Longview, TX

The Truth

- Money Needed to Pay Bills
  $144.9 million
- Taxpayer Burden™
  $6,000
- Financial Grade
  D

Financial State of Longview

Truth in Accounting has prepared a comprehensive analysis of the fiscal health of Longview, TX, based on their latest annual comprehensive financial reports (ACFR) dated 2022.

These government financial reports are lengthy, cumbersome, and sometimes misleading documents. TIA believes taxpayers and citizens deserve easy-to-understand, truthful, and transparent financial information from their governments. Until that happens, our mission is to provide this analytical service through these reports.

At the end of fiscal year 2022, Longview did not have enough money to pay its bills. This means that to claim their budgets were balanced, elected officials did not include the actual costs of the government in their budget calculations and pushed costs onto future taxpayers.

Since all levels of government derive their powers from the consent of the governed, government officials are responsible for reporting their actions and results in truthful and understandable ways to the electorate. Providing accurate and timely information to citizens and the media is essential for government accountability. Unfortunately, the lack of transparency in financial reports makes it difficult for governments to meet this responsibility. Therefore, we developed this report to analyze all the assets and liabilities of Longview, including unreported liabilities, to provide the taxpayers with an honest accounting of their government's financial condition.

The pension debt included in this report and the city's financial report is based using 12/31/2021 data when pension investments were performing well. If the city's pension investments experienced the same major decrease that most other cities experienced in 2022, Longview's pension debt would be higher.

Finacial State of Longview

Municipalities balance budgets by using accounting tricks such as the following:

- Inflating revenue assumptions
- Counting borrowed money as income
- Understating the true costs of government
- Delaying the payment of current bills until the start of the next fiscal year so they aren't included in the budget calculations

The most common accounting trick cities use to understate government costs is not including true compensation costs. Cities provide employees with salaries and employee benefits, such as healthcare, life insurance, and pensions. While pension and other post-employment costs, such as health care, will not be paid until the employees retire, they still represent current compensation costs earned and incurred throughout their tenure. To ensure that taxpayers are accountable, each budget should include contributions into the retirement funds in the amount of the portion of retirement benefits earned and incurred during the budget period. Unfortunately, some elected officials have used portions of the money owed to pension and OPEB funds to keep taxes low and pay for politically popular programs. Instead of funding promised benefits now, politicians have charged them to future taxpayers. Shifting these payments to future taxpayers makes the budget appear balanced while increasing city debt.

Governments can accumulate debt while claiming balanced budgets because most budgets are prepared on a cash basis. This antiquated accounting method includes cash inflows, including loan proceeds as revenue, and outflows—in other words, only checks written. We recommend FACT-based budgeting and accounting, which stands for full accrual calculations and techniques (FACT). FACT-based budgeting and accounting moves beyond cash-based accounting to provide more reliable and truthful budgeting and financial reporting documents.

Former U.S. Treasury official Frank Cavanaugh said it best, "Politicians should not have the pleasure of spending (getting votes) without the pain of taxing (losing votes)."

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Longview's Financial Breakdown

Fast Facts

- Longview had $156.8 million available to pay $301.7 million worth of bills. The outcome was a $144.9 million shortfall, a burden of $6,000 per taxpayer.
- The outcome would have been worse, but the city's TMRS net pension liability was at a historic low $923,720, due to strong pension investment markets.
- The Firemen's Fund net pension liability was $154.6 million, growing from $61.8 million in 2016, with no funds set aside to pay benefits.

The City's Bills Exceeded Its Assets	
Total Assets	$471,804,000
Minus: Capital Assets	-$292,154,000
Restricted Assets	-$22,823,000
Assets Available to Pay Bills	$156,827,000
Minus: Total Bills*	$301,725,000
Money needed to pay bills	$144,898,000
Each taxpayer's share of this burden	$6,000

*Breakdown of Total Bills	
Bonds	$201,726,000
Other Liabilities	$57,079,000
Minus: Debt Related to Capital Assets	-$129,383,000
Unfunded Pension Benefits	$155,475,000
Unfunded Retiree Health Care Benefits	$16,828,000
Total Bills	$301,725,000

Grade:

D

Bottom line: Longview would need $6,000 from each of its taxpayers to pay all of its outstanding bills and received a "D" grade for its finances. According to Truth in Accounting's grading scale, any government with a Taxpayer Burden between $5,000 and $20,000 is given a "D" grade.

Truth in Accounting is a 501(c)(3) nonprofit committed to educating and empowering you with understandable, reliable, and transparent government financial information so you can be a knowledgeable participant in your government and its budget process.

Our Methodology

Researchers at Truth in Accounting™ (TIA™) employ a comprehensive methodology to assess the integrity of government finances. This methodology involves a meticulous comparison of all bills, including those associated with retirement systems, against the entirety of a government's assets that can be utilized to fulfill these obligations.

Former U.S. Comptroller General David Walker says, "While other organizations have compared the states' unfunded retirement liabilities, only [Truth in Accounting] has determined the overall financial condition of every state."

TIA™ begins its analysis by identifying all assets, including capital assets (e.g., buildings, roads, bridges, parks, etc.) and other assets (e.g., cash, investments, and money in fund accounts). Some of these assets are available to pay a government's bills or liabilities, while others are restricted by law or contract. The restricted assets are removed from the total, as are capital assets, because they cannot be easily converted to cash. The result is a calculation of a government's Assets Available to Pay Bills.

TIA™ then identifies Total Bills, which include liabilities disclosed in the government's financial report, such as accounts payable, bonded indebtedness (bonds), and pension and Other Post-Employment Benefit (OPEB) obligations found in the retirement systems' Comprehensive Annual Financial Reports (CAFRs). Since we removed capital assets from our computation of Assets Available to Pay Bills, we also subtract from Total Bills the amount of debt related to the financing of the capital assets. Only liabilities incurred to date are included in Total Bills, and special care is taken to calculate the government's share of multiemployer and cost-sharing retirement plans. TIA™ calculates Money Needed (or Available) to Pay Bills by subtracting the Total Bills from the Assets Available to Pay Bills.

The bottom line is expressed as Taxpayer Burden or Surplus™. This represents the bills the government has elected to fund as they come due on a per-taxpayer basis and in today's value.

TIA's analysis clearly indicates that the majority of governments have made promises that surpass their financial capacity. By concealing the incurred costs of government retiree benefits off-balance sheet, most governments are failing to comply with the principles of balanced budget requirements. The approach described above aligns more closely with Generally Accepted Accounting Principles (GAAP), which entail including the cost of long-term liabilities in financial reporting.

Truth in Accounting