



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

City of Longview

For the period January 1, 2018 through December 31, 2018

Published September 9, 2019

Report No. 1024474





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

September 9, 2019

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 black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Longview January 1, 2018 through December 31, 2018

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, the aggregate discretely presented component units, 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 deficiencies that we consider to be material weaknesses.

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

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified 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 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>
20.507	Federal Transit Cluster – Federal Transit Formula Grants

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

See finding 2018-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2018-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Longview

January 1, 2018 through December 31, 2018

2018-001 The City did not have adequate internal controls to ensure accurate and reliable financial reporting.

Background

City management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting. The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP).

The City also must prepare a Schedule of Expenditures of Federal Awards (SEFA) as part of the annual financial report. Title 2 Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires a grantee to identify, in its accounts, all federal program awards received and expended. The City must report all federal awards expended on the SEFA each year.

Our audit identified a material weakness in internal controls over financial reporting that resulted in errors in the City's financial statements. *Government Auditing Standards* requires that the auditor communicate a material weakness in internal controls as a finding.

Description of Condition

We identified the following deficiencies in internal controls over financial reporting during the audit:

- The City began reporting a component unit, Three Rivers Wastewater Authority, on the financial statements during the year. While the City worked to obtain information needed to record the Authority's financial activity, the City's process was not adequate to ensure it reported the activity and related note disclosures accurately and completely.
- Departments manage federal awards and submit information to the Finance Department to prepare the schedule. The City did not have a process to verify the accuracy and completeness of the federal award information received and reported on the SEFA.

Cause of Condition

The City's review of the financial statements and SEFA lacked sufficient detail to identify the errors noted.

Effect of Condition

We identified the following errors on the City's financial statements:

- The City overstated expenses for its component unit by \$77.9 million on the Statement of Activities.
- The City omitted required disclosures for pension information related to the component unit in its notes to the financial statements.
- The SEFA originally provided for audit reported \$2.3 million in expenditures for the Enhanced Mobility of Senior & Individuals with Disabilities program (CFDA 20.513). However, our audit found \$2.1 million of those expenditures were for the Federal Transit Formula Grants program (CFDA 20.507). This change affected the grant required to be audited.

The City corrected the errors noted above in the final financial statements.

Recommendation

We recommend the City strengthen internal controls over financial reporting. This should include an independent review of the financial statements that is detailed enough to ensure information presented is accurate and complete.

City's Response

The City acknowledges the misrepresentations identified above, and respectfully says that adequate internal control system were in place to accurately and timely remedy the conditions reported. The City would like to further add that appropriate management and staff are working together to avoid similar future occurrences.

Auditor's Remarks

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

Applicable Laws and Regulations

- RCW 43.09.200 Local government accounting – Uniform system of accounting
- *Budget, Accounting and Reporting Systems* manual – Accounting, Accounting Principles and General Procedures, Internal Control
- Government Auditing Standards, December 2011 Revision, paragraph 4.23
- The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265
- Auditing and Accounting Guides (AICPA), State and Local Governments, Chapter 16 – Audit Reporting, paragraph 53

SCHEDULE OF FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS

City of Longview
January 1, 2018 through December 31, 2018

2018-002 The City did not have adequate internal controls to ensure compliance with federal procurement and suspension and debarment requirements.

CFDA Number and Title:	20.507 Federal Transit Cluster – Formula Grants
Federal Grantor Name:	Federal Transit Administration
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$0

Description of Condition

During fiscal year 2018, the City spent \$2,541,435 in Federal Transit formula grant funding. The objective of the grant is to help finance the planning, acquisition, construction, preventive maintenance and improvements of facilities and equipment in public transportation services. Operating expense reimbursements are also eligible under this program.

Federal regulations require recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Procurement

Federal grant recipients must follow the more restrictive of state, local, or federal procurement requirements. Neither the state law nor the City purchasing manual requires procedures for procuring purchased services. However, federal regulations require price or rate quotations from an adequate number of qualified sources for procurement of purchased services up to \$150,000 and formal bids for contracts exceeding \$150,000.

The City entered into a contract for janitorial services in 2011, with options to renew the contract for three years. The City has continued to use the same contractor but cannot demonstrate it competitively procured the services after the original contract expired. In 2018, the City paid the contractor \$149,718 and charged these costs to the grant. The City did not have a process in place to ensure compliance with federal procurement requirements.

We consider this control deficiency to be a significant deficiency.

Suspension and debarment

Federal regulations prohibit grant recipients from contracting with parties suspended or debarred from doing business with the federal government. The City must verify that all contractors receiving \$25,000 or more in federal funds have not been suspended or debarred or otherwise excluded. This verification may be accomplished by obtaining a written certification from the contractor or inserting a clause into the contract where the contractor states it is not suspended or debarred. Alternatively, the City may review the federal Excluded Parties List System (EPLS) issued by the U.S. General Services Administration. This requirement must be met before entering into the contract.

The City's controls were not effective to ensure it complied with federal suspension and debarment requirements for all contracts of \$25,000 or more. When the contract noted above expired, the City did not have a process to ensure it checked suspension and debarment before continuing to do business with the contractor.

We consider this control deficiency to be a material weakness.

These issues were not reported as a finding in the prior audit.

Cause of Condition

The City was not aware the contract had lapsed because the City had no process to track contract lengths.

Effect of Condition and Questioned Costs

Procurement

Without adhering to the competitive procurement requirements, the City cannot be sure it allowed for full and open competition or received the best price for the service. However, because expenditures were allowable under the federal program, we are not questioning these costs.

Suspension and debarment

Without adequate internal controls over suspension and debarment, the City cannot ensure federal funds are paid to contractors that are eligible to participate in federal programs. Any payment of program funds to a contractor or subcontractor that has been suspended or debarred would be unallowable and subject to recovery by the funding agency.

We verified that the contractor was not suspended or debarred on the U.S. General Services Administration's award management website, www.sam.gov. Therefore, we are not questioning costs for these payments.

Recommendations

We recommend the City strengthen internal controls to ensure:

- All purchased services paid with federal funds are procured in accordance with federal requirements
- Staff verify all contractors paid \$25,000 or more using federal funds are not suspended or debarred from participating in federal programs before entering into covered transactions

City's Response

The City of Longview operates with a semi-decentralized procurement program. Each department is responsible for ensuring compliance with state and federal procurement requirements. The division responsible for this finding has updated its procurement policy to reflect the need to perform suspension and debarment checks both at initial contract signing and during any subsequent contract extensions. Division Staff shared the updated policy with the City Finance Department and City Manager. The division staff is enrolled in upcoming federal procurement training offered in September 2019.

The policy will be reviewed after the training to ensure it meets all current federal requirements. All necessary division staff will receive training on the revised procurement policy.

Auditor's Remarks

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

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

Title 2 CFR Part 200, Uniform Guidance, section 320 Methods of procurement to be followed, establishes requirements for procuring with Federal funds by non-federal entities.

**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
January 1, 2018 through December 31, 2018**

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Longview, as of and for the year ended December 31, 2018, 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 26, 2019. As discussed in Note 18 to the financial statements, during the year ended December 31, 2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As discussed in Note 16 and Note 19 to the financial statements, during the year ended December 31, 2018, the City began reporting Three Rivers Regional Wastewater Authority as part of its reporting entity. As discussed in Note 19 to the financial statements, the City's 2017 financial statements have been restated to correct misstatements.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2018-001 to be material weaknesses.

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*.

CITY'S RESPONSE TO FINDINGS

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

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

June 26, 2019

**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
January 1, 2018 through December 31, 2018**

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, 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, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-002 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-002 to be a significant deficiency.

City's Response to Findings

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

August 29, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Longview January 1, 2018 through December 31, 2018

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Longview, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 24.

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Longview, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 18 to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Matters of Emphasis – Change in Reporting Entity

As discussed in Note 16 and Note 19 to the financial statements, in 2018, the City began reporting Three Rivers Regional Wastewater Authority as part of its reporting entity. Our opinion is not modified with respect to this matter.

Matters of Emphasis – Correction of Prior Year Misstatements

As discussed in Note 19 to the financial statements, the City's 2017 financial statements have been restated to correct misstatements. 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 and required supplementary information listed on page 24 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 26, 2019 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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

June 26, 2019

FINANCIAL SECTION

City of Longview January 1, 2018 through December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018

Statement of Activities – 2018

Governmental Funds Balance Sheet – 2018

Reconciliation of Governmental Funds Balances to Net Position for Governmental
Activities – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2018

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities – 2018

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and
Actuals – General Fund – 2018

Statement of Net Position – Proprietary Funds – 2018

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2018

Statement of Cash Flows – Proprietary Funds – 2018

Statement of Fiduciary Net Position – Fiduciary Funds – 2018

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2018

Notes to the Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer's Proportionate Share – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 –
2018

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2018

Schedule of Changes in Total Firemen's Pension Liability – 2018

Schedule of Changes in Total Other Postemployment Benefits Liability – 2018

Schedule of Employer Contributions – Non-Governmental Plans – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

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, 2018. 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 \$128,151 (net position). Of this amount, \$3,151 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Longview's total net position decreased by \$12,835, or 10% in 2018. While governmental activities decreased \$20,052 (see Note 18 explaining the primary reason), business-type activities increased \$7,217.
- As of the close of the current fiscal year, the City of Longview's governmental funds reported combined ending fund balances of \$25,338. Approximately 62 percent, \$15,631 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 \$13,493. \$13,133 fund balance for the general fund was unrestricted and represented 97 percent of total general fund expenditures. The restricted general fund balance was \$360.
- The City of Longview's total governmental long-term liabilities increased \$23,790, over 70 percent during the current fiscal year. This primarily due to bringing on other postemployment benefits relative to GASB Statement 75.
- Deferred outflows of financial resources and deferred inflows of financial resources increased significantly of \$450 and \$2,425 respectively. These increases were very heavily influenced by deferred items related to pensions.

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 Three Rives Wastewater Authority as a discretely presented component unit.

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 reports 19 individual governmental funds. Information is presented separately for the general fund in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The general fund is the only fund considered to be a major fund. Data from the other 18 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 \$128,151 at the close of the most recent fiscal year.

By far the largest portion of the City of Longview's net position (81 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						
	Governmental activities		Business-type activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 43,032	\$ 42,825	\$ 33,460	\$ 30,132	\$ 76,492	\$ 72,957
Capital assets	<u>64,748</u>	<u>60,763</u>	<u>97,358</u>	<u>92,582</u>	<u>162,106</u>	<u>153,345</u>
Total assets	<u>107,780</u>	<u>103,588</u>	<u>130,818</u>	<u>122,714</u>	<u>238,598</u>	<u>226,302</u>
Deferred outflows	2,111	1,569	426	518	2,537	2,087
Long-term liabilities outstanding	57,393	33,603	42,593	44,756	99,986	78,359
Other liabilities	<u>2,690</u>	<u>3,744</u>	<u>4,791</u>	<u>2,206</u>	<u>7,481</u>	<u>5,950</u>
Total liabilities	<u>60,083</u>	<u>37,347</u>	<u>47,384</u>	<u>46,962</u>	<u>107,467</u>	<u>84,309</u>
Deferred inflows	<u>4,578</u>	<u>2,527</u>	<u>940</u>	<u>566</u>	<u>5,518</u>	<u>3,093</u>
Net position:						
Net investment in capital assets	47,423	44,404	56,066	49,745	103,489	94,149
Restricted	17,934	17,077	3,577	3,676	21,511	20,752
Unrestricted	<u>(20,127)</u>	<u>3,802</u>	<u>23,278</u>	<u>22,283</u>	<u>3,151</u>	<u>26,085</u>
Total net position	<u>\$ 45,230</u>	<u>\$ 65,283</u>	<u>\$ 82,921</u>	<u>\$ 75,704</u>	<u>\$ 128,151</u>	<u>\$ 140,986</u>

An additional portion of the City of Longview's net position (17 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,754) 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. Deferred outflows for governmental activities saw an increase primarily due items related to other

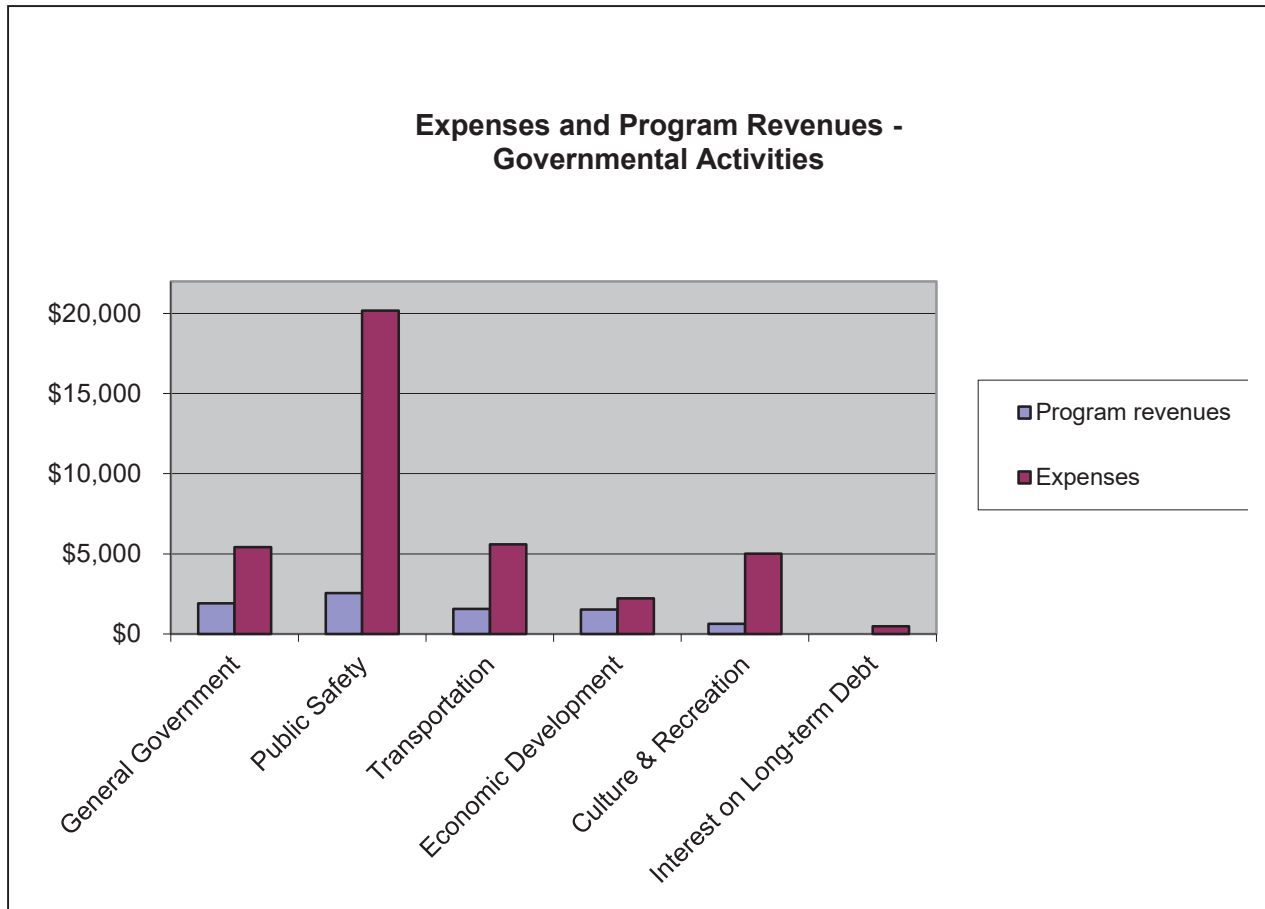
postemployment benefits and the implementation of GASB Statement number 75, while deferred inflows report increases due to pension related items.

Governmental activities. Governmental activities decreased the City of Longview's net position by \$20,052 (Note 18). Key elements of this decrease in governmental net position are as follows:

	Governmental activities		Business-type activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,133	\$ 5,376	\$ 34,656	\$ 35,755	\$ 39,789	\$ 41,131
Operating grants and contributions	1,513	1,784	1,922	398	3,435	2,182
Capital grants and contributions	1,796	1,028	912	214	2,708	1,242
General revenues:						
Property taxes	9,554	9,385	-	-	9,554	9,385
Sales taxes	9,710	8,934	-	-	9,710	8,934
Business/other taxes	12,047	11,286	-	-	12,047	11,286
Other	<u>1,896</u>	<u>1,502</u>	<u>372</u>	<u>206</u>	<u>2,268</u>	<u>1,706</u>
Total revenues	<u>41,649</u>	<u>39,295</u>	<u>37,862</u>	<u>36,573</u>	<u>79,511</u>	<u>75,866</u>
Expenses:						
General government	5,802	5,421	-	-	5,802	5,421
Public safety	19,320	20,188	-	-	19,320	20,188
Transportation	6,634	5,593	-	-	6,634	5,593
Economic development	1,027	1,783	-	-	1,027	1,783
Culture and recreation	5,225	5,016	-	-	5,225	5,016
Interest on long-term debt	491	484	-	-	491	484
Water-Sewer	-	-	19,464	19,385	19,464	19,385
Sanitation	-	-	5,390	5,069	5,390	5,069
Storm water	-	-	3,568	3,118	3,568	3,118
Public transit	-	-	4,958	4,596	4,958	4,596
Golf/tennis racquet	-	-	<u>682</u>	<u>736</u>	<u>682</u>	<u>736</u>
Total expenses	<u>38,499</u>	<u>38,485</u>	<u>34,062</u>	<u>32,904</u>	<u>72,561</u>	<u>71,389</u>
Increase in net position before transfers	3,150	810	3,800	3,669	6,950	4,479
Transfers (Note 13)	<u>88</u>	<u>470</u>	<u>(88)</u>	<u>(470)</u>	-	-
Increase/(Decrease) in net position	3,238	1,280	3,712	3,199	6,950	4,479
Net position 1/1/2017	65,282	63,352	75,704	72,094	140,986	135,446
Change in accounting principle	(26,820)	-	-	-	(26,820)	-
Prior period adjustments (Note 18)	3,530	651	3,505	410	7,035	1,060
Net position 1/1/2018 restated	<u>41,992</u>	<u>64,003</u>	<u>79,209</u>	<u>72,504</u>	<u>121,201</u>	<u>136,506</u>
Net position 12/31/2018	<u>\$ 45,230</u>	<u>\$ 65,283</u>	<u>\$ 82,921</u>	<u>\$ 75,704</u>	<u>\$ 128,151</u>	<u>\$ 140,986</u>

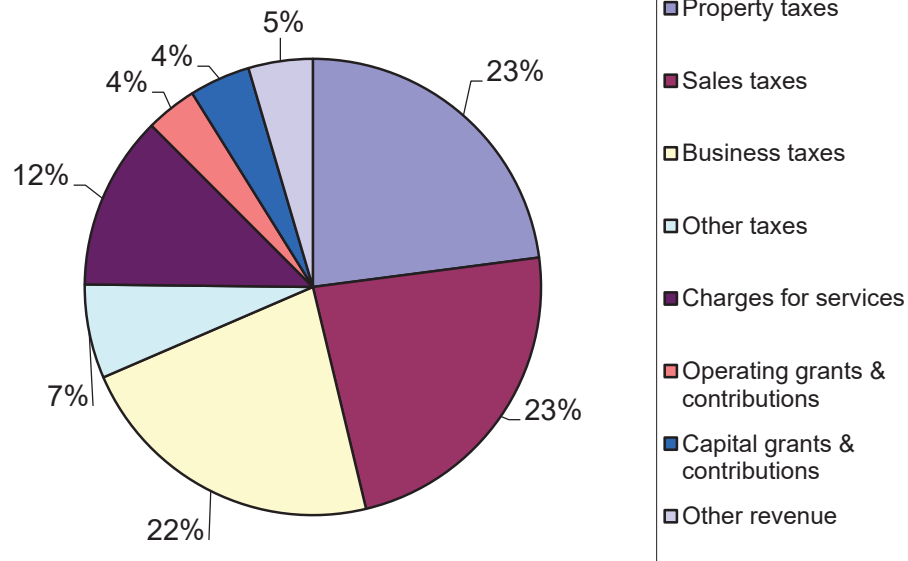
- Property taxes for 2018 increased \$169 (1.8 percent).
- Sales tax revenue increased \$776 (8.7 percent) during the year. This increase in sales tax revenue is largely attributed to an ongoing improvement in the local economy.
- Business taxes increased \$278 (3.1 percent). The increase in business taxes was the result of modest gains in general business and occupation taxes and a rise in overall utility taxes.
- Other revenues increased \$394 (26.2 percent). The 2018 increase in other revenues is primarily attributed to increases interest earnings.

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

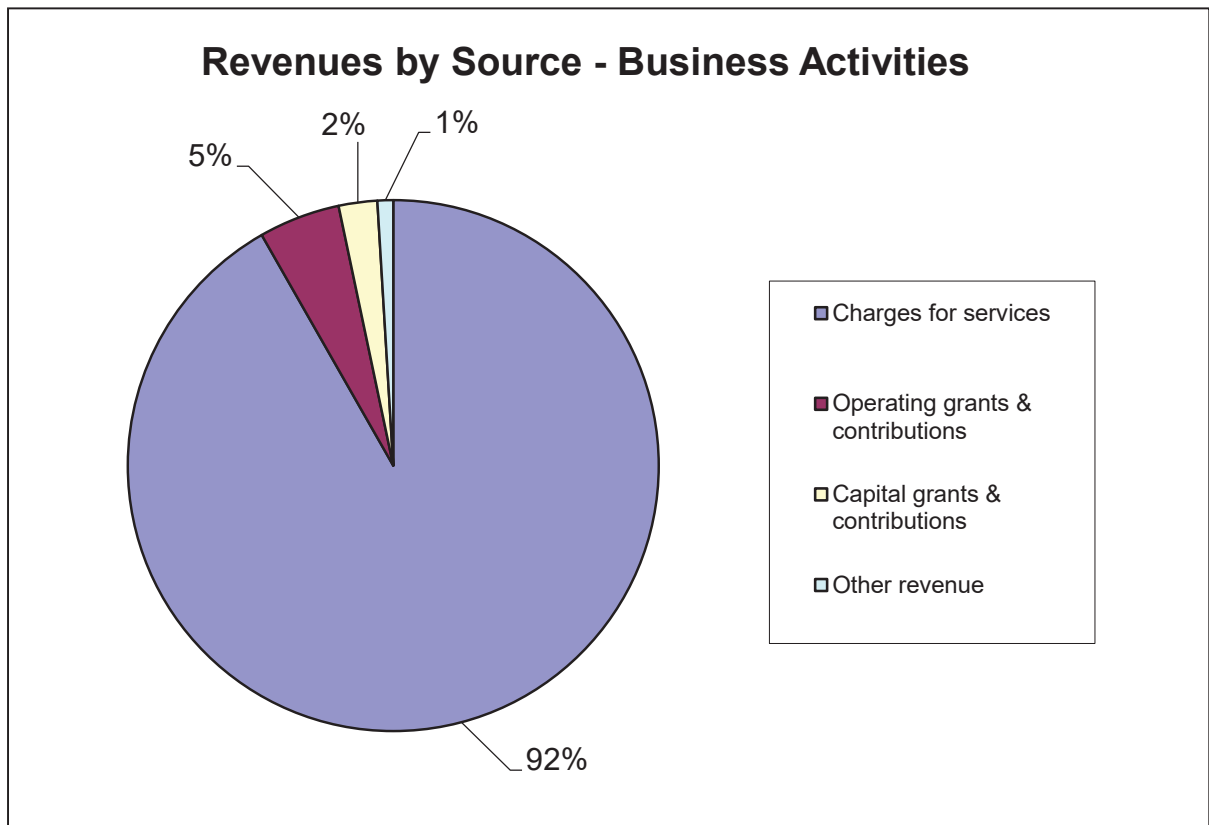


The above chart includes all revenues associated with governmental type activities. In addition to property, sales and business and occupation taxes, the above chart also includes charges for services, operating and capital grants, and contributions. As is illustrated in the above chart, property, sales and business and occupation taxes account for 68 percent of all governmental revenues.

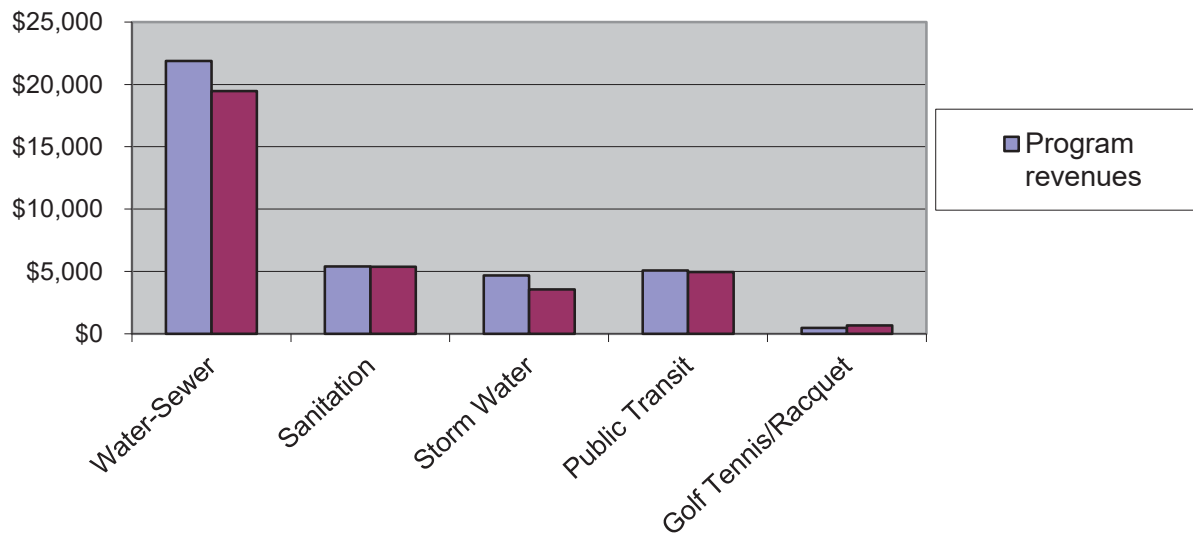
Operating grant revenues are dedicated toward low-and-moderate income housing projects through the HOME Investment Partnership and Community Development Block Grant programs. In 2018, CDBG funds were dedicated toward the purchase of fully ADA accessible all-inclusive playground equipment at Archie Anderson Park. The transportation sector receives significant support from capital grants. Under the umbrella of transportation, the City received capital grant funds for the Tennant Way/3rd Avenue/Industrial Way (SR-432) corridor. Capital grant funds were also received for the completion of the Washington Way bridge and the Columbia Heights retaining wall project. These traffic improvements were largely funded by capital grants provided by the U.S. Department of Transportation. 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 and the Highland's satellite office.

Business-type activities. Business-type activities increased the City of Longview's net position \$7,217 in 2018. The water-sewer and sanitary fund are clearly the largest proprietary funds in the City. Their combined program revenues account for 73 percent of all business-type activities. In 2018 the net position for the water-sewer and sanitary funds increased \$2,068.

- Overall charges for services for business-type activities decreased 3.1 percent. The primary cause for this decrease was significant Public Transit grant revenue reducing the reliance on interlocal financing. The inflationary increase applied to water/sewer rates was the primary driver behind the increase to charges for services for this business-type activity. Storm water rates were increased to provide for the addition of Storm Water crew members to assist in addressing the City's tree related sidewalk hazards.
- Public transit charges for services accounted for \$2,596 of public transit's \$5,085 total program revenues, while the remaining \$2,489 was received from operating grant funds (\$1,922) and capital grants (\$567).
- Capital grants and contributions accounted for \$912 in revenue for Business-type activities. Of the \$912 total, \$278 went toward water-sewer utility improvements; \$567 was applied toward the construction of the City's new transit center and \$67 was realized in Storm water from public improvement permit contributions.



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 2018, the City of Longview's governmental funds reported combined ending fund balances of \$25,338, a decrease of \$669 in comparison with the prior year. Of the \$25,338 total fund balance, approximately 62 percent (\$15,631) constitutes unrestricted fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either nonspendable (\$10) or restricted (\$9,697). Restricted amounts are primarily for 1) debt service (\$5,679); 2) capital projects (\$1,104); 3) Criminal Justice Assistance (\$840); 4) transportation improvements (\$675); 5) loans for economic development (\$531); 6) enhancing general parks and recreation (\$359); and 7) unspent 2017 bond proceeds (\$360). Nonspendable fund balance has been set aside for enhancing library services (\$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 \$13,493. Of the \$13,493 general fund balance, \$13,133 was unrestricted and available for spending, while \$360 is restricted for capital outlays associated with street and storm water facilities and a fire aerial apparatus. As a measure of the

general fund's liquidity, it may be useful to compare the unrestricted fund balance to total fund expenditures. For 2018 the unrestricted fund balance represents 36 percent of total general fund expenditures.

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

Unrestricted net position of the water-sewer fund at the end of the year amounted to \$17,802, and the net position for the sanitary operation amounted to \$2,355. Storm Water's year-end unrestricted net position amounted to \$1,699. Of Storm Water's remaining net position, \$7,028 is invested in capital assets. Public transit's net position consists of \$4,195 in net investment in capital assets and (-\$465) in unrestricted net position which represents the net pension obligation including related deferred items not reimbursable through interlocal agreement (see Note 16A). The total increase in net position for all proprietary activity at the fund level in 2018 was \$6,736. The City of Longview has internal service funds which are reported in the fund statements and included primarily with governmental activities at the government-wide level. Proprietary funds saw a decrease in deferred outflows relative to pensions while experiencing an increase in deferred outflows relative to pensions.

General Fund Budgetary Highlights

The amended 2017-2018 biennial budget reflects an increase of \$6,115 from the original appropriation of \$74,384. The 2017-2018 budget amendment can be summarized as follows:

- \$3,735 increase in bond proceeds to provide for capital purchases consisting of street equipment; a fire aerial apparatus; and operating transfers-out to the Transportation Benefit District Fund, Capital Projects Fund and the Equipment Rental Fund.
- \$352 increase in the sales tax revenue estimate.
- \$100 increase for fire insurance premium tax.
- \$2 increase in miscellaneous revenue.
- \$1,201 as an increase in operating transfers-in from the Fire Pension Fund.
- \$725 decrease in fund balance.

- \$1,803 increase in general fund expenditures for capital purchases consisting of street equipment and a fire aerial apparatus.
- \$1,932 increase in operating transfers-out to the Transportation Benefit District Fund (\$850), Capital Projects Fund (\$700) and the Equipment Rental Fund (\$382).
- \$352 to provide for fire protective personal equipment, maintenance on fire apparatus and for the purchase of a land parcel.
- \$1,303 increase in general fund expenditures to provide for the costs associated with administering the fire pension program.
- \$325 increase in general fund expenditures for the purchase of firefighter safety gear.
- \$400 as a general fund transfer to the City's Building Depreciation Fund.

Total actual 2017-18 revenues in the amount of \$72,709 were 102.7 percent of the final budgeted 2017-18 revenues of \$70,831. Overall, 2017-18 revenues were \$1,878 more than projected. This was largely the result of higher than anticipated sales and business and occupation tax revenues, rising

permit revenues and an increase in state shared revenue. Total 2017-18 general fund expenditures and transfers amounted to \$77,339, 3.9 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, 2018, amounts to \$162,504 (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 \$9,340 for the current year. The overall net increase in capital assets is primarily the result of infrastructure improvements associated with R.A. Long Park plaza renovation, Hillcrest pump station replacement and the acquisition of a new 107' fire aerial apparatus.

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

	Governmental activities		Business-type activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 5,160	\$ 5,499	\$ 2,902	\$ 2,902	\$ 8,062	\$ 8,121
Buildings and systems	8,591	8,224	12,301	11,943	20,892	19,858
Improvements	971	993	54,397	55,827	55,368	56,775
Machinery and equipment	9,572	8,587	17,837	18,733	27,409	24,450
Infrastructure	35,974	37,448	-	-	35,974	37,448
Intangibles	-	-	4,164	4,164	4,164	4,164
Construction in progress	<u>4,481</u>	<u>2,551</u>	<u>5,757</u>	<u>2,517</u>	<u>10,238</u>	<u>5,068</u>
Total	<u>\$ 64,749</u>	<u>\$ 63,302</u>	<u>\$ 97,358</u>	<u>\$ 92,086</u>	<u>\$ 162,107</u>	<u>\$ 155,884</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 2018 include the ongoing replacement of several water mains in the St. Helens neighborhood along Nichols Boulevard and 24th/25th Avenues; additionally, in 2018 significant work was accomplished on the Hillcrest pump station. Major sewer projects included several pump station rehabilitation projects throughout Longview; and the 24th/25th Avenue sewer replacement projects.
- Various street infrastructure improvements along the Tennant Way (SR-432) corridor at the intersections of 3rd Avenue and California Way. The City also kept up with its ongoing sidewalk replacement projects.
- In 2018, construction began on a new maintenance facility for the street and storm water crews. Other Storm Water Fund projects included lake flushing improvements to Lake Sacajawea and storm water infrastructure along 24th/25th Avenues.
- The Capital Projects Fund shared in the construction of the new street/storm water maintenance facility; witnessed the installation of bay heating at Fire Station #81; provided for the infrastructure improvements to R.A. Long Park; installed new playground equipment at Kellogg and Archie Anderson Parks; and embarked upon an athletic facility master plan for Roy Morse Park.

- Completed the 2nd floor remodel at Police headquarters located at the corner of 14th Avenue and Hudson Street.

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 \$25,865. Of this amount, \$17,315 comprises debt backed by the full faith and credit of the government. Remaining bonds outstanding in the amount of \$8,550 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ 17,249	\$ 17,832	\$ 66	\$ 68	\$ 17,315	\$ 17,900
Special assessment debt	-	-	-	-	-	-
Revenue bonds	-	-	8,550	8,935	8,550	8,935
Total	<u>\$ 17,249</u>	<u>\$ 17,832</u>	<u>\$ 8,616</u>	<u>\$ 9,003</u>	<u>\$ 25,865</u>	<u>\$ 26,835</u>

The City of Longview's bonded debt decreased \$970 (4 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 \$970 was retired during 2018.

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 \$25.4 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 as a result of the City's ongoing significant efforts to prepare itself and the surrounding community for the future. The City continued its work on a variety of multi-faceted programs and projects which have helped the local area continue in its recovery. Although the City experienced economic growth in 2018, 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 the economic uncertainty of the past. 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 continued recovery and growth.

Throughout 2018, the City continued with its development efforts and investment in infrastructure in an attempt to position itself for a brighter future. Participation in county and statewide economic development organizations coupled with its ongoing partnership with Weyerhaeuser Real Estate Development Company at the City's Mint Farm Industrial Park have allowed Longview to market itself as a prime location for industrial site developments such as manufacturing, warehousing and distribution. Longview continues with its marketing efforts and is 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. The channel deepening project permitted the U.S. Army Corps of Engineers to deepen the Columbia River channel from its current 40 feet to 43 feet allowing vessels both inbound and outbound to load at ship capacity. At the Port of Longview, the completion of a 3.2 mile industrial rail corridor with traffic overpass signifies the priority the Port has placed on economic expansion and lays the foundation for future growth. The Port's rail project improves traffic safety, eases congestion and allows for the completion of rail spurs that connect new property owners to the rail corridor. Another notable transportation project for the City of Longview and the surrounding area in recent years was 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 behind the Industrial Way/Oregon Way intersection improvements and the SR 432/433 corridor are to develop an affordable long-term solution that-

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

The SR 432/433 corridor is part of the National Highway System.

Longview witnessed modest increases in tax revenue in 2018. Overall tax revenue increased 4.6% percent for the year. The increase in tax revenue is primarily due to an improved local economy resulting in increased sales and B&O tax revenue. Construction activity also aided in Longview's economic recovery. For the first time in more than a decade, license and permit revenue exceeded more than \$1 million.

During the current year, unassigned fund balance in the general fund decreased \$919. This decrease in fund balance is the result of increased expenditures on fire apparatus and street infrastructure improvements.

For 2018, Longview's utility customers saw the average monthly combined water/sewer/garbage and storm water rate increase 3.1 percent. On average, Longview's utility customers are billed \$161 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 offers Longview and its citizens new and exciting opportunities with which few other jurisdictions can compare.

A copy of the City's 2019-2020 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, 2018

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	THREE RIVERS WASTEWATER AUTHORITY
ASSETS				
Cash	\$ 1,330,674	\$ 144,980	\$ 1,475,654	\$ -
Cash & cash equivalents	-	-	-	2,579,997
Investments	22,486,888	20,309,570	42,796,458	-
Restricted investments	-	797,288	797,288	2,519,986
Receivables, net	5,270,875	7,647,208	12,918,083	15,883
Internal balances (Note 13)	(1,803,783)	1,803,783	-	-
Due from other governments	6,303,530	2,282,062	8,585,592	-
Inventory/prepayments	-	397,111	397,111	599,847
Assets held for resale	397,745	78,379	476,124	-
Net pension asset (Note 7)	9,045,618	-	9,045,618	-
Capital assets (Note 6)				
Land, intangibles & construction in prog.	9,640,766	12,823,356	22,464,122	991,337
Other capital assets, net of depreciation	55,107,641	84,535,031	139,642,672	48,119,257
TOTAL ASSETS	107,779,954	130,818,768	238,598,722	54,826,307
DEFERRED OUTFLOWS				
Pensions	1,664,847	426,236	2,091,083	179,369
Other postemployment benefits	323,093	-	323,093	-
Deferred outflows related to refundings	123,194	-	123,194	-
TOTAL DEFERRED OUTFLOWS	2,111,134	426,236	2,537,370	179,369
LIABILITIES				
Accounts payable	1,279,907	1,450,265	2,730,172	76,828
Due to other governments	3,452	2,252,061	2,255,513	-
Accrued liabilities	1,337,362	413,646	1,751,008	123,890
Other current liabilities	68,932	674,629	743,561	64,121
Long-term liabilities (Note 10)				-
Liabilities due within one year	3,396,682	5,633,503	9,030,185	4,824,001
Liabilities due beyond one year				
Net pension liabilities	6,986,322	1,583,281	8,569,603	876,866
Net other postemployment benefits	27,551,797	-	27,551,797	-
Other liabilities	19,458,361	35,376,219	54,834,580	9,539,559
TOTAL LIABILITIES	60,082,815	47,383,604	107,466,419	15,505,265
DEFERRED INFLOWS				
Pensions	4,575,480	940,488	5,515,968	338,903
Deferred inflows related to refundings	-	-	-	84,495
Payments received in advance	2,535	-	2,535	-
TOTAL DEFERRED INFLOWS	4,578,015	940,488	5,518,503	423,398
NET POSITION				
Net investment in capital assets	47,423,048	56,065,975	103,489,023	34,955,010
Restricted for:				
Debt service	5,680,034	797,288	6,477,322	2,519,986
Pensions	6,934,999	-	6,934,999	-
Water treatment (Note 16)	-	2,779,906	2,779,906	-
Criminal justice	2,141,568	-	2,141,568	-
Capital projects	1,463,999	-	1,463,999	-
Economic development	530,643	-	530,643	-
Transportation	675,157	-	675,157	-
Culture & recreation	359,304	-	359,304	-
Tourism promotion	130,930	-	130,930	-
Nonexpendable endowments	17,272	-	17,272	-
Unrestricted	(20,126,696)	23,277,743	3,151,047	1,602,017
TOTAL NET POSITION	\$ 45,230,258	\$ 82,920,912	\$ 128,151,170	\$ 39,077,013

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

					Net (Expenses) Revenues and Changes in Net Position			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Three Rivers Wastewater
Governmental activities:								
General government	\$ 5,802,079	\$ 2,092,728	\$ 53,282	\$ 16,483	\$ (3,639,586)	\$ -	\$ (3,639,586)	\$ -
Public safety	19,319,837	1,537,689	429,750	-	(17,352,398)	-	(17,352,398)	-
Transportation	6,634,406	95,976	607,857	1,375,569	(4,555,004)	-	(4,555,004)	-
Economic development	1,026,984	906,880	255,934	97,741	233,571	-	233,571	-
Culture and recreation	5,225,127	500,190	166,107	306,208	(4,252,622)	-	(4,252,622)	-
Interest on long-term debt	491,101	-	-	-	(491,101)	-	(491,101)	-
Total governmental activities	38,499,534	5,133,463	1,512,930	1,796,001	(30,057,140)	-	(30,057,140)	-
Business-type activities:								
Water-sewer	19,464,362	21,595,079	-	278,131	-	2,408,848	2,408,848	-
Sanitation	5,389,527	5,396,161	-	-	-	6,634	6,634	-
Public transit	4,958,023	2,595,969	1,921,798	567,100	-	126,844	126,844	-
Storm water	3,568,523	4,602,277	-	66,990	-	1,100,744	1,100,744	-
Golf/misc. athletics	682,151	466,928	-	-	-	(215,223)	(215,223)	-
Total business-type activities	34,062,586	34,656,414	1,921,798	912,221	-	3,427,847	3,427,847	-
Total primary government	\$ 72,562,120	\$ 39,789,877	\$ 3,434,728	\$ 2,708,222	(30,057,140)	3,427,847	(26,629,293)	-
Component Unit								
Three Rivers Wastewater	\$ 8,656,123	\$ 9,916,197	\$ -	\$ 92,136	-	-	-	1,352,210
General revenues:								
Taxes:								
Property					9,554,042	-	9,554,042	-
Business					9,273,240	-	9,273,240	-
Sales					9,710,397	-	9,710,397	-
Excise					2,773,922	-	2,773,922	-
Gambling					5	-	5	-
Non program specific grants/contributions					1,365,992	-	1,365,992	-
Unrestricted investment earnings					482,775	372,214	854,989	96,352
Miscellaneous					47,140	-	47,140	-
Transfers (Note 13)					87,542	(87,542)	-	-
Total general revenues and transfers					33,295,055	284,672	33,579,727	96,352
Change in net position					3,237,915	3,712,519	6,950,434	1,448,562
Beginning net position as previously reported					65,282,585	75,703,600	140,986,185	-
Change in accounting principle (Note 18)					(26,820,123)	-	(26,820,123)	-
Prior period adjustments (Note 19)					3,529,881	3,504,793	7,034,674	37,628,451
Beginning net position, restated					41,992,343	79,208,393	121,200,736	37,628,451
Ending net position					\$ 45,230,258	\$ 82,920,912	\$ 128,151,170	\$ 39,077,013

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview

**BALANCE SHEET
GOVERNMENTAL FUNDS**

As of December 31, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$201,199	\$ 780,135	\$ 981,334
Deposits with trustees	-	-	-
Investments	10,133,269	5,616,363	15,749,632
Receivables (net)			
Taxes	4,052,665	246,082	4,298,747
Accounts	391,012	151,119	542,131
Assessments	-	103,200	103,200
Notes and contracts	-	324,548	324,548
Due from other funds	336,564	109,137	445,701
Interfund loans receivable	735,000	-	735,000
Due from other governments	85,761	6,187,467	6,273,228
Prepaid expenditures	-	-	-
Long-term interfund advances	-	-	-
Total assets	<u>15,935,470</u>	<u>13,518,051</u>	<u>29,453,521</u>
DEFERRED OUTFLOWS			
Deferred loss on bond refundings	-	-	-
LIABILITIES			
Accounts payable	536,803	364,813	901,616
Matured bonds/interest payable	-	-	-
Due to other funds	42,116	185,623	227,739
Interfund loans payable	-	735,000	735,000
Due to other governments	2,952	-	2,952
Accrued wages payable	1,258,060	23,788	1,281,848
Accrued employee benefits	178	-	178
Other current liabilities	2,648	65,941	68,589
Long-term interfund advances	-	-	-
Total liabilities	<u>1,842,757</u>	<u>1,375,165</u>	<u>3,217,922</u>
DEFERRED INFLOWS			
Unavailable property taxes	271,414	-	271,414
Unavailable court fines	326,178	150,539	476,717
Other unavailable revenue	-	146,480	146,480
Payments received in advance	2,535	-	2,535
Total deferred inflows	<u>600,127</u>	<u>297,019</u>	<u>897,146</u>
FUND BALANCES			
Nonspendable	-	10,200	10,200
Restricted	359,650	9,337,559	9,697,209
Committed	-	985,069	985,069
Assigned	-	1,649,735	1,649,735
Unassigned	13,132,936	(136,696)	12,996,240
Total fund balances	<u>\$ 13,492,586</u>	<u>\$ 11,845,867</u>	<u>\$ 25,338,453</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview

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

As of December 31, 2018

<i>Total fund balances from the Governmental Funds Balance Sheet</i>		\$25,338,453
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.		55,712,853
Other long-term assets not available to pay for expenditures of the current period, therefore revenue is deferred in the fund statements.		894,611
Long-term liabilities, primarily bonds payable, are not due within the current reporting period. Therefore, these liabilities not reported in the balance sheet of governmental funds.		(17,685,004)
Other long-term balances under the economic resources measurement focus not included in governmental funds.		
	Pensions	(640,671)
	Healthcare	(28,153,702)
	Compensated absences	<u>(4,060,042)</u>
		(32,854,415)
Internal service funds are used by management to charge the costs of certain activities. The net position of internal service funds are primarily included as governmental activities in the statement of net position.		13,823,760
<i>Total net position from the Statement of Net Position</i>		<u><u>\$45,230,258</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, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 29,472,196	\$ 1,896,116	\$ 31,368,312
Licenses and permits	1,028,845	-	1,028,845
Intergovernmental	2,363,968	2,293,979	4,657,947
Charges for services	3,441,177	71,347	3,512,524
Fines	463,367	84,977	548,344
Miscellaneous	-		
Interest earnings	237,486	135,085	372,571
Space and facilities rentals	115,225	31,872	147,097
Contributions from private sources	139,283	37,839	177,122
Special assessments	-	31,283	31,283
Other miscellaneous	58,283	105,992	164,275
Total revenues	37,319,830	4,688,490	42,008,320
Expenditures:			
Current:			
General government	5,889,515	-	5,889,515
Public safety	20,906,671	758,064	21,664,735
Transportation	4,285,449	168,180	4,453,629
Economic environment	669,542	587,254	1,256,796
Culture and recreation	5,188,516	173,929	5,362,445
Capital outlays	1,396,611	2,851,865	4,248,476
Debt service:			
Principal	237,547	410,661	648,208
Interest and other debt service costs	115,234	375,866	491,100
Total expenditures	38,689,085	5,325,819	44,014,904
Excess (deficiency) of revenues over (under) expenditures	(1,369,255)	(637,329)	(2,006,584)
Other financing sources (uses):			
Proceeds of general long-term debt	-	-	-
Proceeds from disposition of capital assets	6,250	-	6,250
Transfers in	135,012	1,200,373	1,335,385
Transfers out	(1,114,588)	(313,326)	(1,427,914)
Loan restructuring loss	-	-	-
Payments to refunding escrow agent	-	-	-
Premium on bonds sold	-	-	-
Total other financing sources (uses)	(973,326)	887,047	(86,279)
Net change in fund balances	(2,342,581)	249,718	(2,092,863)
Fund balance, January 1 as previously reported	14,411,347	11,596,149	26,007,496
Prior period adjustments	1,423,820	-	1,423,820
Beginning fund balance as adjusted	\$ 15,835,167	\$ 11,596,149	\$ 27,431,316
Fund balance, December 31	\$ 13,492,586	\$ 11,845,867	\$ 25,338,453

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, 2018

<i>Net change in fund balances from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances</i>	(\$2,092,862)
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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.	1,598,948
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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.	639,733
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Activity of other long-term balances under the economic resources measurement focus not included in governmental funds.

Pensions	2,417,797	
Healthcare	1,007,951	
Compensated absences	12,849	3,438,597

Adjustments to revenues and other asset balances that do not provide current financial resources at the fund level.	(367,313)
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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.	20,811
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<i>Change in net position from the Statement of Activities</i>	<u><u>\$3,237,914</u></u>
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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 ended December 31, 2018

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 55,475,750	\$ 55,928,750	\$ 57,657,865	\$ 1,729,115
Licenses and permits	1,794,000	1,794,000	1,955,203	161,203
Intergovernmental	3,750,450	3,750,450	4,327,034	576,584
Charges for services	7,412,500	7,412,500	6,870,857	(541,643)
Fines	1,199,000	1,199,000	954,701	(244,299)
Miscellaneous:				
Interest earnings	71,850	73,350	357,582	284,232
Space and facilities rentals	250,800	250,800	249,144	(1,656)
Contributions from private sources	377,280	377,280	250,257	(127,023)
Other miscellaneous	44,500	44,700	86,551	41,851
Total revenues	70,376,130	70,830,830	72,709,194	1,878,364
Expenditures:				
Current:				
General government	11,905,660	12,014,470	11,592,444	422,026
Public safety	39,781,080	41,403,080	40,887,142	515,938
Transportation	7,606,520	7,606,520	7,822,145	(215,625)
Economic environment	2,474,560	2,474,560	1,794,500	680,060
Culture and recreation	10,261,360	10,261,360	10,058,953	202,407
Capital outlays	153,240	1,690,740	1,526,408	164,332
Debt service:				
Principal	581,820	581,820	480,094	101,726
Interest and fiscal charges	235,140	235,140	218,120	17,020
Total expenditures	72,999,380	76,267,690	74,379,806	1,887,884
Excess (deficiency) of revenues over (under) expenditures	(2,623,250)	(5,436,860)	(1,670,612)	3,766,248
Other financing sources (uses):				
Proceeds of general long-term debt	-	3,735,500	3,250,000	(485,500)
Capital asset disposition proceeds	-	-	6,250	6,250
Transfers in	275,000	1,361,250	263,067	(1,098,183)
Transfers out	(1,384,370)	(4,232,370)	(2,958,815)	1,273,555
Refunding bond proceeds to escrow	-	-	-	-
Premium on bonds sold	-	-	250,686	250,686
Total other fin. sources (uses)	(1,109,370)	864,380	811,188	(53,192)
Net change in fund balances	(3,732,620)	(4,572,480)	(859,424)	3,713,056
Fund balance, January 1, 2017				
as previously reported	12,926,093	12,926,093	12,926,093	-
Prior period adjustments	-	1,425,917	1,425,917	-
Beginning fund balance as adjusted	12,926,093	14,352,010	14,352,010	-
Fund balance, December 31, 2018	\$ 9,193,473	\$ 9,779,530	\$ 13,492,586	\$ 3,713,056

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

As of December 31, 2018

Page 1 of 2

	WATER- SEWER	SANITARY	STORMWATER	PUBLIC TRANSIT
ASSETS				
Current assets:				
Cash	\$ 32,210	\$ 989	\$ 51,606	\$ 60,085
Investments	15,895,288	2,198,681	1,927,075	288,526
Receivables, net	3,397,835	721,095	544,207	271
Due from other funds	1,758	142	-	13,996
Due from other governments	234,110	-	2,171	2,045,781
Inventory	397,111	-	-	-
Total current assets:	19,958,312	2,920,907	2,525,059	2,408,659
Noncurrent assets:				
Restricted investments	797,288	-	-	-
Noncurrent receivables	2,982,304	-	-	-
Assets held for resale	78,379	-	-	-
Capital assets:				
Land	1,367,668	-	8,640	317,802
Buildings	15,100,033	-	1,679,108	1,405,025
Improvements other than buildings	88,089,589	-	10,104,140	111,578
Machinery and equipment	21,175,635	-	1,505,393	7,842,520
Intangibles	4,163,538	-	-	-
Construction in progress	4,640,849	-	579,096	537,612
Less: Accumulated depreciation	(54,114,344)	-	(3,674,477)	(6,019,628)
Net capital assets	80,422,968	-	10,201,900	4,194,909
Total noncurrent assets	84,280,939	-	10,201,900	4,194,909
TOTAL ASSETS	\$ 104,239,251	\$ 2,920,907	\$ 12,726,959	\$ 6,603,568
TOTAL DEFERRED OUTFLOWS - Pensions	205,160	22,168	80,655	97,177
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 919,277	\$ 335,802	\$ 47,485	\$ 133,839
Due to other funds	131,246	12,730	112,875	-
Due to other governments	126,742	-	54	2,125,265
Accrued wages payable	177,439	19,828	106,345	95,726
Compensated absences	137,089	27,282	62,142	41,828
Customer deposits	551,503	-	-	-
Other current liabilities	121,486	-	-	1,272
Current portion of long-term obligations	5,193,517	-	151,006	-
Total current liabilities:	7,358,299	395,642	479,907	2,397,930
Noncurrent liabilities				
Bonds payable, net	5,868,736	-	3,023,288	-
Due to other governments	26,074,593	-	-	-
Compensated absences	160,514	57,994	67,802	10,729
Pension obligation (net)	778,599	85,697	330,890	347,747
Total noncurrent liabilities	32,882,442	143,691	3,421,980	358,476
TOTAL LIABILITIES	40,240,741	539,333	3,901,887	2,756,406
TOTAL DEFERRED INFLOWS - Pensions	453,063	48,993	178,684	214,116
NET POSITION				
Net investment in capital assets	42,371,126	-	7,027,606	4,194,909
Restricted for water treatment (Note 16)	2,779,906	-	-	-
Restricted for debt service	797,288	-	-	-
Unrestricted	17,802,287	2,354,749	1,699,437	(464,686)
TOTAL NET POSITION	\$ 63,750,607	\$ 2,354,749	\$ 8,727,043	\$ 3,730,223

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

As of December 31, 2018

Page 2 of 2

	NONMAJOR MINT VALLEY COMPLEX	ENTERPRISE TOTALS	INTERNAL SERVICE FUNDS
ASSETS			
Current assets:			
Cash	\$ 93	\$ 144,983	\$ 349,337
Investments	-	20,309,570	6,737,256
Receivables, net	1,496	4,664,904	2,249
Due from other funds	-	15,896	22,992
Due from other governments	-	2,282,062	30,303
Inventory	-	397,111	-
Total current assets:	1,589	27,814,526	7,142,137
Noncurrent assets:			
Restricted investments	-	797,288	-
Noncurrent receivables	-	2,982,304	-
Assets held for resale	-	78,379	-
Capital assets:			
Land	1,208,151	2,902,261	56,095
Buildings	1,956,701	20,140,867	967,533
Improvements other than buildings	920,268	99,225,575	604,786
Machinery and equipment	45,669	30,569,217	17,805,773
Intangibles	-	4,163,538	-
Construction in progress	-	5,757,557	363,117
Less: Accumulated depreciation	(1,592,179)	(65,400,628)	(10,364,006)
Net capital assets	2,538,610	97,358,387	9,433,298
Total noncurrent assets	2,538,610	101,216,358	9,433,298
TOTAL ASSETS	\$ 2,540,199	\$ 129,030,884	\$ 16,575,435
TOTAL DEFERRED OUTFLOWS - Pensions	21,076	426,236	68,410
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 13,864	\$ 1,450,267	378,293
Due to other funds	-	256,851	-
Due to other governments	-	2,252,061	499
Accrued wages payable	14,308	413,646	55,335
Compensated absences	19,245	287,586	45,632
Customer deposits	-	551,503	-
Other current liabilities	368	123,126	342
Current portion of long-term obligations	1,452	5,345,975	-
Total current liabilities:	49,237	10,681,015	480,101
Noncurrent liabilities			
Bonds payable, net	64,827	8,956,851	-
Due to other governments	-	26,074,593	-
Compensated absences	47,679	344,718	16,171
Pension obligation (net)	40,347	1,583,280	130,962
Total noncurrent liabilities	152,853	36,959,442	147,133
TOTAL LIABILITIES	202,090	47,640,457	627,234
TOTAL DEFERRED INFLOWS - Pensions	45,632	940,488	148,114
NET POSITION			
Net investment in capital assets	2,472,332	56,065,973	9,433,298
Restricted for water treatment (Note 16)	-	2,779,906	-
Restricted for debt service	-	797,288	-
Unrestricted	(158,779)	21,233,008	6,435,199
TOTAL NET POSITION	\$ 2,313,553	\$ 80,876,175	\$ 15,868,497
Business-type net position used in Internal Service Fund activities		2,044,737	
Net position of business-type activities		<u>\$ 82,920,912</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, 2018

Page 1 of 2

	ENTERPRISE			
	WATER- SEWER	SANITARY	STORMWATER	PUBLIC TRANSIT
Operating revenues:				
Charges for services	\$ 21,563,927	\$ 5,377,723	\$ 4,587,471	\$ 2,554,089
Miscellaneous	10,232	9,823	3,944	34,051
Total operating revenues	21,574,159	5,387,546	4,591,415	2,588,140
Operating expenses:				
Cost of sales and services	13,775,520	4,818,681	3,154,173	3,889,709
Administration	1,552,053	577,155	396,021	573,766
Depreciation	3,743,441	-	287,945	447,116
Total operating expenses	19,071,014	5,395,836	3,838,139	4,910,591
Operating income (loss)	2,503,145	(8,290)	753,276	(2,322,451)
Nonoperating revenues (expenses):				
Interest revenue	290,695	38,737	33,345	9,438
Interest expense	(582,069)	-	(102,158)	-
Operating grant revenue	-	-	-	1,921,798
Disposition of capital assets	(472,299)	-	(14,421)	(1,000)
Other	20,920	8,615	10,862	7,829
Total nonoperating revenues (expenses)	(742,753)	47,352	(72,372)	1,938,065
Income (loss) before capital contributions, and transfers	1,760,392	39,062	680,904	(384,386)
Capital contributions	278,130	-	66,990	567,100
Transfers in	-	-	-	-
Transfers out	(9,820)	-	(3,273)	-
Change in net position	2,028,702	39,062	744,621	182,714
Net position, January 1 as previously reported	61,721,905	2,315,687	7,982,422	42,716
Prior period adjustments	-	-	-	3,504,793
Net position, January 1 restated	61,721,905	2,315,687	7,982,422	3,547,509
Net position, December 31	\$ 63,750,607	\$ 2,354,749	\$ 8,727,043	\$ 3,730,223

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, 2018

Page 2 of 2

	NONMAJOR MINT VALLEY CPMPLEX	TOTAL ENTERPRISE	TOTAL INTERNAL SERVICE
Operating revenues:			
Charges for services	\$ 424,534	\$ 34,507,744	\$ 7,055,360
Miscellaneous	40,394	98,444	1,480
Total operating revenues	464,928	34,606,188	7,056,840
Operating expenses:			
Cost of sales and services	411,321	26,049,404	4,648,543
Administration	131,594	3,230,589	837,224
Depreciation	69,445	4,547,947	1,213,232
Total operating expenses	612,360	33,827,940	6,698,999
Operating income (loss)	(147,432)	778,248	357,841
Nonoperating revenues (expenses):			
Interest revenue	-	372,215	110,201
Interest expense	(3,024)	(687,251)	-
Operating grant revenue	-	1,921,798	2,577
Disposition of capital assets	(16,172)	(503,892)	1,651
Other	2,000	50,226	12,592
Total nonoperating revenues (expenses)	(17,196)	1,153,096	127,021
Income (loss) before capital contributions, and transfers	(164,628)	1,931,344	484,862
Capital contributions	312,377	1,224,597	-
Transfers in	89,254	89,254	16,365
Transfers out	-	(13,093)	-
Change in net position	237,003	3,232,102	501,227
Net position, January 1 as previously reported	2,076,550	74,139,280	15,367,270
Prior period adjustments	-	3,504,793	-
Net position, January 1 restated	2,076,550	77,644,073	15,367,270
Net position, December 31	\$ 2,313,553	\$ 80,876,175	\$ 15,868,497
Change in net position from proprietary activities at the fund level (above)			3,232,102
Change in net position related to business-type activities			480,418
Change in net positions from government-wide business-type activities			<u>\$ 3,712,520</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended December 31, 2018

Page 1 of 4

	ENTERPRISE			
	WATER- SEWER	SANITARY	STORMWATER	PUBLIC TRANSIT
Cash flows from operating activities:				
Cash flows from customers and users	\$ 24,446,873	\$ 5,380,599	\$ 4,858,232	\$ 4,910,942
Interfund services provided	-	-	-	-
Cash from other sources	32,942	8,615	10,862	450,947
Cash paid to suppliers	(11,069,025)	(4,239,016)	(665,053)	(1,813,112)
Cash paid to employees	(3,636,195)	(404,816)	(1,832,553)	(1,852,594)
Interfund services used	(2,912,469)	(417,059)	(849,399)	(1,080,086)
Cash paid for taxes and other penalties	(745,492)	(304,678)	(74,612)	(1,590)
Net cash provided (used) by operating activities	6,116,634	23,645	1,447,477	614,507
Cash flows from noncapital financing activities:				
Transfer (in) from other funds	-	-	-	-
Transfer (out) to other funds	(9,820)	-	(3,273)	-
Net cash provided (used) by noncapital financing activities	(9,820)	-	(3,273)	-
Cash flows from capital and related financing activities:				
Proceeds from debt issuances	341,262	-	-	-
Collection of noncurrent receivables	153,286	-	-	-
Payments of debt principal	(1,611,596)	-	(130,900)	-
Proceeds from sale of capital assets	-	-	-	4,000
Capital contributions	195,658	-	-	-
Purchase of capital assets	(112,628)	-	-	(195,211)
Construction	(3,548,643)	-	(1,309,343)	(315,756)
Interest paid	(508,326)	-	(118,864)	-
Net cash provided (used) by capital and related financing activities	(5,090,987)	-	(1,559,107)	(506,967)
Cash flows from investing activities:				
Proceeds from sale of investments	4,390,794	380,000	580,000	771,929
Purchase of investments	(5,420,000)	(410,000)	(420,000)	(830,000)
Net cash provided (used) by investing activities	(1,029,206)	(30,000)	160,000	(58,071)
Net cash increase (decrease)	(13,379)	(6,355)	45,097	49,469
Cash and restricted cash, January 1	45,589	7,344	6,509	10,615
Cash and restricted cash, December 31	\$ 32,210	\$ 989	\$ 51,606	\$ 60,084

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended December 31, 2018

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)	\$ 2,503,145	\$ (8,290)	\$ 753,276	\$ (2,322,451)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	3,743,441	-	287,945	447,116
Accrued pension expense	(219,765)	(8,334)	(46,621)	(101,045)
Miscellaneous nonoperating cash activity	32,942	8,615	10,862	450,947
(Increase) decrease from:				
Accounts & notes receivable	56,231	(24,738)	(41,897)	(46)
Due from other funds	35,149	1,081	294,057	4,091
Due from other governments	(177,984)	-	(2,171)	178,350
Inventory	(9,391)	-	-	-
Increase (decrease) from:				
Accounts payable	(58,892)	12,907	12,059	(180,861)
Due to other funds	44,399	150	112,875	-
Due to other governments	20,196	-	(70)	2,124,504
Accrued wages payable	628	411	22,604	11,947
Compensated absences	61,238	41,843	48,210	1,516
Customer deposits	61,210	-	-	-
Other current liabilities	24,088	-	(3,652)	439
Total adjustments	3,613,490	31,935	694,201	2,936,958
Net cash provided (used) by operating activities	\$ 6,116,635	\$ 23,645	\$ 1,447,477	\$ 614,507
	-	-	-	-
Noncash Investing, Capital and Financing Activities				
Acquisition of capital assets on account	\$ 746,194	\$ -	\$ 18,110	\$ 22,819
Capital (to) from governmental activities	-	-	-	-
Contributed capital	37,812	-	66,990	3,504,793
Nonoperating interest income	278,643	38,737	33,345	9,438

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended December 31, 2018

Page 3 of 4

	NONMAJOR ENTERPRISE MINT VALLEY COMPLEX	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Cash flows from operating activities:			
Cash flows from customers and users	\$ 473,196	\$ 40,069,842	\$ 577,832
Interfund services provided	-	-	6,912,606
Cash from other sources	2,000	505,366	2,964
Cash paid to suppliers	(174,666)	(17,960,872)	(4,041,799)
Cash paid to employees	(303,823)	(8,029,981)	(1,084,369)
Interfund services used	(47,289)	(5,306,302)	(492,070)
Cash paid for taxes and other penalties	(34,162)	(1,160,534)	(7,885)
Net cash provided (used) by operating activities	(84,744)	8,117,519	1,867,279
Cash flows from noncapital financing activities:			
Transfer (in) from other funds	89,254	89,254	16,365
Transfer (out) to other funds	-	(13,093)	-
Net cash provided (used) by noncapital financing activities	89,254	76,161	16,365
Cash flows from capital and related financing activities:			
Proceeds from debt issuances	-	341,262	-
Collection of noncurrent receivables	-	153,286	-
Payments of debt principal	(1,393)	(1,743,889)	-
Proceeds from sale of capital assets	-	4,000	20,600
Capital contributions	-	195,658	-
Purchase of capital assets	-	(307,839)	(1,392,011)
Construction	-	(5,173,742)	-
Interest paid	(3,024)	(630,214)	-
Net cash provided (used) by capital and related financing activities	(4,417)	(7,161,478)	(1,371,411)
Cash flows from investing activities:			
Proceeds from sale of investments	-	6,122,723	1,885,000
Purchase of investments	-	(7,080,000)	(2,120,000)
Net cash provided (used) by investing activities	-	(957,277)	(235,000)
Net cash increase (decrease)	93	74,925	277,233
Cash and restricted cash, January 1	-	70,057	72,104
Cash and restricted cash, December 31	\$ 93	\$ 144,982	\$ 349,337

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended December 31, 2018

Page 4 of 4

	NONMAJOR ENTERPRISE MINT VALLEY COMPLEX	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income (loss)	\$ (147,432)	\$ 778,248	\$ 357,841
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	69,445	4,547,947	1,213,232
Accrued pension expense	(25,931)	(401,696)	(70,915)
Miscellaneous nonoperating cash activity	2,000	505,366	2,964
(Increase) decrease from:			
Accounts & notes receivable	-	(10,450)	-
Due from other funds	-	334,378	374,294
Due from other governments	-	(1,805)	(24,130)
Inventory	-	(9,391)	-
Increase (decrease) from:			
Accounts payable	9,997	(204,790)	42,146
Due to other funds	-	157,424	(4,135)
Due to other governments	-	2,144,630	441
Accrued wages payable	2,476	38,066	(2,648)
Compensated absences	4,341	157,148	(21,125)
Customer deposits	-	61,210	-
Other current liabilities	360	21,235	(686)
Total adjustments	62,688	7,339,272	1,509,438
Net cash provided (used) by operating activities	\$ (84,744)	\$ 8,117,520	\$ 1,867,279
	-	-	-
Noncash Investing, Capital and Financing Activities			
Acquisition of capital assets on account	\$ -	\$ 787,123	\$ 124,640
Capital (to) from governmental activities	312,377	312,377	-
Contributed capital	-	3,609,595	-
Nonoperating interest income	-	360,163	110,201

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview

**STATEMENT OF FIDUCIARY NET POSITON
FIDUCIARY FUNDS**

As of December 31, 2018

	FIREMEN'S PENSION TRUST FUND	NORTHWEST HEALTH FOUNDATION PRIVATE PURPOSE TRUST FUND	STATE AGENCY FUND
ASSETS			
Cash	\$ -	\$ 16,239	\$ 130,734
TOTAL ASSETS	-	16,239	130,734
LIABILITIES			
Due to other governments	-	-	130,734
TOTAL LIABILITIES	-	-	130,734
Net position held for private purpose trust	-	16,239	-
NET POSITION	\$ -	\$ 16,239	\$ -

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, 2018

	FIREMEN'S PENSION TRUST FUND	NORTHWEST HEALTH FOUNDATION PRIVATE PURPOSE TRUST FUND
ADDITIONS		
Contributions:		
Other miscellaneous	\$ -	\$ -
Employer - pension	-	-
Other miscellaneous	-	-
Total contributions	-	-
Interest income:		
Investments	-	-
Totals investment income	-	-
TOTAL ADDITIONS	-	-
DEDUCTIONS		
Benefits - healthcare	-	-
Benefits - pension	-	-
Administration	-	-
Other trust agreement payments	-	-
TOTAL DEDUCTIONS	-	-
TOTAL CHANGE IN NET POSITON	-	-
Beginning net position, as previously reported	1,423,820	16,239
Prior period adjustments	(1,423,820)	-
Beginning net position as adjusted	-	16,239
Ending net position as adjusted	\$ -	\$ 16,239

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

City of Longview
Notes to the Financial Statements
December 31, 2018

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 three legally separate entities considered to have financial accountability to the City through a financial benefit or burden relationship, and are therefore considered part of its primary government. The Longview City Council created the Longview Public Development Authority, for which it has no direct administrative responsibility, to facilitate the redevelopment of designated properties. The City also created the Longview Transportation Benefit District for the purpose of financing transportation improvements for which it assumed the rights and responsibilities of operations with oversight authority. Both of these entities are component units of the City of Longview presented as Special Revenue funds using the blended method of reporting. The City of Longview is their sole source of financial reporting. The third legally separate entity is the Three Rivers Wastewater Authority (TRRWA) which is a discretely presented component unit with separate columns in the government-wide financial statements. The TRRWA is a Joint Municipal Services Agency formed to provide wastewater treatment services to Cowlitz County, the City of Kelso, the Beacon Hill Water-Sewer District and the City of Longview who holds the power to approve the Authority's budget.

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.

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. The Governmental Accounting Standards Board issued two statements which have significance to the City of Longview that became applicable for 2018 reporting. Statement 75—Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, and Statement 82—Pension Issues—an amendment of GASB Statements 67, 68, and 73.

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 to pay liabilities of the current period if they are collected by March of the following year. 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 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 #16 for further detail).

The City of Longview reports these additional fund types:

- + Internal Service Funds are used to account for the financing of goods or services provided to other departments or funds of the City of Longview, or to other governmental units on a cost-reimbursement basis. These funds primarily report the City's rolling stock of equipment and the City's risk management activities.
- + Fiduciary Funds
 - The 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 is displayed only 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 2017-2018 Budget	Budgetary Revisions	Revised 2017-2018 Budget
Major Funds			
General	\$ 74,383,750	\$ 6,116,310	\$ 80,500,060
Special Revenue Funds:			
Arterial Street	4,574,200	0	4,574,200
Downtown Parking	142,110	0	142,110
Economic Development	1,430,530	150,000	1,580,530
HOME Fund	790,000	0	790,000
CDBG Entitlement	667,500	0	667,500
Criminal Justice Assistance	1,292,830	0	1,292,830
Camera Infraction Program	1,827,560	216,500	2,044,060
Tourism	193,780	0	193,780
Transportation Benefit District	0	5,475,000	5,475,000
Parks and Recreation Mem. Trust	182,400	0	182,400
Public Development Authority	0	0	0
Total Special Revenue Funds	11,100,910	5,841,500	16,942,410
Capital Projects Funds:			
Capital Projects	1,359,280	755,000	2,114,280
LID Construction	6,700,000	0	6,700,000
Building Replacement	282,500	475,000	757,500
Total Capital Projects Funds	8,341,780	1,230,000	9,571,780
Permanent Funds:			
Library Trust	2,000	0	2,000

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. The City had no delinquent special assessment receivable at year end.

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 \$797,288 account for all the restricted assets which are restricted 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 acquisition 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 deferred outflows related to pensions as well as 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, 2018 are listed as follows:

	VACATION	SICK LEAVE	TOTAL
Governmental	\$2,504,383	\$1,617,432	\$4,121,815
Proprietary	383,049	249,287	632,336
TOTAL	2,887,432	1,866,719	4,754,151
Proprietary Internal Service Fund amounts above reported with governmental activities			61,803

<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. Deferred inflows related to pensions are reported for governmental activities only at the government-wide level where those amounts for proprietary funds are also reported at the fund level.
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 nonspendable, restricted, or unrestricted which is further 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 has not adopted a minimum fund balance policy.

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

	Nonmajor Funds					Total
	General	Special Revenue	Debt Service	Capital Projects	Library Memorial Trust	
Fund balances:						
Nonspendable:						
Permanent fund principal	\$ -	\$ -	\$ -	\$ -	\$ 10,200	\$ 10,200
Restricted for:						
General capital projects	359,650	-	-	1,104,349	-	1,463,999
Tourism	-	130,930	-	-	-	130,930
Community policing	-	839,949	-	-	-	839,949
Economic loan program	-	530,643	-	-	-	530,643
Economic development	-	12,234	-	-	-	12,234
Transportation	-	674,579	-	-	-	674,579
Parks improvements	-	359,305	-	-	-	359,305
Culture and recreation	-	-	-	-	7,072	7,072
Debt service	-	-	5,678,500	-	-	5,678,500
Committed to:						
Traffic policing	-	910,956	-	-	-	910,956
Transportation	-	-	-	-	-	-
Parking enforcement	-	74,113	-	-	-	74,113
Assigned to:						
Government buildings	-	-	-	700,368	-	700,368
General capital projects	-	-	-	151,372	-	151,372
Public safety	-	316,550	-	-	-	316,550
Economic development	-	479,911	-	-	-	479,911
Debt service	-	-	1,534	-	-	1,534
Unassigned:	13,132,936	(135,575)	-	(1,121)	-	12,996,240
	<u>\$ 13,492,586</u>	<u>\$ 4,193,594</u>	<u>\$ 5,680,034</u>	<u>\$ 1,954,968</u>	<u>\$ 17,272</u>	<u>\$ 25,338,454</u>

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	\$95,524,510
Less: Accumulated depreciation	(39,811,657)
TOTAL	<u>\$55,712,853</u>

Long-term liabilities not due in governmental funds

Bonds payable, net	(\$17,757,451)
Loss on bond refunding	123,194
Due to other governments	(50,747)
TOTAL	<u>(\$17,685,004)</u>

Internal service fund net position reported as governmental activities

Total internal service fund net position	\$15,868,497
Net position reported with business-type activities	(2,044,737)
TOTAL	<u>\$13,823,760</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	\$4,248,476
Depreciation expense-Governmental fund operations	(2,957,898)
Contributions to business-type activities	(312,377)
Loss on capital dispositions	(17,393)
Contributions from private sources	162,059
Contributions from business-type activities	476,081
TOTAL	<u>\$1,598,948</u>

Long-term liability activity reported in government-wide statements

Debt payments expensed in fund statements	\$648,207
Amortization of refunding bond loss and discount/premium	(8,474)
TOTAL	<u>\$639,733</u>

Internal service fund changes in net position attributable to governmental activities

Total internal service fund changes in net position	\$501,227
Changes in net position attributable to business-type activities	(480,417)
TOTAL	<u>\$20,810</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 #15.

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS

The City of Longview's deposits are covered by Federal Depository Insurance or by pooled collateral held in multiple financial institutions administered by the Washington Public Deposit Protection Commission. 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, 2018, were \$1,622,627 which consists of \$1,475,654 as shown on the Statement of Net position, and \$146,973 as reported in the Statement of Fiduciary Net position. The average daily balance maintained during the year was \$3,283,300 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 entirety of the City's investments were in the Washington State Treasurer's Local Government Investment Pool (LGIP). Eligible investments for the LGIP portfolio are defined by state statute. Investment activity is guided by an investment policy approved by the State Treasurer, and follows the standard of the prudent investor. The portfolio is invested in a manner that meets the maturity, quality, and diversification and liquidity requirements set forth by the GASB for external investment pools who wish to measure all of its investments an amortized cost. The City's investments in the LGIP reported at amortized costs totaled \$43,593,746. This amount consists of \$42,796,458 of investments and \$797,288 of restricted investments as shown in the Statement of Net Position. If applicable, where fair value differs from cost, quoted market prices for similar securities 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 42 days. The City has no formally adopted investment policy regarding the investment risks in which it is exposed.

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 2018 collection was \$3.158844 per \$1,000 on an assessed valuation of \$2,928,021,239 for a total regular levy of \$9,249,162.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Governmental Activities

	Beginning Balance - Restated	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 5,498,514	\$ 58,882	\$ 397,745	\$ 5,159,651
Construction in progress	2,550,881	4,160,246	2,230,012	4,481,115
Total capital assets, not being depreciated	8,049,395	4,219,128	2,627,757	9,640,766
Capital assets, being depreciated:				
Buildings	17,346,657	830,491	-	18,177,148
Improvements other than buildings	3,228,974	33,116	-	3,262,090
Machinery and equipment	20,162,924	2,376,556	586,655	21,952,825
Infrastructure	61,075,845	815,396	-	61,891,241
Total capital assets being depreciated	101,814,400	4,055,559	586,655	105,283,304
Less accumulated depreciation for:				
Buildings	9,122,624	463,422	-	9,586,046
Improvements other than buildings	2,235,641	55,229	-	2,290,870
Machinery and equipment	11,576,004	1,362,151	556,853	12,381,302
Infrastructure	23,627,117	2,290,328	-	25,917,445
Total accumulated depreciation	46,561,386	4,171,130	556,853	50,175,663
Total capital assets, being depreciated, net	55,253,014	(115,571)	29,802	55,107,641
Governmental activities capital assets, net	\$ 63,302,408	\$ 4,103,557	\$ 2,657,559	\$ 64,748,406

Depreciation expense was charged to functions as follows:

General government	\$ 554,549
Public Safety	397,040
Transportation	2,701,812
Economic Environment	3,942
Culture and Recreation	513,787
Total governmental activities depreciation expense	<u>\$ 4,171,130</u>

Business-Type Activities

	Beginning Balance-restated	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,902,259	\$ -	\$ -	\$ 2,902,259
Construction in progress	2,517,396	5,810,891	2,570,728	5,757,559
Intangibles	4,163,538	-	-	4,163,538
Total capital assets, not being depreciated	9,583,193	5,810,891	2,570,728	12,823,356
Capital assets, being depreciated:				
Buildings	19,265,319	956,410	80,860	20,140,869
Improvements other than buildings	98,159,502	1,117,968	51,896	99,225,574
Machinery and equipment	30,176,633	536,828	144,245	30,569,216
Total capital assets being depreciated	147,601,455	2,611,206	277,001	149,935,660
Less accumulated depreciation for:				
Buildings	7,322,308	582,549	64,688	7,840,169
Improvements other than buildings	42,332,622	2,537,216	41,258	44,828,580
Machinery and equipment	11,442,942	1,428,182	139,245	12,731,879
Total accumulated depreciation	61,097,872	4,547,947	245,191	65,400,629
Total capital assets, being depreciated, net	86,503,582	(1,936,741)	31,810	84,535,031
Business-type activities capital assets, net	\$ 96,086,775	\$ 3,874,150	\$ 2,602,538	\$ 97,358,387

Depreciation expense was charged to functions as follows:

Water-sewer	\$ 3,743,441
Public transit	447,116
Storm water	287,945
Golf/misc. athletics	69,445
Total business-type activities depreciation expense	<u>\$ 4,547,947</u>

Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 699,534	\$ -	\$ -	\$ 699,534
Construction in progress	2,792,211	125,115	2,625,523	291,803
Total capital assets, not being depreciated	3,491,745	125,115	2,625,523	991,337
Capital assets, being depreciated/depleted:				
Buildings and systems	94,566,466	2,625,523	85,000	97,106,989
Equipment	150,629	-	-	150,629
Total capital assets being depreciated	94,717,095	2,625,523	85,000	97,257,618
Less accumulated depreciation for:				
Buildings and improvements	45,670,943	3,358,260	33,453	48,995,750
Equipment	128,823	13,788	-	142,611
Total accumulated depreciation	45,799,766	3,372,048	33,453	49,138,361
Total capital assets, being depreciated, net	48,917,329	(746,525)	51,547	48,119,257
Component unit capital assets, net	\$ 52,409,074	\$ (621,410)	\$ 2,677,070	\$ 49,110,594

All depreciation was charged to the sewage treatment function.

NOTE 7 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the [*GASB Statement 68, Accounting and Financial Reporting for Pensions*](#) for the year 2018:

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	2,137,354	6,908,263	0	9,045,618
Deferred outflows	375,071	783,477	0	674,008	258,528	2,091,084
Pension liabilities	4,909,868	2,143,723	0	0	1,516,012	8,569,603
Deferred inflows	195,115	2,424,497	173,522	2,611,104	111,731	5,515,970
Pension expense	465,554	(91,064)	(317,305)	(257,581)	158,187	(42,209)

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 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January – August 2018:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative fee	0.18%	
Total	12.70%	6.00%
September – December 2018:		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%

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

The City's actual contributions to the plan were \$751,890 for the year ended December 31, 2018.

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 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January – August 2018:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 2/3 UAAL	5.03%	
Administrative fee	0.18%	
Employee PERS Plan 3		varies
Total	12.70%	7.38%
September – December 2018:		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 2/3 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

* For employees participating in JBM, the contribution rate was 18.45% to 18.53%.

The City's actual contributions to the plan were \$988,163 for the year ended December 31, 2018.

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 2018. 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 includes 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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee

January – June 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
July – December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%

The City's actual contributions to the plan were \$617,183 for the year ended December 31, 2018.

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, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the City of Longview as its proportionate share of this amount is \$385,448.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. 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* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent 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 changes in methods and assumptions since the last valuation.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.

- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent 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 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

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, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the 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%	4.90%
Real Estate	15%	5.80%

Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability (NPL) Asset

The table below presents the City of Longview's proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City of Longview's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

2018	Current		
	1% Decrease (6.4 %)	Discount Rate (7.4 %)	1% Increase (8.4 %)
PERS 1	6,033,921	4,909,868	3,936,211
PERS 2/3	9,805,439	2,143,723	(4,138,029)
LEOFF 1	(1,700,306)	(2,137,354)	(2,513,627)
LEOFF 2	(918,670)	(6,908,263)	(11,793,473)

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, 2018, the City's total pension liability (asset) for its proportionate share of the State sponsored pension plans are reported directly above. The amount recognized by the City as its proportionated share of the net pension liability (asset), the related State support, and the total portion of the net pension liability (asset) associated with the City are as follows:

	Liability (or Asset)
LEOFF 2 – employer's proportionate share	(\$6,908,263)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	(\$4,512,690)
TOTAL	(\$11,420,953)

Employer contribution transmittals received and processed by the 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 the 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 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, 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 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Changes in Employer's Proportionate Share

	2018			
	PERS Plan I	PERS Plan 2/3	LEOFF Plan I	LEOFF Plan 2
City of Longview current share of collective net pension liability (asset)	0.109938%	0.125554%	0.117728%	0.340272%
Share at prior measurement date	0.109217%	0.127065%	0.119640%	0.315313%
Change in share since last measurement date	0.000721%	-0.001511%	-0.001912%	0.024959%

Employer's Deferred Outflows of Resources & (Deferred Inflows of Resources)

	PERS Plan I	PERS Plan 2/3	LEOFF Plan I	LEOFF Plan 2	Totals
Differences between projected and actual earnings on plan investments	(195,115)	(1,315,488)	(173,522)	(1,209,039)	(2,893,164)
Expected and actual experience differences	-	262,764	-	370,062	632,826
Expected and actual experience differences	-	(375,326)	-	(160,411)	(535,737)
Change of actuarial assumptions	-	25,078	-	3,911	28,988
Change of actuarial assumptions	-	(610,086)	-	(991,461)	(1,601,547)
Change in City's proportionate share	-	(123,597)	-	(250,194)	(373,791)
Contributions after measurement date	375,071	495,635	-	300,035	1,170,741
Total deferred outflows	375,071	783,477	-	674,008	1,832,556
Total deferred inflows	(195,115)	(2,424,497)	(173,522)	(2,611,104)	(5,404,239)

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,

2018. 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

Year	PERS	PERS	LEOFF	LEOFF
	Plan I	Plan 2/3	Plan I	Plan II
2019	8,536	(113,913)	166	(110,790)
2020	(42,653)	(318,930)	(39,145)	(293,845)
2021	(127,991)	(694,836)	(106,615)	(632,997)
2022	(33,008)	(187,808)	(27,927)	(171,407)
City Plan Totals	(195,115)	(1,315,488)	(173,522)	(1,209,039)
DRS Totals (thousands)	(177,478)	(1,047,746)	(147,392)	(355,315)

Differences in Expected and Actual Experience

Year	PERS	PERS Plan 2/3		LEOFF	LEOFF Plan II	
	Plan I	(Inflows)	Outflows	Plan I	(Inflows)	Outflows
2019	-	(113,129)	95,096	-	(18,652)	87,472
2020	-	(60,957)	38,993	-	(18,652)	87,472
2021	-	(47,914)	38,993	-	(18,652)	40,357
2022	-	(47,914)	38,993	-	(18,652)	23,809
2023	-	(47,914)	38,993	-	(18,652)	23,809
Thereafter	-	(57,497)	11,698	-	(67,149)	107,142
City Plan Totals	-	(375,326)	262,764	-	(160,411)	370,062
DRS Totals (thousands)	-	(298,936)	209,284	-	(47,142)	108,755

Changes in Actuarial Assumptions

Year	PERS	PERS Plan 2/3		LEOFF	LEOFF Plan II	
	Plan I	Inflows	Outflows	Plan I	Inflows	Outflows
2019	-	(98,401)	19,983	-	(104,364)	1,777
2020	-	(98,401)	4,074	-	(104,364)	1,777
2021	-	(98,401)	309	-	(104,364)	357
2022	-	(98,401)	309	-	(104,364)	-
2023	-	(98,401)	309	-	(104,364)	-
Thereafter	-	(118,081)	93	-	(469,639)	-
City Plan Totals	-	(610,086)	25,078	-	(991,461)	3,911
DRS Totals (thousands)	-	(485,915)	19,974	-	(291,373)	1,149

Changes in Employer's Share of Net Pension Liability

<u>Year</u>	PERS Plan I	PERS Plan 2/3	LEOFF Plan I	LEOFF Plan II
2019	-	(33,075)	-	(16,727)
2020	-	(21,181)	-	(16,727)
2021	-	(19,397)	-	(23,504)
2022	-	(19,397)	-	(29,204)
2023	-	(19,397)	-	(29,204)
Thereafter	-	(11,151)	-	(134,828)
City Plan Totals	-	(123,597)	-	(250,194)

C. Other Primary 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), 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.

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 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.

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: 25% of the tax on fire insurance premiums collected by the State is earmarked by State law for distribution to cities for this purpose, that amount for fiscal 2018 was \$51,070. Other funding comes from interest earnings on investments and biennially budgeted expenditures of the City's General Fund. The costs of administering the plan are financed through resources accumulated from these funds. The City 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. No funds are held in trust to fund these pension benefits as the plan also administers postemployment healthcare benefits where resources are not specifically identifiable between the two respective components.

Current pension membership in the plan is comprised of the following:

<u>Group</u>	<u>Plan members</u>
Retirees and beneficiaries currently receiving	
Medical and/or pension benefits	19
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.	10
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.	8
3. Surviving spouse pension only	1

Pension Liability Including Actuarial Methods and Significant Assumptions

The measurement date of the total pension liability as well as the actuarial valuation date on which the total pension liability is based in December 31, 2018. 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 6.5% in 2018 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 4% to represent both the expected return on assets for the funded portion of the benefit obligation and 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 is \$1,516,012 with amounts representing a 1% increase and a 1% decrease in the discount rate listed below. The pension plan liability is based on an actuarial valuation date of December 31, 2018. 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 the changes total pension liability, and the net pension liability at the current discount rate and at one percentage point above and below the current discount rate.

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY FIREMEN'S PENSION FUND

	<u>2018</u>
Total pension liability	
Service cost	\$0
Interest	46,107
Changes of acturaial assumptions	62,862
Expected and actual experience differences	238,754
Benefit payments	<u>(122,470)</u>
Net change in total pension liability	225,253
Beginning total pension liability	<u>1,290,759</u>
Endiing total pension liability (a)	<u><u>\$1,516,012</u></u>

SENSITIVITY ANALYSIS

	1% Decrease	Current Discount Rate (4.00%)	1% Increase
Total Pension Liability (Asset)	1,656,619	1,516,012	1,393,795

Deferred Outflows of Resources and Deferred Inflows of Resources with respect to the total pension liability are listed below in balance totals and in amortized amounts by year.

Employer's Deferred Outflows of Resources & (Deferred Inflows of Resources)

Firemen's Pension Plan		
Totals		
	<u>Outflows</u>	<u>Inflows</u>
Expected and actual experience differences	204,646	94,541
Change in actuarial assumptions	53,882	17,190
Totals	258,528	111,731

Deferrerd Outflows and (Deferred Infows) To Be Recognized in Pension Expense

Year	Projected and Actual Investment Earnings <u>Differences</u>	Projected and Actual Investment Earnings <u>Differences</u>	Changes in Actuarial Assumptions	Changes in Actuarial Assumptions
2019	(23,520)	34,108	(4,298)	8,980
2020	(23,520)	34,108	(4,298)	8,980
2021	(23,520)	34,108	(4,298)	8,980
2022	(23,517)	34,108	(4,296)	8,980
2023	(464)	34,108	-	8,980
2024	-	34,106	-	8,982
Totals	(94,541)	204,646	(17,190)	53,882

D. Component Unit Pension Plans

All eligible Three Rivers Wastewater Authority personnel participate in the PERS retirement system administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit plans. The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Sensitivity of the Net Pension Liability (NPL) Asset

The table below presents the Three River's proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

2018	1% Decrease (6.4 %)	Current Discount Rate (7.4 %)	1% Increase (8.4 %)
PERS 1	722,833	588,177	471,538
PERS 2/3	1,320,470	288,689	(557,256)

Below is further information on plan balances relative to participation in these plans.

Changes in Employer's Proportionate Share

	2018	
	PERS Plan I	PERS Plan 2/3
Three Riveres share of current share of collective net pension liability (asset)	0.013170%	0.016908%
Share at prior measurement date	0.013246%	0.017039%
Change in share since last measurement date	-0.000076%	-0.000131%

Aggregate Pension Amounts - Three Rivers Wastewater Authority

	PERS Plan I	PERS Plan 2/3	Totals
Pension liabilities	588,177	288,689	876,866
Deferred outflows	45,162	134,207	179,369
Deferred inflows	23,374	315,529	338,903
Pension expense	48,564	1,511	50,075

Employer's Deferred Outflows of Resources & (Deferred Inflows of Resources)

	PERS Plan I	PERS Plan 2/3	Totals
Differences between projected and actual earnings on plan investments	(23,374)	(177,153)	(200,527)
Expected and actual experience differences	-	35,386	35,386
Expected and actual experience differences	-	(50,544)	(50,544)
Change of actuarial assumptions	-	3,377	3,377
Change of actuarial assumptions	-	(82,159)	(82,159)
Change in City's proportionate share	-	28,897	28,897
Change in City's proportionate share	-	(5,673)	(5,673)
Contributions after measurement date	45,162	66,547	111,709
Total deferred outflows	45,162	134,207	179,369
Total deferred inflows	(23,374)	(315,529)	(338,903)

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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	PERS Plan I	PERS Plan 2/3
2019	1,023	(19,970)
2020	(5,110)	(54,068)
2021	(15,333)	(104,650)
2022	(3,954)	(36,370)
2023	-	(11,078)
Thereafter	-	(21,733)
TRWWA Totals	(23,374)	(247,869)

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The below displays the 2018 aggregate amounts of other postemployment benefits other than pensions for the City of Longview's Single Employer plan under the requirements of GASB Statement 75, Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions.

Aggregate OPEB Amounts

OPEB Liabilities	\$ 28,476,797
Deferred Outflows	\$ 323,093
OPEB Expense/expenditures	\$ 72,040

Plan Description

In accordance with RCW 41.26 (Law Enforcement Officers' and Firefighters' Retirement System), the City of Longview provides medical insurance and long term care insurance to retired police officers and firefighters hired prior to October 1, 1977. LEOFF 1 retirees are entitled to lifelong medical benefits, including long term care and services considered to be reasonable and medically necessary by the City of Longview LEOFF 1 disability board. There currently are 61 inactive participants consisting of 29 retired police officers and 32 retired firefighters. There are no contribution requirements. No assets are accumulated in this fund as it is not considered a formal trust. This has been concluded due to the assets not being placed into an irrevocable fund, and that these assets are not dedicated to the specific police versus fire components of the fund, and also that assets are not legally protected from creditors.

Actuarial Methods and Significant Assumptions

The City of Longview qualifies for use of the alternative method for calculating its OPEB liability and expense as permitted by GASB Statement 75 under design by the Washington Office of the State Actuary (OSA). For the latest valuation, the OSA used actuarial valuation and actuarial measurement dates of June 30, 2018 under the actuarial cost method. The deferred outflows mentioned above reference plan contributions after the measurement date that will be applied against the subsequent year's pension expense. Detailed below is the current period's change in total OPEB liability and related ratios.

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
Measurement Date as of June 30, 2018

Service cost	\$ -
Interest	1,036,403
Changes in experience data and assumptions	(928,779)
Estimated benefit payments	<u>(1,151,156)</u>
Net change in total OPEB liability	(1,043,532)
Beginning total OPEB liability	<u>29,520,329</u>
Ending total OPEB liability	<u>\$ 28,476,797</u>
Covered employee payroll	\$ -
Total OPEB liability as a percentage of above	N/A

Sensitivity of the Net OPEB Liability

The City of Longview's total OPEB liability was calculated using the discount rate of 3.58 percent at the beginning of the measurement period with the rate obtained from the Bond Buyer Obligation 20-Bond Municipal Index. The below table presents the total OPEB liability using various healthcare trend rates from 12% trending down to 5% with a long-term care rate of 4.5% with mortality rates. The table also calculates what the City of Longview's total OPEB liability would be if it were calculated using a discount rate 1-percentage point lower and 1-percentage point higher than the rates above. Mortality rates assume a 100% male population.

	<u>Total OPEB Liability</u>		
	1% Decrease	Current Rate	1% Increase
Discount Rate	31,961,806	28,476,797	25,538,558
Healthcare Trend Rate	25,649,840	28,476,797	31,752,792

Association of Washington Cities Employee Benefits 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 whose OPEB liability is included in the calculations above. 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 City of Longview provides medical benefits to LEOFF I retirees through the Trust, at a cost of \$631.34 for each Medicare enrolled retiree and 1,559.26 for each non-Medicare enrolled retiree.

The City's payments to the plan providers for the year ending December 31, 2018 totaled \$725,160.

Defined Contribution OPEB Plans

MEDICAL EXPENSE REIMBURSEMENT PLAN

The City of Longview and the International Association of Fire Fighters Unions 828 and 3375 provide for health insurance for eligible future retirees through a medical expense reimbursement plan (MERP). The City through negotiation with these unions is obligated to make monthly contributions to the Washington State Council of Fire Fighters Employee Benefits Trust Medical Expense Reimbursement Plan consisting of \$75 for each member of Union 828 and \$37.50 for each member of Union 3375 bargaining units. Eligible retirees are entitled to reimbursement toward the payment of covered expenses, generally consisting of insurance premiums and medical expenses incurred by the retired employee once eligible under MERP. Any and all administrative and reporting requirements and responsibilities to the Trust are the responsibility of the union and not the City. The Board of Trustees establish plan rates with the ability to amend these rates primarily based on updated actuarial data. The bargaining agreement between these parties extends through December 2019. Contributions for 2018 into Union Plan 828 were \$76,800 and Union Plan 3375 were \$3,600

VOLUNTARY EMPLOYEE BENEFICIARY PLAN

The City of Longview, through Infinisource Inc., administers a single employer defined contribution Voluntary Employee Beneficiary Association Plan (VEBA). The terms of this plan were establish through various union contracts and may be amended by the City Council through negotiation with the unions per the terms of the City's employee handbook. The City makes monthly contributions into a Health Reimbursement Arrangement account for employees that participate in one of the high deductible health insurance plans offered by the City. The City contributes \$750 monthly for each covered employee. Employees not participating in the high-deductible plan may be eligible for VEBA contributions if the City's equivalent cost contribution to the high-deductible plan is greater than the premium for a non-high-deductible plan. The difference shall be deposited into the employee's VEBA account for this purpose. An employee may opt out of this coverage and receive a monthly contribution to a VEBA account equal to half the employer's premium cost equivalent. If the employee has alternate coverage. Contributions for 2018 into this plan were \$349,965.

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 161 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 \$21 million per occurrence in the re-insured excess layer. Total limits are \$25 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 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, 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 2018 on principal obligation only.

	Balances Forward- Restated	Increases	Decreases	Ending Balances	Due within one year
Governmental activities					
General obligation bonds	\$ 17,832,328	\$ -	\$ 583,606	\$ 17,248,722	\$ 590,000
unamortized (discount) premium	515,654	-	6,925	508,729	16,499
Total general obligation bonds	18,347,982	-	590,531	17,757,451	606,499
Intergovernmental loans	115,348	-	64,601	50,747	50,747
Compensated absences (1)	4,155,819	2,408,669	2,442,643	4,121,845	1,814,436
Net pension liability (1,2)	8,436,372	-	1,450,050	6,986,322	-
Net OPEB obligation (1,3)	29,520,329	-	1,043,532	28,476,797	925,000
Total governmental activities	<u>\$ 60,575,850</u>	<u>\$ 2,408,669</u>	<u>\$ 5,591,357</u>	<u>\$ 57,393,162</u>	<u>\$3,396,682</u>
Business-type activities					
Revenue bonds	\$ 8,935,000	\$ -	\$ 385,000	\$ 8,550,000	\$ 395,000
unamortized (discount) premium	835,294	-	49,135	786,159	49,135
Total revenue bonds	9,770,294	-	434,135	9,336,159	444,135
General obligation bonds	67,672	-	1,394	66,278	1,394
Intergovernmental loans	30,120,824	341,262	1,352,017	29,110,069	3,035,478
Compensated absences	475,158	531,583	374,435	632,306	287,586
Net pension liability (2)	2,451,719	-	868,438	1,583,281	-
Pollution remediation obligations	1,870,392	-	5,482	1,864,910	1,864,910
Total business-type activities	<u>\$ 44,756,059</u>	<u>\$ 872,845</u>	<u>\$ 3,035,901</u>	<u>\$ 42,593,003</u>	<u>\$5,633,503</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, 2018

\$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%.

5,705,000

\$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%.

2,440,000

\$9,410,000 – 2017 Limited Tax General Obligation and Refunding Bonds

Due in installments of \$185,000 to \$435,000 through December 2047
With interest of 3.0% to 4.0%.

9,170,000

Total General Obligation Bonds Outstanding

\$17,315,000

Other General Obligation Debt:

\$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.

50,747

Total Other General Obligation Debt Outstanding

\$50,747

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

GENERAL OBLIGATION DEBT

Year ending December, 31	Bonds		Other	
	Principal	Interest	Principal	Interest
2019	\$590,000	\$670,751	\$50,747	\$3,045
2020	845,000	651,638	0	0
2021	850,000	620,908	0	0
2022	885,000	589,316	0	0
2023	895,000	555,706	0	0
2024-28	4,500,000	2,246,871	0	0
2029-33	3,385,000	1,465,200	0	0
2034-38	2,715,000	754,519	0	0
2039-43	1,430,000	373,231	0	0
2044-47	1,220,000	95,850	0	0
	<u>\$17,315,000</u>	<u>\$8,023,990</u>	<u>\$50,747</u>	<u>\$3,045</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%.

\$8,550,000

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

286,000

\$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	533,626
\$1,000,000 – 2010 Public Works Trust Fund Loan. Proceeds to fund new Regional Water Treatment Plant. Annual interest of ½% through 2028	533,626
\$3,213,000 – 2010 Public Works Trust Fund Loan. Proceeds to fund new Regional Water Treatment Plant. Annual interest of ½% through 2028	1,848,656
\$8,080,000 – 2011 Public Works Trust Fund Loan. Proceeds to fund new Regional Water Treatment Plant. Annual interest of ½% through 2028	4,562,097
\$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	8,203,960
\$12,000,000 – 2012 Public Works Trust Fund Loan for the Mint Farm Regional Water Supply Projects. Annual interest of 1% through 2034	6,300,000
\$10,000,000 – 2012 Public Works Trust Fund Loan for the Mint Farm Regional Water Supply Project. Annual interest of .5% through 2032	6,842,104

Total Other Enterprise Debt **\$29,110,069**

The annual requirements for outstanding revenue debt are as follows:

REVENUE DEBT

Year ending December, 31	Bonds		Other	
	Principal	Interest	Principal	Interest
2019	395,000	338,050	3,035,477	467,069
2020	405,000	326,200	2,215,127	335,185
2021	425,000	310,000	2,229,922	309,066
2022	440,000	293,000	2,245,136	282,527
2023	460,000	275,400	2,260,782	255,555
2024-28	2,580,000	1,087,000	11,432,000	857,844
2029-33	3,140,000	527,600	5,691,625	188,839
2034	705,000	28,200	0	0
	<u>\$8,550,000</u>	<u>\$3,185,450</u>	<u>\$29,110,069</u>	<u>\$2,696,084</u>

E. Component Unit Debt

Changes in debt for the Three Rivers Wastewater Authority are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$		\$		

	12,365,000	\$ -	3,420,000	\$ 8,945,000	\$ 3,590,000
Issuance premiums	<u>653,917</u>	<u>-</u>	<u>179,373</u>	<u>474,544</u>	<u>159,797</u>
Total Bonds payable	<u>13,018,917</u>	<u>-</u>	<u>3,599,373</u>	<u>9,419,544</u>	<u>3,749,797</u>
Government loans	5,572,285	-	925,559	4,646,726	925,559
Net Pension Liability	1,220,557	-	343,691	876,866	-
Compensated absences	<u>252,119</u>	<u>171,231</u>	<u>126,060</u>	<u>297,290</u>	<u>148,645</u>
Total Long-term Liabilities	\$ <u>20,063,878</u>	\$ <u>171,231</u>	\$ <u>4,994,683</u>	\$ <u>15,240,426</u>	\$ <u>4,824,001</u>

1. Revenue Bonds & Other Enterprise Debt

Revenue Bonds:

\$34,400,000 – 2002 Revenue Refunding Bonds due in installments of \$1.6 million to \$2.8 million through November of 2019 with interest at 2.5% to 5.5%. 2,790,000

\$8,495,000 – 2015 Revenue Refunding Bonds due in installments of \$805,000 to \$970,000 through March of 2025 with interest at 2.0% to 4.0%. 6,155,000

Total Revenue Bonds **\$8,945,000**

Other Enterprise Debt:

\$7,000,000 – 1999 Public Works Trust Fund Loan. Annual principal of \$375,329 through June 2019 with annual interest of 1% per annum. \$375,329

\$3,000,000 – 2002 Public Works Trust Fund Loan. Annual principal of \$158,333 through June 2021 with annual interest of .5% per annum. 475,000

\$6,630,750 – 2008 Public Works Trust Fund Loan. Annual principal of \$351,040 through July 2028 with annual interest of .5% per annum. 3,510,397

\$776,287 – 2006 Public Works Trust Fund Loan. Annual principal of \$40,487 through June 2025 with annual interest of .5% per annum. 296,000

Total Other Enterprise Debt **\$4,656,726**

2. Debt Service Requirements

	Bonds		Other	
	Principal	Interest	Principal	Interest
2019	3,590,000	345,150	925,559	26,885
2020	825,000	167,325	550,230	20,381
2021	850,000	142,200	550,230	17,624

2022	875,000	116,325	391,897	14,870
2023	900,000	89,700	391,897	12,908
2024-2028	1,905,000	76,900	1,836,913	35,726
	<u>8,945,000</u>	<u>937,600</u>	<u>4,646,726</u>	<u>128,394</u>

NOTE 11 - SHORT-TERM DEBT

The City of Longview had no reportable short-term debt outstanding as of December 31, 2018, nor did the City enter into any new applicable agreement during the calendar year.

NOTE 12 - CONTINGENCIES AND LITIGATION

The City of Longview participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The City of Longview's management believes that such disallowances, if any as described above, would be immaterial.

NOTE 13 - INTERFUND BALANCES AND TRANSACTIONS

A. Interfund Transfers

Interfund transfers generally represent subsidies provided with no corresponding obligation for repayment. The purpose of these transfers may include the need to finance capital, debt or operating activities. Interfund transfers for the City of Longview during 2018 are as follows:

TRANSFERS IN						
	General Fund	Nonmajor Gov'tal	Water-Sewer	Nonmajor Enterprise	Internal Service	TOTAL
TRANSFERS OUT						
General Fund		1,022,060		89,254	3,273	1,114,588
Nonmajor Governmental	135,012	178,313				313,325
Water-Sewer					9,819	9,819
Stormwater					3,273	3,273
Nonmajor Enterprise						0
Internal Service						0
TOTAL	135,012	1,200,373	0	89,254	16,365	1,441,005
Governmental transfers to proprietary funds (bold)					(89,254)	
Proprietary transfers to governmental funds (italic bold)					<u>13,092</u>	
Net government transfers to proprietary funds						(76,162)
<u>Government-wide reclassifications</u>						
Proprietary asset transfers to governmental activities						476,081
Proprietary capital contributions from governmental activities						<u>(312,377)</u>
Net business-type transfers to governmental activities						87,542

B. Due From/To Other Funds

I

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, 2018 are as follows:

DUE FROM OTHER FUNDS								
	General	Nonmajor Gov'tal	Water-Sewer	Sanitation	Storm-water	Public	Internal Service	TOTAL
DUE TO OTHER FUNDS								
General Fund		3,445	1,758	142	0	13,996	22,775	42,116
Nonmajor Governmental	184,120	1,503	0					185,623
Water-Sewer	131,245							131,245
Sanitation	12,730							12,730
Stormwater	8,469	104,189					217	112,875
Internal Service						0		0
TOTAL	336,563	109,137	1,758	142	0	13,996	22,992	484,589
Amount due governmental funds from proprietary funds (bold over italics)								(240,954)
Resources from business-type activities used in Internal Service Fund operations								2,044,737
Government-wide internal balances due business-type activities								<u>1,803,783</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 PAYABLE</u>	<u>INTERFUND LOANS RECEIVABLE</u>	
	General Fund	TOTAL
Nonmajor Governmental	735,000	735,000
TOTAL	735,000	735,000

NOTE: All interfund loans eliminated at government-wide level

NOTE 14 – TAX ABATEMENTS

The City of Longview does have property tax incentives in various residential targeted areas, particularly in its downtown and civic center districts. To date, the City has not been approached by developers desiring to take advantage of the property tax exemption. Cowlitz County has entered into tax abatement agreements for property taxes relative to City of Longview parcels under RCW 84.36.020 with taxes abated totaling just over \$8,100 for 2018. This amount constitutes all such abatements with no information omitted due to legal provisions.

NOTE 15 - SPECIFIC FUND BALANCES

Fund Equity Deficits

The following funds reported deficit fund balances as of December 31, 2018:

Arterial Street Special Revenue Fund

The reported deficit fund balance of \$135,575 is in part 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 offset the balance of the deficit.

LID Construction Fund

This fund has one Local Improvement District in early stages where assessment revenue has not been levied to cover the preliminary planning and design costs.

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 \$7,072 reported as restricted fund balance representing funds available for appropriate expenditure. Consistent with regulations, this fund operates on a total-return policy where any portion of the unrestricted fund balance is available for expenditure as long as they meet the restrictions of the endowment.

NOTE 16 - RELATED PARTY TRANSACTIONS

- A. The City of Longview, a municipal corporation and the Cowlitz Transit Authority, a public transportation benefit area created pursuant to RCW Chapter 36.57A, entered into an Interlocal

Agreement to provide public transportation services effective January 1, 1988. The City of Longview provides public transportation services within the area of the Cowlitz Transit Authority in accordance with the comprehensive transit plan of the Cowlitz Transit Authority including but without limitation, the providing of vehicles, vehicle maintenance, vehicle operation, public liability and property damage insurance, supervision, and all labor and services in connection therewith, all in accordance with said comprehensive Transit Plan and in accordance with public transportation schedules as determined by the Cowlitz Transit Authority. The Cowlitz Transit Authority, through interlocal agreement, 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 2018, the City of Longview incurred just under \$5.1 million 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, 2020. 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. Relative to this EDA program as of December 31, 2018, the Economic Development Special Revenue Fund reports \$530,643 in restricted fund balance.
- 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 (BHWS). Ownership parallels the participation ratio of the volume of water delivered to each participant's citizenry. As of December 31, 2018, ownership distribution was 85.20% for the City to 14.80% for the BHWS. 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 \$1,037,800 for operations and maintenance, and \$966,100 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 2018 changes in the BHWSO's minority interest.

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

Balance forward	\$2,878,331
Net contributions (uses) of capital funding	67,988
Net loss percentage	(166,413)
Ending balance	<u>\$2,779,906</u>

- D. 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). On December 27, 2017, the City executed a new interlocal agreement with the PFD issuing bonds refunding the 2007 issue with a face value payable from the PFD of \$5,775,000. Together, the additional bond funds in the 2017 LTGO issue, and the issue for Theatre improvements, their year-end obligation as reported in the LTGO Bond Debt Service Fund is \$5,680,000.

NOTE 17 - 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 \$76,000 to the Board in 2018. 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 18 - CHANGE IN ACCOUNTING PRINCIPAL

The Governmental Accounting Standards Board passed Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which became effective for this reporting period. This GASB statement requires state and local governments to report the full present value of projected benefits to be provided that are attributable to past services, less the plan's fiduciary net position if applicable. The impact of this statement necessary to bring on this obligation results in a change in accounting principle reducing the beginning net position of governmental activities by \$26,820,123.

NOTE 19 - PRIOR PERIOD ADJUSTMENTS

The City examined its Firemen's Pension Trust Fund with respect to the definition of a trust under current accounting standards. It has been determined that the fund does not formally meet that definition. As such, its activities and balances have been reclassified from a Pension Trust Fiduciary Fund to those of the General Fund. The result is a prior period adjustment to the Governmental Funds Statement of Changes in Fund

Balances, and the Fiduciary Funds Statement of Changes in Net Position of \$1,423,820 representing the December 31, 2017 net position in the pension trust fund, as well as a prior period adjustment to the Major Governmental Funds Budget to Actual Statement of \$1,425,917 representing the December 21, 2016 net position in the pension trust fund. Governmental activities is also impacted by a net position decrease of \$432,812 due to the scope of the pension liability shifting from net pension liability to total pension liability.

The City of Longview revised its interlocal agreement with the Three Rivers Wastewater Authority as described above in Note 17.B to give the City the ability to approve their budget. This results in a relationship of fiscal dependence requiring that the City report the TRRWA as a component unit. As such, the discretely presented component unit reports a prior period adjustment of \$37,628,451 representing the net position of the TRRWA as of December 31, 2017.

The City of Longview revised its interlocal agreement with the Cowlitz Transit Authority (CTA) pertaining to related party activity described in Note 16.A., directed the relocation of grant funded assets previously recognized as CTA assets to the City of Longview. This reassignment of assets results in a prior period adjustment increase to the Public Transit Fund net position of \$3,504,793 representing assets with a historical cost of \$8,600,765 and accumulated depreciation of \$5,095,972.

Revenue was receipted into the Arterial Street Special Revenue Fund in 2017 while the reimbursable grant expenditures were disbursed from the Camera Infraction Program Special Revenue Fund. Consequently, these non-major governmental funds report counter-balancing prior period adjustments in 2018 of \$221,927.

The City reevaluated the useful service lives of certain capital assets during this reporting period. Incorporating the new estimated lives of these fully depreciated assets resulted in reducing accumulated depreciation for excess amounts charged in prior periods. This adjustment increased the net position for Governmental Activities of \$2,538,873.

NOTE 20 - DISCRETELY PRESENTED COMPONENT UNITS

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. The TRRWA is a Joint Municipal Services Agency formed to provide wastewater treatment services to Cowlitz County, the City of Kelso, the Beacon Hill Water-Sewer District and the City of Longview who holds the power to approve the Authority's budget. 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 2018, The City of Longview paid TRRWA a total of \$5,942,566. 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 beyond the termination agreement, however fiscal dependency is considered to exist as the City of Longview as the ability to approve TRRWA's budget. The City of Longview is TRRWA's only source of accrual based financial statements.

NOTE 21 - 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 \$1,864,910 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 2019.

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

	6/30/2018			6/30/2017		
	PERS	PERS	LEOFF	PERS	PERS	LEOFF
	Plan I	Plan 2/3	Plan I	Plan I	Plan 2/3	Plan I
Collective Net Pension Liability (NPL)	4,466,034	1,707,411	(1,815,502)	4,745,078	3,474,522	(1,517,220)
City of Longview value of NPL	4,909,868	2,143,723	(2,137,354)	5,182,432	4,414,901	(1,815,202)
City of Longview share of NPL	0.109938%	0.125554%	0.117728%	0.109217%	0.127065%	0.119640%
City of Longview share of NPL at prior measurement date	0.109217%	0.127065%	0.119640%	0.113323%	0.129371%	0.120510%
Change in share since last measurement date	0.000721%	-0.001511%	-0.001912%	-0.004106%	-0.002306%	-0.000870%
Covered payroll	13,673,494	13,024,363	0	13,077,501	12,506,753	0
City of Longview value of NPL as a percentage of covered payroll	35.91%	16.46%	N/A	39.63%	35.30%	N/A
Pension plan's fiduciary net position (FNP) *	7,677,378	38,685,317	5,902,733	7,496,920	35,000,803	5,736,497
Total pension liability *	12,143,412	40,392,728	4,087,231	12,241,998	38,475,325	4,219,277
FNP as a percentage of total pension liability	63.22%	95.77%	144.42%	61.24%	90.97%	135.96%

	6/30/2016			6/30/2015		
	PERS	PERS	LEOFF	PERS	PERS	LEOFF
	Plan I	Plan 2/3	Plan I	Plan I	Plan 2/3	Plan I
Collective Net Pension Liability (NPL)	5,370,471	5,034,921	(1,030,286)	5,230,930	3,573,057	(1,205,221)
City of Longview value of NPL	6,085,979	6,513,728	(1,241,598)	5,941,133	4,654,836	(1,441,444)
City of Longview share of NPL	0.113323%	0.129371%	0.120510%	0.113577%	0.130276%	0.119600%
City of Longview share of NPL at prior measurement date	0.113577%	0.130276%	0.119600%	0.102161%	0.131532%	0.120117%
Change in share since last measurement date	-0.000254%	-0.000905%	0.009100%	0.011416%	-0.001256%	-0.000517%
Covered payroll	639,821	12,097,327	0	646,234	11,577,313	0
City of Longview value of NPL as a percentage of covered payroll	951.20%	53.84%	N/A	919.35%	40.21%	N/A
Pension plan's fiduciary net position (FNP) *	7,126,401	30,482,624	5,370,868	7,561,078	29,515,161	5,610,149
Total pension liability *	12,496,872	35,517,545	4,340,582	12,789,242	33,085,016	4,404,928
FNP as a percentage of total pension liability	57.03%	85.82%	123.74%	59.12%	89.21%	127.36%

Detail on Employer's Proportionate Share Plans with Special Funding Situations

	6/30/18	6/30/17	6/30/16	6/30/15
	LEOFF	LEOFF	LEOFF	LEOFF
	Plan II	Plan II	Plan II	Plan II
Collective Net Pension Asset (NPA) *	2,030,218	1,387,676	531,630	1,027,800
City of Longview share of NPA	0.340272%	0.315313%	0.319916%	0.322887%
City of Longview value of NPA (A)	6,908,263	4,375,523	1,860,727	3,318,633
Nonemployer entities share on NPA (B)	1,190,154	1,190,154	1,213,057	2,194,180
Total of A and B above	8,098,417	5,565,677	3,073,784	5,512,813
Covered payroll	11,246,384	9,867,698	9,696,666	9,383,324
City of Longview value of NPA as a percentage of covered payroll	61.43%	44.34%	19.19%	35.37%
Pension plan's fiduciary net position (FNP) *	13,005,552	11,776,127	10,210,620	9,832,669
Total pension asset *	10,975,334	10,388,451	9,628,990	8,804,869
FNP as a percentage of total pension asset	118.50%	113.36%	106.04%	111.67%

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

Schedule of Employer Contributions

	12/31/18				12/31/17			
	PERS	PERS	LEOFF	LEOFF	PERS	PERS	LEOFF	LEOFF
	Plan I	Plan 2/3	Plan I	Plan II	Plan I	Plan 2/3	Plan I	Plan II
Contractually required contributions	750,692	988,163	-	596,878	697,645	903,114	-	566,047
Above amount recognized by the plan	(750,692)	(988,163)	-	(596,878)	(697,645)	(903,114)	-	(566,047)
Contractually required contributions in excess of plan recognized cont.	-	-	-	-	-	-	-	-
Covered payroll	13,840,604	13,175,173	-	11,280,653	13,401,762	12,821,534	-	10,568,420
Contributions as a percentage of covered payroll	5.42%	7.50%	N/A	5.29%	5.21%	7.04%	N/A	5.36%

	12/31/16				12/31/15			
	PERS	PERS	LEOFF	LEOFF	PERS	PERS	LEOFF	LEOFF
	Plan I	Plan 2/3	Plan I	Plan II	Plan I	Plan 2/3	Plan I	Plan II
Contractually required contributions	652,235	784,148	-	510,178	584,081	688,762	-	502,880
Above amount recognized by the plan	(652,235)	(784,148)	-	(510,178)	(584,081)	(688,762)	-	(502,880)
Contractually required contributions in excess of plan recognized cont.	-	-	-	-	-	-	-	-
Covered payroll	614,599	12,233,179	-	9,754,828	633,215	11,838,443	-	9,615,287
Contributions as a percentage of covered payroll	106.12%	6.41%	N/A	5.23%	92.24%	5.82%	N/A	5.23%

Supplementary Schedules – single employer plans

Listed below is supplementary information on the City's single employer plans including its pension and healthcare obligations.

SCHEDULE OF CHANGES IN TOTAL FIREMENS PENSION LIABILITY

Last 10 Fiscal Years as of December 31 *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$0	\$0	\$0	\$0	\$0
Interest	46,107	45,527	54,041	55,780	52,458
Changes of benefit terms	62,862	0	(30,084)	0	243,174
Expected and actual experience differences	238,754	0	(161,368)	0	93,739
Benefit payments	(122,470)	(111,092)	(100,542)	(110,389)	(103,855)
Net change in total pension liability	225,253	(65,565)	(237,953)	(54,609)	285,516
Beginning total pension liability	1,290,759	1,356,324	1,594,277	1,648,886	1,363,370
Ending total pension liability (a)	\$1,516,012	\$1,290,759	\$1,356,324	\$1,594,277	\$1,648,886
Covered employee payroll	\$0	\$0	\$0	\$0	\$0
Net pension liability as a percentage of above	N/A	N/A	N/A	N/A	N/A

*Information presented for periods applicable to GASB 67 beginning 2014.

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

Measurement Date as of June 30, 2018

Service cost	\$ -
Interest	738,965
Changes in experience data and assumptions	(593,679)
Estimated benefit payments	(971,504)
Net change in total OPEB liability	(826,218)
Beginning total OPEB liability	21,122,975
Ending total OPEB liability	\$ 20,296,757
Covered payroll	\$ -
Total OPEB liability as a percentage of covered payroll	N/A

Supplementary Schedules – defined contribution plans

WASHINGTON STATE COUNCIL OF FIRE FIGHTERS EMPLOYEE BENEFITS TRUST
MEDICAL EXPENSE REIMBURSEMENT PLAN-LOCAL 828
Schedule of Employer Contributions *
For the Year Ended December 31, 2018

Annual	<u>2018</u>
Contributions	73,800

WASHINGTON STATE COUNCIL OF FIRE FIGHTERS EMPLOYEE BENEFITS TRUST
MEDICAL EXPENSE REIMBURSEMENT PLAN-LOCAL 3375
Schedule of Employer Contributions *
For the Year Ended December 31, 2018

Annual	<u>2018</u>
Contributions	3,600

VOLUNTARY EMPLOYEE BENEFICIARY PLAN
Schedule of Employer Contributions *
For the Year Ended December 31, 2018

Annual	<u>2018</u>
Contributions	349,965

* Information provided since the implementation of GASB 75.

CITY OF LONGVIEW, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2018

Federal Agency Pass-Through Agency	Federal Program	Federal CFDA Number	Other Identification Number	Current Year Expenditures		Passed Through to Subrecipients	Notes
				Direct	Pass Through		
Economic Development Cluster Economic Development Administration, Department of Commerce (via Cowlitz-Wahkiakum Council of Governments)	Economic Adjustment Assistance	11.307	07-3902712	0	409,083	409,083	0 3
	Total Economic Development Cluster						0
	Community Development Block Entitlement Grants	14.218 14.218	B-XX-MC-53-0019 N/A	53,503 18,684	0 0	53,503 18,684	16,073 4,6 2,4,7
	Total CDBG - Entitlement Grants Cluster						72,187 0 72,187 16,073
Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	DC530203	187,621	0	187,621	0
	Bulletproof Vest Partnership Program	16.607	2016BUBX16082179	4,932	0	4,932	0
Highway Planning and Construction Cluster Department of Federal Highway Administration and Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205 20.205 20.205 20.205	LA-9403 LA-9110 LA-8951 LA-9910	0 0 0 0	94,882 16,547 18,950 775	94,882 16,547 18,950 775	0 0 0 0
	Total Highway Planning and Construction Cluster						0 131,154 131,154 0
	Federal Transit Formula Grants	20.507 20.507 20.507	5307 Formula 5307 STP Flex N/A	1,912,940 424,634 203,861	0 0 0	1,912,940 424,634 203,861	0 0 0
	Total Federal Transit Cluster						2,541,435 0 2,541,435 0
Transit Services Programs Cluster Department of Federal Transit Administration and Transportation (via Washington Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513 20.513	GCB2090 GCB2091	0 0	208,388 172,125	208,388 172,125	0 0
	Total Transit Services Programs Cluster						0 380,513 380,513 0
Highway Safety Cluster							

Department of National Highway Traffic Safety Administration and Transportation (via Washington Traffic Safety Commission)	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	0	4,305	4,305
	Total Highway Safety Cluster			0	4,305	4,305
<u>Drinking Water State Revolving Fund Cluster</u>						
Environmental Protection Agency (via Washington Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM07-952-014	0	341,262	341,262
	Total Drinking Water State Revolving Fund Cluster			0	341,262	341,262
TOTAL FEDERAL ASSISTANCE				\$2,806,175	\$1,266,317	\$4,072,492
						\$16,073

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, 2018, resources in this program consisted of \$530,643 which is detailed below.

	2018
Revolving loan balance	\$324,548
Cash and investments	206,095
Total program balance	530,643
Loan fund administrative expenditures	14,801
Allocable amount of awards expended	545,444
Federal revolving loan program share	75.00%
Amount reported as federal awards expended	\$409,083

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 20178 with no unspent program income while spending all realized program income of \$18,684.

NOTE 5 - FEDERAL LOANS

The Environmental Protection Agency approved loans totaling \$20 million to construct a new water treatment facility for which the project is complete and no further loans will be incurred.

NOTE 6- AMOUNTS AWARDED TO SUBRECIPIENTS

The total amounts expended for the above programs may include federal expenditure awards passed through to subrecipients that administered administered their own projects.

NOTE 7 - PROGRAM INCOME

The City of Longview earned program income while administering the Community Development Block Grant and the Transit Center programs. These amounts for 2018 were \$18,684 and 203, 861 respectively for the above programs which represent additional expenditures made from the original grant.

NOTE 8 - INDIRECT RATE ALLOCATION

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



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Longview
January 1, 2018 through December 31, 2018

This schedule presents the corrective action planned by the City for findings reported in this report 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).

Finding ref number: 2018-001	Finding caption: The City did not have adequate internal controls to ensure accurate and reliable financial reporting.
Name, address, and telephone of City contact person: Steve Coons 1525 Broadway Longview, WA 98632 360-442-5034	
Corrective action the auditee plans to take in response to the finding: <i>The below addresses the Effect of Condition section of the Schedule.</i> <u>Overstated Expenses</u> <i>This was a typographical error. Formulated cells where appropriate will alleviate this occurrence.</i> <u>Component Unit Note Disclosures</u> <i>Determining discretely presented component unit disclosures essential to fair presentation is a matter of professional judgment. Various parties in the profession corroborated the approach taken by the City. It is noted that Section 2600.123 of the Codification removes the professional judgment general rule with respect to OPEB and pensions. Corrective action has been taken and will continue in ongoing reporting.</i> <u>Incorrect CFDA Number</u> <i>The centralized reporting function for the SEFA did not receive an accurate CFDA number from the grant administrator. A better effort securing necessary communication between parties will alleviate this occurrence.</i>	
Anticipated date to complete the corrective action: June 2019	
Finding ref number:	Finding caption:

2018-002	The City did not have adequate internal controls to ensure compliance with federal procurement and suspension and debarment requirements.
Name, address, and telephone of City contact person: Amy Asher, Transit Manager 1525 Broadway Longview, WA 98632 (360) 442-5661	
Corrective action the auditee plans to take in response to the finding: <i>The City of Longview operates with a semi-decentralized procurement program. Each department is responsible for ensuring compliance with state and federal procurement requirements. The division responsible for this finding has updated its procurement policy to reflect the need to perform suspension and debarment checks both at initial contract signing and during any subsequent contract extensions. Division Staff shared the updated policy with the City Finance Department and City Manager. The division staff is enrolled in upcoming federal procurement training offered in September 2019. The policy will be reviewed after the training to ensure it meets all current federal requirements. All necessary division staff will receive training on the revised procurement policy.</i>	
Anticipated date to complete the corrective action: October 31, 2019	

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.

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Contact information for the State Auditor's Office	
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