



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

# **Financial Statements Audit Report**

## **City of Long Beach**

**For the period January 1, 2017 through December 31, 2018**

**Published November 14, 2019**

**Report No. 1025035**





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

November 14, 2019

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

**Report on Financial Statements**

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

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

Sincerely,

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

Pat McCarthy  
State Auditor  
Olympia, WA

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of Long Beach  
January 1, 2017 through December 31, 2018**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Long Beach, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated November 4, 2019.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

November 4, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Long Beach January 1, 2017 through December 31, 2018

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

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Long Beach, for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

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

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Long Beach, and its changes in cash and investments, for the years ended December 31, 2018 and 2017, on the basis of accounting described in Note 1.

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

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

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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Long Beach, as of December 31, 2018 and 2017, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.



## Other Matters

### *Supplementary and Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 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.



Pat McCarthy

State Auditor

Olympia, WA

November 4, 2019

## **FINANCIAL SECTION**

### **City of Long Beach January 1, 2017 through December 31, 2018**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2018  
Fund Resources and Uses Arising from Cash Transactions – 2017  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017  
Notes to Financial Statements – 2018  
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#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2018  
Schedule of Liabilities – 2017

**City of Long Beach**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Streets</b>	<b>103 Convention Center</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	1,136,435	298,148	165,299	272,893
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	2,760,346	1,567,553	271,687	764,267
320	Licenses and Permits	248,018	244,093	-	-
330	Intergovernmental Revenues	168,894	75,705	71,208	-
340	Charges for Goods and Services	3,888,220	276,292	-	-
350	Fines and Penalties	14,835	14,835	-	-
360	Miscellaneous Revenues	76,829	15,378	477	18,274
Total Revenues:		7,157,141	2,193,856	343,372	782,541
<b>Expenditures</b>					
510	General Government	331,721	331,721	-	-
520	Public Safety	1,182,474	1,182,474	-	-
530	Utilities	2,939,241	-	-	-
540	Transportation	295,174	-	295,174	-
550	Natural and Economic Environment	132,492	132,492	-	-
560	Social Services	372	372	-	-
570	Culture and Recreation	984,810	210,650	-	725,133
Total Expenditures:		5,866,285	1,857,709	295,174	725,133
Excess (Deficiency) Revenues over Expenditures:		1,290,857	336,147	48,198	57,408
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	273,355	(579)	-	228,934
397	Transfers-In	441,854	23,854	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	41,169	224	260	-
381, 395, 398	Other Resources	20,000	-	-	-
Total Other Increases in Fund Resources:		776,379	23,499	260	228,934
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	203,348	67,069	5,776	2,238
591-593, 599	Debt Service	620,039	9,709	-	41,017
597	Transfers-Out	441,854	-	-	318,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	15,564	15,564	-	-
581	Other Uses	20,000	-	-	-
Total Other Decreases in Fund Resources:		1,300,805	92,341	5,776	361,255
<b>Increase (Decrease) in Cash and Investments:</b>		<b>766,430</b>	<b>267,305</b>	<b>42,682</b>	<b>(74,913)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	1,902,866	565,453	207,981	197,980
<b>Total Ending Cash and Investments</b>		<b>1,902,866</b>	<b>565,453</b>	<b>207,981</b>	<b>197,980</b>

The accompanying notes are an integral part of this statement.

**City of Long Beach**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>105 Capital Improvement Fund</b>	<b>108 Lodging Tax Infrastructure</b>	<b>401 Water Operations</b>	<b>402 Sewer Operations</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	71,317	-	177,115	113,698
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	156,838	-	-	-
320	Licenses and Permits	3,925	-	-	-
330	Intergovernmental Revenues	-	-	21,981	-
340	Charges for Goods and Services	-	-	1,880,389	1,439,095
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	7,464	-	34,982	254
Total Revenues:		168,227	-	1,937,352	1,439,349
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	1,559,015	1,167,890
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	49,027	-	-	-
Total Expenditures:		49,027	-	1,559,015	1,167,890
Excess (Deficiency) Revenues over Expenditures:		119,200	-	378,337	271,459
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	45,000
397	Transfers-In	-	318,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	39,717	-
381, 395, 398	Other Resources	-	-	10,000	10,000
Total Other Increases in Fund Resources:		-	318,000	49,717	55,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	127,012	1,253
591-593, 599	Debt Service	33,961	-	252,427	216,738
597	Transfers-Out	-	-	100,000	23,854
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		33,961	-	479,439	241,845
<b>Increase (Decrease) in Cash and Investments:</b>		<b>85,239</b>	<b>318,000</b>	<b>(51,385)</b>	<b>84,614</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	156,556	318,000	125,730	198,312
<b>Total Ending Cash and Investments</b>		<b>156,556</b>	<b>318,000</b>	<b>125,730</b>	<b>198,312</b>

**City of Long Beach**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>410 Stormwater</b>	<b>420 Water/Sewer Sinking Fund</b>
<b>Beginning Cash and Investments</b>			
30810	Reserved	-	-
30880	Unreserved	37,964	-
388 / 588	Prior Period Adjustments, Net	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	292,444	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	-
Total Revenues:		292,444	-
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	212,336	-
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		212,336	-
Excess (Deficiency) Revenues over Expenditures:		80,108	-
<b>Other Increases in Fund Resources</b>			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	100,000
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	968	-
381, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		968	100,000
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	66,187	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581	Other Uses	20,000	-
Total Other Decreases in Fund Resources:		86,187	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(5,111)</b>	<b>100,000</b>
<b>Ending Cash and Investments</b>			
5081000	Reserved	-	-
5088000	Unreserved	32,853	100,000
<b>Total Ending Cash and Investments</b>		<b>32,853</b>	<b>100,000</b>

**City of Long Beach**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Streets</b>	<b>103 Convention Center</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	1,192,087	325,906	123,923	322,072
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	2,460,314	1,413,094	188,873	700,511
320	Licenses and Permits	136,655	133,407	-	-
330	Intergovernmental Revenues	550,646	401,940	148,706	-
340	Charges for Goods and Services	3,347,301	239,574	20,000	-
350	Fines and Penalties	9,555	9,555	-	-
360	Miscellaneous Revenues	63,973	31,387	3,046	16,879
Total Revenues:		6,568,444	2,228,957	360,625	717,389
<b>Expenditures</b>					
510	General Government	295,881	295,881	-	-
520	Public Safety	1,109,160	1,109,160	-	-
530	Utilities	2,448,648	-	-	-
540	Transportation	496,009	255,932	240,076	-
550	Natural and Economic Environment	99,647	99,647	-	-
560	Social Services	565	565	-	-
570	Culture and Recreation	1,439,689	424,356	-	723,052
Total Expenditures:		5,889,599	2,185,542	240,076	723,052
Excess (Deficiency) Revenues over Expenditures:		678,845	43,416	120,549	(5,662)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	35,615	205	10	-
381, 395, 398	Other Resources	20,000	-	-	-
Total Other Increases in Fund Resources:		55,615	205	10	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	177,999	61,875	79,209	2,499
591-593, 599	Debt Service	592,516	9,709	-	41,017
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	20,000	-	-	-
Total Other Decreases in Fund Resources:		790,515	71,584	79,209	43,516
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(56,055)</b>	<b>(27,963)</b>	<b>41,350</b>	<b>(49,178)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	1,136,032	297,943	165,273	272,893
<b>Total Ending Cash and Investments</b>		<b>1,136,032</b>	<b>297,943</b>	<b>165,273</b>	<b>272,893</b>

The accompanying notes are an integral part of this statement.

**City of Long Beach**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>105 Capital Improvement Fund</b>	<b>401 Water Operations</b>	<b>410 Stormwater</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	-	-	-
30880	Unreserved	214,254	187,017	18,914
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	157,837	-	-
320	Licenses and Permits	3,248	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	-	2,831,429	256,297
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	7,736	4,926	-
Total Revenues:		168,820	2,836,355	256,297
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	2,297,588	151,060
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	292,280	-	-
Total Expenditures:		292,280	2,297,588	151,060
Excess (Deficiency) Revenues over Expenditures:		(123,459)	538,767	105,237
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	35,400	-
381, 395, 398	Other Resources	-	20,000	-
Total Other Increases in Fund Resources:		-	55,400	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	-	34,416	-
591-593, 599	Debt Service	19,477	456,125	66,187
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	20,000
Total Other Decreases in Fund Resources:		19,477	490,541	86,187
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(142,936)</b>	<b>103,626</b>	<b>19,050</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	-	-	-
5088000	Unreserved	71,317	290,643	37,964
<b>Total Ending Cash and Investments</b>		<b>71,317</b>	<b>290,643</b>	<b>37,964</b>

**City of Long Beach**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>Total for All Funds (Memo Only)</b>	<b>Investment Trust</b>	<b>Agency</b>
308	Beginning Cash and Investments	65,127	15,296	49,831
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	6,376	-	6,376
510-590	Deductions	825	825	-
	Net Increase (Decrease) in Cash and Investments:	5,551	(825)	6,376
508	Ending Cash and Investments	70,678	14,471	56,206

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



**City of Long Beach**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>Total for All Funds (Memo Only)</b>	<b>Investment Trust</b>	<b>Agency</b>
308	Beginning Cash and Investments	60,329	17,171	43,158
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	7,048	375	6,673
510-590	Deductions	2,250	2,250	-
	Net Increase (Decrease) in Cash and Investments:	4,798	(1,875)	6,673
508	Ending Cash and Investments	65,127	15,296	49,831

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

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2018 to December 31, 2018**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

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

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

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

**A. Fund Accounting:**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The city's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund type. The total column is presented as "memo only" because any interfund activities are not eliminated. The following are the fund types used:

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund**

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

**Special Revenue Funds**

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

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2018 to December 31, 2018**

**Debt Service Funds**

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

**Capital Project Funds**

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

**PROPRIETARY FUND TYPES:**

**Enterprise Funds**

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

**FIDUCIARY FUND TYPES:**

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

**Custodial Funds**

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

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

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

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

**C. Cash and Investments**

See Note 3, *Deposits and Investments*.

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2018 to December 31, 2018**

**D. Capital Assets**

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

**E. Compensated Absences**

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

**F. Long-Term Debt**

See Note 6, *Debt Service Requirements*.

**G. Other Financing Sources Or Uses**

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

Interfund transactions are classified as follows:

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

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

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

**Non-Revenues and Non-Expenditures**

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

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2018 to December 31, 2018**

**I. Risk Management**

See note 8, *Risk Management*.

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

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

The city does not have any reserved funds.

**NOTE 2 - BUDGETS**

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

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
001 General Fund	1,720,285.00	1,714,674.00	5,611.00
003 Capital Projects	30,000.00	-	30,000.00
004 Law Enforcement	1,006,645.00	992,955.00	13,690.00
005 Fire Equipment	5,000.00	-	5,000.00
Total General Fund	2,761,930.00	2,707,629.00	54,301.00
101 Streets	363,407.00	300,950.00	62,457.00
103 Convention Center	1,090,750.00	1,087,454.00	3,296.00
105 Capital Improvements	123,088.00	82,988.00	40,100.00
401 Water Operations	2,053,988.00	2,048,589.00	5,399.00
402 Sewer Operations	2,438,312.00	1,409,735.00	1,028,577.00
410 Stormwater	300,751.00	298,523.00	2,228.00

Budgeted amounts are authorized to be transferred between departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body.

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2018 to December 31, 2018**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

Type of Investment	City of Long Beach's Own Investments	Investments held by city as an agent for other local governments, individuals or private organizations	Total
L.G.I.P.	\$ 348.37	\$ -	\$ 348.37
U.S. Government Securities		-	-
Insured investments	2,235,505.67	-	2,235,505.67
Total	\$ 2,235,854.04	\$ -	\$ 2,235,854.04

**NOTE 4 - PROPERTY TAXES**

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

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

The city's regular tax levy for 2018 was \$2.197973 per \$1,000 of assessed valuation of \$279,302,768 for a total regular levy of \$613,900.

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2018 to December 31, 2018**

**NOTE 5 - INTERFUND LOANS AND ADVANCES**

The following table displays interfund loan activity during 2018.

<b>BORROWING FUND</b>	<b>LENDING FUND</b>	<b>BALANCE 1/1/18</b>	<b>NEW LOANS</b>	<b>REPAYMENTS</b>	<b>BALANCE 12/31/2018</b>
<b>410</b>	<b>401</b>	20,000.00	-	10,000.00	10,000.00
<b>410</b>	<b>402</b>	20,000.00	-	10,000.00	10,000.00
		<u>\$ 40,000.00</u>	<u>\$ -</u>	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>

**NOTE 6 - DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides more details of outstanding debt and liabilities of the city and summarizes the City's debt transactions for year ended December 31, 2018.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 452,493	\$ 107,487	\$ 559,980
2020	\$ 452,023	\$ 95,928	\$ 547,950
2021	\$ 424,662	\$ 84,759	\$ 509,421
2022	\$ 395,867	\$ 73,785	\$ 469,652
2023	\$ 341,770	\$ 65,275	\$ 407,045
2024-2028	\$ 867,102	\$ 249,940	\$ 1,117,042
2029-2033	\$ 344,828	\$ 191,582	\$ 536,411
2034-2038	\$ 352,661	\$ 154,109	\$ 506,770
2039-2043	\$ 394,406	\$ 112,364	\$ 506,770
2044-2048	\$ 441,091	\$ 65,679	\$ 506,770
2049-2053	\$ 336,890	\$ 15,264	\$ 352,153
<b>Total</b>	<u>\$ 4,803,792</u>	<u>\$ 1,216,172</u>	<u>\$ 6,019,964</u>

The City has included in their debt figure \$22,500 of forgivable principal that was used to pay for the feasibility study for the Regional Biosolids Treatment and Disposal Engineering Report.

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2018 to December 31, 2018**

**NOTE 7 - PENSION PLAN**

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

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P O Box 48380  
Olympia, WA 98504-8380

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

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

The city also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

At June 30, 2018 (the measurement date of the plans), the City of Long Beach's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

The city also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 70,250	0.010510%	\$ 469,380
PERS 2/3	\$ 103,634	0.013431%	\$ 229,323
LEOFF 1	\$ -	0.002108%	\$ (38,271)
LEOFF 2	\$ 23,868	0.013764%	\$ (279,439)



**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2018 to December 31, 2018**

**NOTE 8 - RISK MANAGEMENT**

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 160 members.

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

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

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

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting day to day operations of WCIA.

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2018 to December 31, 2018**

**NOTE 9 - SUBSEQUENT EVENTS**

The City of Long Beach entered into to an agreement with the State of Washington Department of Ecology to obtain funding to construct a new regional biosolids treatment and disposal facility to treat wastewater for the City of Long Beach, the City of Ilwaco and other surrounding communities. The total projected cost of the project is \$7,000,000 and will be funded as follows:

\$276,000 of forgivable principal from the State Revolving Fund.

\$1,832,802 of grant money from the Centennial Cleanwater Program

\$4,891,198 loan funds from the State Revolving Fund payable at the completion of the project at 1.9% interest.

The projected completion date of the project is June 30, 2020.

**Note 10 - JOINT VENTURE**

The City of Long Beach entered into an Interlocal Agreement with the City of Ilwaco to perform a feasibility study for the regional biosolids treatment and disposal facility. The study was paid for with funds from the Department of Ecology, \$22,574 of these funds will be paid back in a five year period with an interest rate of .007%. The City of Ilwaco will be reimbursing the City of Long Beach 50% of the principal and interest. The City of Long Beach will invoice the City of Ilwaco annually for loan payments.

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2018 to December 31, 2018**

**Note 11 - OPEB PLANS**

The City of Long Beach provides other postemployment benefits (OPEB) for two retired and disabled LEOFF 1 employees.

The name of the plan is The City of Long Beach LEOFF 1 Disability Plan, the plan administrator is Northwest Administrators. The City pays 100% of medical, dental and vision insurance for two retired/disabled LEOFF 1 employees. The current cost is \$15,071.04 per year per employee. The city will pay this for the life of the retired employees.

The City also pays long-term care insurance for the 2 retired/disabled LEOFF 1 employees. The current cost is \$478.80 per year per employee. The city will pay for this for the life of the retired employees.

The plan is neither a defined benefit plan or defined contribution plan.

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

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

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

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

**A. Fund Accounting:**

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

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund**

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

**Special Revenue Funds**

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

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**Debt Service Funds**

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

**Capital Project Funds**

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

**PROPRIETARY FUND TYPES:**

**Enterprise Funds**

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

**FIDUCIARY FUND TYPES:**

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

**Custodial Funds**

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

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

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

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

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**C. Budgets**

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

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
001 General Fund	1,526,330.00	1,509,942.00	16,388.00
003 Capital Projects	497,118.00	488,261.00	8,857.00
004 Law Enforcement	989,989.00	982,923.00	7,066.00
Total General Fund	3,013,437.00	2,981,126.00	32,311.00
101 Streets	322,238.00	319,286.00	2,952.00
103 Convention Center	877,665.00	766,568.00	111,097.00
105 Capital Improvements	417,722.00	311,758.00	105,964.00
401 Water Operations	1,629,675.00	1,626,797.00	2,878.00
402 Sewer Operations	1,180,402.00	1,178,900.00	1,502.00
410 Stormwater	288,637.00	237,247.00	51,390.00

Budgeted amounts are authorized to be transferred between departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body.

**D. Cash and Investments**

See Note 3, *Deposits and Investments*.

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**E. Capital Assets**

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

**F. Compensated Absences**

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

**G. Long-Term Debt**

See Note 6, *Debt Service Requirements*.

**H. Other Financing Sources Or Uses**

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

Interfund transactions are classified as follows:

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

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

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

**Non-Revenues and Non-Expenditures**

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

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**I. Risk Management**

See note 8, *Risk Management*.

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

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

The city does not have any reserved funds.

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

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

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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

Investments are reported at original cost. Investments by type at December 31, 2017 are as follows:

Type of Investment	City of Long Beach's Own Investments	Investments held by city as an agent for other local governments, individuals or private organizations	Total
L.G.I.P.	\$ 341.44	\$ -	\$ 341.44
U.S. Government Securities		-	-
Insured investments	1,443,886.91	-	1,443,886.91
Total	\$ 1,444,228.35	\$ -	\$ 1,444,228.35



**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**NOTE 4 - PROPERTY TAXES**

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

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

The city's regular tax levy for 2017 was \$2.367420 per \$1,000 of assessed valuation of \$262,110,631 for a total regular levy of \$620,526.

**NOTE 5 - INTERFUND LOANS AND ADVANCES**

The following table displays interfund loan activity during 2017.

<b>BORROWING FUND</b>	<b>LENDING FUND</b>	<b>BALANCE 1/1/17</b>	<b>NEW LOANS</b>	<b>REPAYMENTS</b>	<b>BALANCE 12/31/2017</b>
<b>410</b>	<b>401</b>	30,000.00	-	10,000.00	20,000.00
<b>410</b>	<b>402</b>	30,000.00	-	10,000.00	20,000.00
		<u>\$ 60,000.00</u>	<u>\$ -</u>	<u>\$ 20,000.00</u>	<u>\$ 40,000.00</u>

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**NOTE 6 - DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides more details of outstanding debt and liabilities of the city and summarizes the City's debt transactions for year ended December 31, 2017.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 495,263	\$ 110,522	\$ 605,785
2019	\$ 428,596	\$ 97,321	\$ 525,917
2020	\$ 427,268	\$ 86,626	\$ 513,894
2021	\$ 398,934	\$ 76,452	\$ 475,386
2022	\$ 368,873	\$ 66,492	\$ 435,365
2023-2027	\$ 956,598	\$ 252,280	\$ 1,208,878
2028-2032	\$ 367,345	\$ 198,854	\$ 566,199
2033-2037	\$ 344,858	\$ 161,912	\$ 506,770
2038-2042	\$ 385,679	\$ 121,091	\$ 506,770
2043-2047	\$ 431,332	\$ 75,438	\$ 506,770
2048-2052	\$ 429,101	\$ 24,658	\$ 453,759
Total	<u>\$ 5,033,847</u>	<u>\$ 1,271,646</u>	<u>\$ 6,305,493</u>

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**NOTE 7 - PENSION PLAN**

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

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P O Box 48380  
Olympia, WA 98504-8380

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

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

The city also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

At June 30, 2017 (the measurement date of the plans), the City of Long Beach's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 62,636	0.010413%	\$ 494,105
PERS 2/3	\$ 81,807	0.013394%	\$ 465,377
LEOFF 1	\$ -	0.002086%	\$ (31,649)
LEOFF 2	\$ 22,797	0.014431%	\$ (200,256)

**CITY OF LONG BEACH**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**NOTE 8 - RISK MANAGEMENT**

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 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.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, and employee practices and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$21 million in limits above the self-insured layer is provided by re-insurance. Total limits are \$25 million per occurrence subject to aggregate and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting day to day operations of WCIA.

**City of Long Beach  
Schedule of Liabilities  
For the Year Ended December 31, 2018**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Bingo Building - Cashmere	9/1/2021	34,428	-	8,186	26,242
251.11	Property Purchase -Key Bank	9/30/2020	107,624	-	38,044	69,580
251.11	Stanley Field Reno - Bank of Pacific	9/30/2023	104,588	-	15,970	88,618
251.11	Bolstad Restroom - BOP	4/15/2028	-	230,000	10,251	219,749
<b>Total General Obligation Debt/Liabilities:</b>			<b>246,640</b>	<b>230,000</b>	<b>72,451</b>	<b>404,189</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences	12/31/2017	95,917	11,071	-	106,988
263.88	Million Gallon Tank - PWTF	6/30/2018	67,598	-	67,598	-
263.88	03 Wastewater - PWTF	6/30/2020	30,857	-	10,286	20,571
252.11	85 Water/Sewer BONY	12/31/2021	105,000	-	25,000	80,000
263.84	02 Wastewater - DOE	9/30/2022	145,967	-	27,897	118,070
263.84	03 Wastewater - DOE	4/30/2023	96,513	-	23,323	73,190
252.11	13 Stormwater - BOP	6/1/2023	321,791	-	55,745	266,046
252.11	03 Wastewater - BOP	6/5/2023	91,718	-	13,388	78,330
263.84	05 Wastewater - DOE	7/31/2025	842,741	-	99,900	742,841
252.11	85 Water/Sewer - Berkadia	12/1/2025	73,190	-	7,767	65,423
263.88	Dohman Repairs - PWTF	6/30/2026	56,151	-	6,239	49,912
263.84	06 Wastewater - DOE	7/31/2026	180,173	-	18,840	161,333
263.88	09 Water Plant -PWTF	6/30/2029	353,921	-	29,493	324,428
263.82	12 Water Treatment - USDA	2/25/2052	2,421,587	-	47,128	2,374,459
263.84	18 WW DOE -Boisolds Engineer	5/31/2023	-	45,000	-	45,000
264.30	Pension Liabilities	12/31/2018	959,482	-	260,779	698,703
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>5,842,606</b>	<b>56,071</b>	<b>693,383</b>	<b>5,205,294</b>
<b>Total Liabilities:</b>			<b>6,089,246</b>	<b>286,071</b>	<b>765,834</b>	<b>5,609,483</b>

**City of Long Beach  
Schedule of Liabilities  
For the Year Ended December 31, 2017**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Bingo Building - Cashmere	9/1/2021	42,242	-	7,814	34,428
251.11	Property Purchase - Key Bank	9/30/2020	144,475	-	36,851	107,624
251.11	Stanley Field - Bank of Pacific	9/30/2023	120,000	-	15,412	104,588
<b>Total General Obligation Debt/Liabilities:</b>			<b>306,717</b>	<b>-</b>	<b>60,077</b>	<b>246,640</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences	12/31/2017	95,179	738	-	95,917
252.11	Million Gallon Tank - PWTF	6/30/2018	135,196	-	67,598	67,598
252.11	03 Wastewater - PWTF	6/30/2020	41,143	-	10,286	30,857
252.11	85 Water/Sewer - BONY	12/31/2021	130,000	-	25,000	105,000
252.11	02 Wastewater - DOE	9/30/2022	173,449	-	27,482	145,967
252.11	03 Wastewater - DOE	4/30/2023	104,172	-	7,659	96,513
252.11	13 Stormwater -BOP	6/1/2023	375,686	-	53,895	321,791
252.11	03 Wastewater - BOP	6/5/2023	104,132	-	12,414	91,718
252.11	05 Wastewater - DOE	7/31/2025	941,154	-	98,413	842,741
252.11	85 Water/Sewer - Berkadia	12/1/2025	80,475	-	7,285	73,190
252.11	Dohman Repairs - PWTF	6/30/2026	62,390	-	6,239	56,151
252.11	06 Wastewater - DOE	7/31/2026	198,732	-	18,559	180,173
252.11	09 Water Plant - PWTF	6/30/2029	383,415	-	29,494	353,921
252.11	12 Water Treatment - USDA	2/25/2052	2,467,661	-	46,074	2,421,587
264.30	Pension Liabilities	12/31/2017	1,117,064	-	157,582	959,482
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>6,409,848</b>	<b>738</b>	<b>567,980</b>	<b>5,842,606</b>
<b>Total Liabilities:</b>			<b>6,716,565</b>	<b>738</b>	<b>628,057</b>	<b>6,089,246</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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