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Bingo Building - Cashmere	9/1/2021	49,702	-	7,460	42,242
251.11	Property Purchase -Key Bank	9/30/2020	180,171	-	35,696	144,475
251.11	Stanley Field Reno - Bank of Pacific	9/30/2023	-	120,000	-	120,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>229,873</b>	<b>120,000</b>	<b>43,156</b>	<b>306,717</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences	12/31/2016	92,927	2,252	-	95,179
252.11	Million Gallon Tank - PWTF	6/30/2018	202,794	-	67,598	135,196
252.11	03 Wastewater - PWTF	6/30/2020	51,429	-	10,286	41,143
252.11	85 Water/Sewer Refinance	12/31/2021	150,000	-	20,000	130,000
252.11	02 Wastewater - DOE	9/30/2022	200,524	-	27,075	173,449
252.11	03 Wastewater - DOE	4/30/2023	119,319	-	15,147	104,172
252.11	13 Stormwater - BOP	6/1/2023	427,762	-	52,076	375,686
252.11	03 Wastewater - BOP	6/5/2023	116,070	-	11,938	104,132
252.11	05 Wastewater - DOE	7/31/2025	1,038,102	-	96,948	941,154
252.11	85 Water/Sewer - Berkadia	12/1/2025	86,722	-	6,247	80,475
252.11	Dohman Repairs - PWTF	6/30/2026	68,629	-	6,239	62,390
252.11	06 Wastewater - DOE	7/31/2026	217,016	-	18,284	198,732
252.11	09 Water Plant Upgrade	6/30/2029	412,908	-	29,493	383,415
252.11	12 Water Treatment - USDA	2/25/2052	2,512,738	-	45,077	2,467,661
264.30	Pension Liabilities	12/31/2016	1,144,873	-	27,809	1,117,064
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>6,841,813</b>	<b>2,252</b>	<b>434,217</b>	<b>6,409,848</b>
<b>Total Liabilities:</b>			<b>7,071,686</b>	<b>122,252</b>	<b>477,373</b>	<b>6,716,565</b>



## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
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Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>