



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements and Federal Single Audit Report**

### **City of Lynden**

**Whatcom County**

**For the period January 1, 2013 through December 31, 2013**

**Published September 15, 2014**

**Report No. 1012553**





**Washington State Auditor**  
**Troy Kelley**

September 15, 2014

Mayor and City Council  
City of Lynden  
Lynden, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Lynden'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,

TROY KELLEY  
STATE AUDITOR

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Whatcom County  
January 1, 2013 through December 31, 2013**

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# Federal Summary

## City of Lynden Whatcom County January 1, 2013 through December 31, 2013

The results of our audit of the City of Lynden are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements.

#### ***Internal Control Over Financial Reporting:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

### ***FEDERAL AWARDS***

#### ***Internal Control Over Major Programs:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City qualified as a low-risk auditee under OMB Circular A-133.

# **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 Lynden  
Whatcom County  
January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Lynden  
Lynden, 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 Lynden, Whatcom County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 5, 2014.

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 or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

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

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

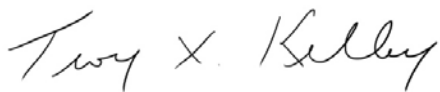
## ***COMPLIANCE AND OTHER MATTERS***

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

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

## ***PURPOSE OF THIS REPORT***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

September 5, 2014

# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**City of Lynden  
Whatcom County  
January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Lynden  
Lynden, Washington

## ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited the compliance of the City of Lynden, Whatcom County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

### ***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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. 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 "Troy X. Kelley". The signature is written in a cursive, flowing style.

**TROY KELLEY**  
STATE AUDITOR

September 5, 2014

# **Independent Auditor's Report on Financial Statements**

## **City of Lynden Whatcom County January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Lynden  
Lynden, Washington

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the City of Lynden, Whatcom County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

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

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

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Lynden, for the year ended December 31, 2013, 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 Lynden, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### ***Other Matters***

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

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also 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 September 5, 2014 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.



**TROY KELLEY**  
STATE AUDITOR

September 5, 2014

## **Financial Section**

**City of Lynden  
Whatcom County  
January 1, 2013 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013  
Notes to Financial Statements – 2013

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Liabilities – 2013  
Schedule of Expenditures of Federal Awards – 2013  
Notes to the Schedule of Expenditures of Federal Awards – 2013

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 Current Expense	105 Berthusen Park	110 Hotel/Motel Tax
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	11,752,590	2,150	0	84,987
30880	Beg Fund Bal-Unreserved	1,710,604	1,205,915	12,511	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	7,465,708	6,276,395	43,500	46,209
320	Licenses & Permits	485,104	485,104	0	0
330	Intergovernmental Revenues	3,257,348	878,220	0	0
340	Charges for Goods and Services	7,616,086	530,033	0	0
350	Fines & Penalties	272,777	216,976	0	0
360	Miscellaneous Revenues	536,005	77,457	34,933	129
<b>Total Operating Revenues:</b>		<b>19,633,028</b>	<b>8,464,185</b>	<b>78,433</b>	<b>46,338</b>
<b>Operating Expenditures</b>					
510	General Government	1,608,867	1,594,203	0	0
520	Public Safety	4,152,465	4,150,642	0	0
530	Utilities	5,092,207	393,738	0	0
540	Transportation	970,876	889,114	0	0
550	Natural and Economic Environment	559,127	532,051	0	27,076
560	Social Services	18,370	18,370	0	0
570	Culture And Recreation	915,863	848,723	66,540	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>13,317,775</b>	<b>8,426,841</b>	<b>66,540</b>	<b>27,076</b>
<b>Net Operating Increase (Decrease):</b>		<b>6,315,253</b>	<b>37,344</b>	<b>11,893</b>	<b>19,262</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	1,381,792	22,489	3,567	0
391-393	Debt Proceeds	9,020,362	68,847	0	0
397	Transfers-In	4,356,359	641,054	0	0
<b>Total Nonoperating Revenues:</b>		<b>14,758,513</b>	<b>732,390</b>	<b>3,567</b>	
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	19,287	13,387	3,497	0
591-593	Debt Service	6,341,827	70,464	0	0
594-595	Capital Expenditures	10,950,569	144,554	0	0
597	Transfers-Out	4,340,173	453,022	0	0
<b>Total Nonoperating Expenditures:</b>		<b>21,651,856</b>	<b>681,427</b>	<b>3,497</b>	
<b>Increase (Decrease) in Cash and Investments</b>		<b>-578,090</b>	<b>88,307</b>	<b>11,963</b>	<b>19,262</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	11,007,130	2,300	0	104,249
50880	End Fund Balance-Unreserved	1,877,974	1,294,072	24,474	0

The accompanying notes are an integral part of this Statement.

BARS Code		116 N.W. WA Fair	117 Drug Buy Imprest	119 Public Facilities Protective Inspections	130 Community Service
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	7,162	0	0
30880	Beg Fund Bal-Unreserved	77,835	0	0	40,999
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	2,232	0	0
360	Miscellaneous Revenues	3,555	11	0	0
Total Operating Revenues:		3,555	2,243		
Operating Expenditures					
510	General Government	65	0	0	0
520	Public Safety	0	487	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		65	487		
Net Operating Increase (Decrease):		3,490	1,756		0
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	19,108	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	16,149	0
Total Nonoperating Revenues:		19,108		16,149	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	16,149	0
597	Transfers-Out	0	0	0	40,999
Total Nonoperating Expenditures:				16,149	40,999
Increase (Decrease) in Cash and Investments		22,598	1,756	0	-40,999
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	8,918	0	0
50880	End Fund Balance-Unreserved	100,433	0	0	0

The accompanying notes are an integral part of this Statement.



BARS Code		221 COL Note Redemption Fund, A	222 COL Note Redemption Fund, B	227 Public Works Trust Loan - Streets	229 2005 LTGO Debt Redemption
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	5	9,134	0	155,762
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	19	0	335
<b>Total Operating Revenues:</b>			<b>19</b>		<b>335</b>
<b>Operating Expenditures</b>					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>					
<b>Net Operating Increase (Decrease):</b>		<b>0</b>	<b>19</b>		<b>335</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	1,823,957	879,552	135,178	243,240
<b>Total Nonoperating Revenues:</b>		<b>1,823,957</b>	<b>879,552</b>	<b>135,178</b>	<b>243,240</b>
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	1,823,962	880,509	135,178	202,132
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	8,196	0	0
<b>Total Nonoperating Expenditures:</b>		<b>1,823,962</b>	<b>888,705</b>	<b>135,178</b>	<b>202,132</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>-5</b>	<b>-9,134</b>	<b>0</b>	<b>41,443</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	0	0	0	197,205

The accompanying notes are an integral part of this Statement.

BARS Code		236 2007 UTGO Bond Redemption	237 Whatcom County EDI Loan	238 Public Works Trust Loan - 17th Street	240 2012 LTGO Bond Redemption
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	90,820	0	0	73,484
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	236,067	0	0	557,471
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	207	0	0	465
Total Operating Revenues:		236,274			557,936
<b>Operating Expenditures</b>					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		236,274			557,936
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	145,535	38,948	0
Total Nonoperating Revenues:			145,535	38,948	
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	220,451	145,535	38,948	539,299
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		220,451	145,535	38,948	539,299
Increase (Decrease) in Cash and Investments		15,823	0	0	18,637
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	106,643	0	0	92,121

The accompanying notes are an integral part of this Statement.

BARS Code		302 Transportation Impact	305 Fire Impact	306 Park Impact	310 Streets Capital Construction
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	478,781	26,829	465,292	0
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	47,370	0	0	671,794
340	Charges for Goods and Services	89,625	58,701	48,387	40,616
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	703	103	692	664
Total Operating Revenues:		137,698	58,804	49,079	713,074
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		137,698	58,804	49,079	713,074
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	714,706
397	Transfers-In	0	0	0	128,804
Total Nonoperating Revenues:					843,510
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	316,355	8	1,913	849,301
597	Transfers-Out	67,466	0	2,605	688,380
Total Nonoperating Expenditures:		383,821	8	4,518	1,537,681
Increase (Decrease) in Cash and Investments		-246,123	58,796	44,561	18,903
Ending Cash and Investments					
50810	End Fund Bal-Reserved	232,658	85,625	509,853	0
50880	End Fund Balance-Unreserved	0	0	0	18,903

The accompanying notes are an integral part of this Statement.

BARS Code		311 City Trail	343 Benson Road Improvements	349 Public Works Vehicle & Equipment Reserve	350 General Government Capital Reserve
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	78,925	235,671
30880	Beg Fund Bal-Unreserved	41,412	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	1,073	82,156	75,000	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	57	0	53	19,137
Total Operating Revenues:		1,130	82,156	75,053	19,137
Operating Expenditures					
510	General Government	0	0	0	14,599
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	5,569
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					20,168
Net Operating Increase (Decrease):		1,130	82,156	75,053	-1,031
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	81,157	75,000	0
397	Transfers-In	2,605	15,227	134,912	0
Total Nonoperating Revenues:		2,605	96,384	209,912	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	4,603	96,344	288,890	176,830
597	Transfers-Out	0	82,196	75,000	1,812
Total Nonoperating Expenditures:		4,603	178,540	363,890	178,642
Increase (Decrease) in Cash and Investments		-868	0	-78,925	-179,673
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	55,998
50880	End Fund Balance-Unreserved	40,544	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		355 Police Seizures/Forfeitures	356 Parks Capital Reserve	357 Police Capital Reserve (Crim Justice)	401 Water
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	0	671,301	0	6,392,625
30880	Beg Fund Bal-Unreserved	2,727	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	0	110,556	195,510	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	105,557
340	Charges for Goods and Services	0	0	0	2,939,534
350	Fines & Penalties	0	0	0	22,662
360	Miscellaneous Revenues	1,969	3,161	6	15,773
<b>Total Operating Revenues:</b>		<b>1,969</b>	<b>113,717</b>	<b>195,516</b>	<b>3,083,526</b>
<b>Operating Expenditures</b>					
510	General Government	0	0	0	0
520	Public Safety	1,336	0	0	0
530	Utilities	0	0	0	2,511,184
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	600	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>1,336</b>	<b>600</b>		<b>2,511,184</b>
<b>Net Operating Increase (Decrease):</b>		<b>633</b>	<b>113,117</b>	<b>195,516</b>	<b>572,342</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	219	0	0	498,834
391-393	Debt Proceeds	0	0	0	6,407,289
397	Transfers-In	0	0	47,724	0
<b>Total Nonoperating Revenues:</b>		<b>219</b>		<b>47,724</b>	<b>6,906,123</b>
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	110
591-593	Debt Service	0	0	0	718,736
594-595	Capital Expenditures	0	112,546	0	7,071,596
597	Transfers-Out	0	0	243,240	610,256
<b>Total Nonoperating Expenditures:</b>			<b>112,546</b>	<b>243,240</b>	<b>8,400,698</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>852</b>	<b>571</b>	<b>0</b>	<b>-922,233</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	0	671,872	0	5,470,392
50880	End Fund Balance-Unreserved	3,579	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		404 Solid Waste	405 Sewer	410 Stormwater	420 Airport
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	4,199	2,241,086	959,116	0
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	10,000	1,386,178	0
340	Charges for Goods and Services	0	3,344,246	501,309	63,635
350	Fines & Penalties	0	24,959	5,948	0
360	Miscellaneous Revenues	117,245	44,933	212,594	1,659
Total Operating Revenues:		117,245	3,424,138	2,106,029	65,294
<b>Operating Expenditures</b>					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	22,654	1,712,482	446,580	0
540	Transportation	0	0	0	81,762
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		22,654	1,712,482	446,580	81,762
Net Operating Increase (Decrease):		94,591	1,711,656	1,659,449	-16,468
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	836,025	1,365	185
391-393	Debt Proceeds	5,793	0	1,667,570	0
397	Transfers-In	0	19	86,871	16,584
Total Nonoperating Revenues:		5,793	836,044	1,755,806	16,769
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	588	1,404	301
591-593	Debt Service	0	1,337,581	229,032	0
594-595	Capital Expenditures	0	208,429	1,663,051	0
597	Transfers-Out	104,583	422,177	1,540,241	0
Total Nonoperating Expenditures:		104,583	1,968,775	3,433,728	301
Increase (Decrease) in Cash and Investments		-4,199	578,925	-18,473	0
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	0	2,820,011	940,643	0
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		701 Berthusen Park Trust
<b>Beginning Cash and Investments</b>		
30810	Beg Fund Bal-Reserved	104,466
30880	Beg Fund Bal-Unreserved	0
38800/58800	Prior Period Adjustments, net	0
<b>Operating Revenues</b>		
310	Taxes	0
320	Licenses & Permits	0
330	Intergovernmental Revenues	0
340	Charges for Goods and Services	0
350	Fines & Penalties	0
360	Miscellaneous Revenues	145
Total Operating Revenues:		145
<b>Operating Expenditures</b>		
510	General Government	0
520	Public Safety	0
530	Utilities	0
540	Transportation	0
550	Natural and Economic Environment	0
560	Social Services	0
570	Culture And Recreation	0
598	Intergovernmental Payments	0
Total Operating Expenditures:		
Net Operating Increase (Decrease):		145
<b>Nonoperating Revenues</b>		
370, 380, 395, 398	Other Financing Sources	0
391-393	Debt Proceeds	0
397	Transfers-In	0
Total Nonoperating Revenues:		
<b>Nonoperating Expenditures</b>		
580, 596, 599	Other Financing Uses	0
591-593	Debt Service	0
594-595	Capital Expenditures	0
597	Transfers-Out	0
Total Nonoperating Expenditures:		
Increase (Decrease) in Cash and Investments		145
<b>Ending Cash and Investments</b>		
50810	End Fund Bal-Reserved	104,611
50880	End Fund Balance-Unreserved	0

The accompanying notes are an integral part of this Statement.

## FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	613 Flexible Benefits Plan	634 Wage Assignment	636 Protective Inspection Fee Deposits
308	Beginning Cash and Investments	33,670	6,326	5,167	12,944
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	262,850	0	0	0
380-390	Other Increases and Financing Sources	846,887	5,770	-2,942	26,759
510-570	Expenditures	90,157	47	0	0
580-590	Other Decreases and Financing Uses	844,299	5,770	2,225	17,032
Increase (Decrease) in Cash and Investments		175,281	-47	-5,167	9,727
508	Ending Cash and Investments	208,951	6,279	0	22,671

BARS Code		642 State Building Code Fee	645 Trinity Corp	646 John Weeks Cost Recovery	650 Lynden Municipal Court
308	Beginning Cash and Investments	0	163	211	8,859
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	0	0	0	0
380-390	Other Increases and Financing Sources	770	0	0	572,948
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	770	163	211	574,546
Increase (Decrease) in Cash and Investments		0	-163	-211	-1,598
508	Ending Cash and Investments	0	0	0	7,261

BARS Code		651 State Agency Remittances	652 Crime-Victim Compensation	653 Transportation Benefit District
308	Beginning Cash and Investments	0	0	0
388 and 588	Prior Period Adjustments, net	0	0	0
310-360	Revenues	0	0	262,850
380-390	Other Increases and Financing Sources	239,620	3,962	0
510-570	Expenditures	0	0	90,110
580-590	Other Decreases and Financing Uses	239,620	3,962	0
Increase (Decrease) in Cash and Investments		0	0	172,740
508	Ending Cash and Investments	0	0	172,740

The accompanying notes are an integral part of this Statement.



**City of Lynden**  
**Notes to Financial Statements**  
**January 1, 2013 thru December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Lynden reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Lynden was incorporated in March 1891 and operates under the laws of the State of Washington applicable to a noncharter code city with a mayor-council form of government. The City of Lynden is a general purpose government and provides public safety, fire prevention, ambulance service, street improvement, parks and recreation, and general administrative services. In addition, the City of Lynden owns and operates water, sewer, composting, stormwater, and airport systems. The City of Lynden uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Lynden are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Lynden's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Lynden:

*GOVERNMENTAL FUND TYPES:*

General (Current Expense) Fund

This fund is the primary operating fund of the City of Lynden. 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 derived or committed to expenditures for specified purposes of the City of Lynden.

Debt Service Funds

These funds account for the financial sources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on both short (line of credit) and general long-term debt.

## Capital Projects 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.

## Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

## *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 of Lynden in a trustee capacity or as an agent on behalf of others.

### Agency Funds

These funds are used to account for assets that City of Lynden holds for others in an agency capacity.

## b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## c. Budgets

The City of Lynden adopts annual appropriated budgets for governmental and enterprise funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where the budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at fiscal year end.

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

The Finance Director is authorized to transfer budgeted amounts between departments within any fund as well as 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 of Lynden's legislative body.

The appropriated and actual expenditures for the legally adopted budgets (on a managerial basis) were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance under(over)
Current Expense			
General Government	\$ 3,056,417	\$ 2,659,444	\$ 396,973
Police	2,503,111	2,502,984	127
Fire	1,842,427	1,786,386	56,041
Streets	1,340,958	1,294,461	46,497
Parks	503,905	502,059	1,846
Community Services	364,296	362,937	1,359
Total Current Expense	9,611,114	9,108,271	502,843
Berthusen Park	74,600	70,036	4,564
Hotel/Motel Tax	87,835	27,076	60,759
N. W. Washington Fair	99,408	65	99,343
Drug Buy Imprest	12,000	487	11,513
Public Facilities Protective Inspections	50,000	16,149	33,851
Community Service	45,000	40,999	4,001
COL Note Redemption Fund, 2005A	7,450,100	1,823,961	5,626,139
COL Note Redemption Fund, 2005B	1,581,520	888,704	692,816
Public Works Trust Loan - Streets	135,278	135,177	101
2005 LTGO Debt Redemption	383,300	202,132	181,168
2007 UTGO Bond Redemption	302,150	220,451	81,699
Whatcom County EDI	145,637	145,536	101
Public Works Trust Loan - 17th Street	38,952	38,947	5
2012 LTGO Bond Redemption	615,000	539,299	75,701
Transportation Impact	498,170	383,821	114,349
Fire Impact	55,260	8	55,252
Park Impact	493,015	4,518	488,497
Streets Capital Construction	2,380,142	1,537,681	842,461
City Trail	117,520	4,603	112,917
Benson Road Improvements	1,549,492	178,540	1,370,952
Public Works Vehicle & Equipment Reserve	367,520	363,890	3,630
General Gov Capital Reserve	253,870	198,810	55,060

Police Seizures/Forfeitures	2,727	1,336	1,391
Parks Capital Reserve	727,500	113,146	614,354
Police Cap Reserve (Crim Justice)	247,000	243,240	3,760
Water	8,227,500	4,918,228	3,309,272
Water Capital Redemption	590,000	582,530	7,470
Solid Waste	200,000	127,237	72,763
Sewer	6,180,543	3,681,258	2,499,285
Stormwater	782,630	511,423	271,207
Airport	89,600	82,063	7,537
USDA Rural Development Water Bond Guaranty	205,583	-	205,583
ULID 2008-1 Bond Redemption	477,450	229,032	248,418
ULID 2008-1 Guaranty	225,905	-	225,905
Water Source	482,455	3,746	478,709
Water Treatment Plant Improvements	22,500,000	8,021,100	14,478,900
Main St Fishtrap Creek Culvert Replacement	5,035,660	3,314,241	1,721,419
2013 Total Budget	\$ 72,321,436	\$ 37,757,741	\$ 34,563,695

d. Cash

It is the city's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The city's deposits and certificates of deposit are covered by federal depository insurance and the Washington Public Deposit Protection Commission.

f. Investments (See Note #2, Investments)

g. Capital Assets

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

h. Compensated Absences

The city does not record accumulated unused vacation and sick leave in its funds. Vacation pay, which may accumulate up to 25 days, is payable upon resignation, retirement or death. This covers all non-represented and all represented unions except for the Public Works Department (Systems and Operations) unit. Members of this unit may accrue a maximum vacation amount of twice (2X) their normal annual accrual rate.

For the non represented as well as the six represented units, (Finance Department/Court Operations/Public Works Department/Planning Department Clerical, Fire Department, Police Line Officers, Police Uniformed Managers, Public Works, and Public Safety Support Staff) sick leave may accumulate up to 142 days. Upon accumulation of 130 days (1040 hours) of sick

leave, the employee may sell to the City any amount of hours over 1040 at fifty percent (50%) of the current rate of pay the employee is receiving at the time of "sell back". This "sell back" must occur at the end of the calendar year and only then.

Upon resignation, retirement, or death, non-represented and represented employees receive pay for all accumulated sick leave at the rate of 50%. See Schedule 9, Schedule of Liabilities for a fund type breakdown of compensated absences for the period ending December 31, 2013.

i. Debt Service Requirements (See Note #5, Debt Service Requirements)

j. Other Financing Sources or Uses

On May 2, 2005 the City of Lynden passed Ordinance No. 1231 which provided for a revolving line of credit with Skagit State Bank at a fixed rate of 2.85%. The maximum limit of this line of credit was set at \$7,000,000. The purpose of the line of credit was to provide interim financing for capital projects where reimbursement funding was secured by grant and/or state/federal loans or were funded by the city. The ordinance as written by bond counsel provided flexibility for both utility based and LTGO based projects (ie Streets). A provision was included that required that at no time could the LTGO portion of the line of credit exceed the legally available debt capacity for such LTGO debt. Also, at no time could the combination of the outstanding amounts of the two bonds be greater than \$7,000,000.

Since May 1, 2006 and every year thereafter, the City of Lynden has passed ordinances which have amended the original Ordinance No. 1231. These ordinances were Ordinance No. 1261 (2006); Ordinance No. 1295 (2007); Ordinance No. 1319 (2008); Ordinance No. 1355 (2009); Ordinance No. 1376 (2010) and Ordinance No. 1400 (2011). Each of these ordinances amended the previous year's ordinance in order to amend the maturity date of the revolving credit notes and make any adjustment to the interest rate. Since May 1, 2006, Skagit State Bank's proposals for interest have ranged from 4.16% to 2.15%.

On June 3, 2013 the City of Lynden passed Ordinance No. 1444, which amended Ordinance No. 1420. Per Skagit State Bank's proposal dated May 16, 2013, the purpose of this amendment was to renew the revolving credit and establish a maturity date of the notes. The fixed rate of 2.15% was revised to 2.05%. The old notes were cancelled and the new notes were issued with a maturity of July 31, 2014.

The following table reflects line of credit activity during 2013:

Bond Fund	Balance 1/1/2013	Draws	Repayments	Balance 12/31/13
COL Note Redemption 2005A (Utility based)	\$ 386,114.23	\$ 1,942,616.71	\$ 1,819,735.32	\$ 508,995.62
COL Note Redemption 2005B (LTGO based)	57,452.40	921,229.67	879,292.67	99,389.40
TOTALS	\$443,566.63	\$ 2,863,846.38	\$ 2,699,027.99	\$ 608,385.02

As disclosed in Note 8 – Other Disclosures, construction of a new water treatment plant began in 2013 and will be continuing until 2015. Financing for this project is secured by a Public Works Trust Loan, EDI Loan/Grant, and three Drinking Water State Revolving Fund Loans.

In late 2013 the City became aware of a procedural change by the state with loan fees. In 2012, a Drinking Water SRF loan (new water treatment plant) for \$6.06 million was signed and the loan fee (\$60,000) was withdrawn by the state from the available loan amount. No draws by the city took place until early 2014. This loan fee has been disclosed on Schedule 9 – Schedule of Liabilities for 2013.

In 2013, the Public Works Trust Loan for \$9.2 million (water treatment plant) was drawn against and the Drinking Water SRF loan (water treatment plant) for \$12.12 million was signed, with the loan fee (\$120,000) drawn from loan proceeds prior to the city's first draw in mid-2014. All other financing sources and uses would consist of operating transfers-in and operating transfers-out.

k. Risk Management

The City of Lynden is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of September 1, 2013, the CIAW had 236 members in the program.

The pool provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, are included to fit members' various needs.

The pool acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,247,000 to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The pool bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500 (\$10,000 for pumps and motors). Members are responsible for the deductible amount of each claim. There is no program self- insured retention on this coverage.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending August 31, 2013 were \$1,423,059.12.

#### I. Reserved Fund Balance

The City of Lynden has a portion of ending fund balances which are reserved. The amounts segregated at December 31, 2013 and their funds are listed below:

Fund	Amount	Description
001 Current Expense	\$1,050	Petty Cash Funds
	1,250	Revolving Funds
110 Hotel/Motel	104,249	Hotel/Motel Funds
117 Drug Buy Imprest	8,917	Drug Buy Fund for Law Enforcement
302 Transportation Impact	232,658	Transportation Impact Funds
305 Fire Impact	85,625	Fire Impact Funds
306 Park Impact	509,853	Park Impact Funds
350 General Government Capital Reserve	55,998	Funds for Capital Purchases
356 Park Capital Reserve	671,871	Funds for Capital Purchases
401 Water	5,470,394	Utility Fund
405 Sewer	2,820,011	Utility Fund
410 Stormwater	940,643	Utility Fund
701 Berthusen Park Trust	<u>104,611</u>	Restricted Monies
Totals	\$11,007,130	

The ending fund balances for Fund 401 Water and Fund 405 Sewer include debt issuance required monies reserved for USDA Rural Development Water Revenue Bond Guaranty and 2008 ULID No. 2008-1 Guaranty respectively.

#### **NOTE 2 – INVESTMENTS**

The City of Lynden's investments are either insured, registered or held by the City or its agent in the City's name. Investments are presented at cost.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Local Government Investment Pool	
Balance per YE Financial Statements	\$ 10,650,056
TOTAL	\$ 10,650,056

### **NOTE 3 - PROPERTY TAX**

The county treasurer acts as an agent to collect property taxes levied in the city for all taxing authorities. Collections are distributed after the end of each month, except during April/May and October/November tax collection periods when the county treasurer remits to the city several times a month.

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

The City of Lynden's regular levy for 2013 was \$2.120010 per \$1,000 on an assessed valuation of \$1,229,260,726 for a total regular levy of \$2,606,047.

The City of Lynden's general obligation levy, authorized in November 2006 by voters for a new city hall, for 2013 was \$0.195409 per \$1,000 on an assessed valuation of \$1,202,606,160 for a total levy of \$235,000.

### **NOTE 4 - INTERFUND LOANS AND ADVANCES**

There was no interfund loans and/or advance activity during 2013.

### **NOTE 5 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Lynden and summarizes the city's debt transactions for the year ended December 31, 2013.

The debt service requirements for general obligation, revenue and other debt (ie assessment, public work trust loans), including both principal and interest, are as follows:

<u>Fiscal Year</u>	<u>General Obligation</u>	<u>Revenue</u>	<u>Other</u>	<u>Total Debt</u>
2014	967,168.76	1,244,348.00	1,692,264.22	3,903,780.98
2015	980,968.76	1,246,985.50	1,690,857.80	3,918,812.06
2016	978,768.76	1,238,573.00	1,684,350.51	3,901,692.27
2017	990,418.76	1,242,460.50	1,597,075.10	3,829,954.36
2018	996,818.76	959,913.00	1,583,385.60	3,540,117.36
2019-2023	5,139,543.80	4,797,807.50	7,457,153.56	17,394,504.86
2024-2028	2,552,606.26	2,567,060.00	3,133,193.17	8,252,859.43
2029-2033	1,469,843.76	1,559,610.00	523,031.60	3,552,485.36
2034-2038	0.00	1,559,610.00	24,450.00	1,584,060.00
2039-2043	0.00	1,559,610.01	0.00	1,559,610.01
2044-2047	0.00	1,092,614.64	0.00	1,092,614.64
TOTALS	\$14,076,137.62	\$19,068,592.15	\$19,385,761.56	\$52,530,491.33



## **NOTE 6 - PENSION PLANS**

Substantially all City of Lynden full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems: Public Employees' (PERS) or Law Enforcement Officers' and Firefighters (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Lynden's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Volunteer firemen and volunteer police reserves can participate in the Volunteer Firefighters' and Reserve Officers' Relief and Pension Plan administered by the State Board for Volunteer Firefighters and Reserve Officers.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

For historical trend or other information regarding the voluntary firefighter/reserve officer plan, contact the Board for Volunteer Firefighters and Reserve Officers, Olympia Forum Building, 605 E 11th Avenue #112, PO Box 114, Olympia, WA 98507.

## **NOTE 7 - CONTINGENCIES AND LITIGATION**

In the opinion of management, the city's insurance policies are adequate to pay all known or pending claims.

As noted in year 2012 notes, a private property owner made a claim regarding the clean water act, model toxic control act and common-law theories in regards to alleged pollution emanating from an old landfill owned by the city. The claim was tendered to Liberty Mutual who accepted defense of the claim subject to a reservation of rights. A settlement was reached and the claim was dismissed on April 12, 2013. The settlement included a \$750,000 cash contribution by Liberty Mutual, with the City providing the remaining \$200,000 minus credits involved with the real property transfer to the City of the property in question. In total, the City's cash out of the pocket contribution to the settlement was \$176,810.42 (property purchase). As a result, the City acquired fee title to the real property in question. An appraisal of said real property's value commissioned by the City as part of the litigation placed its value at \$244,000. Plaintiff's real property valuation estimates were considerably higher.

The city 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 from grantor agencies for expenditures disallowed under the terms of the grants. Other than the instances described above, city management believes that such disallowance, if any, would be immaterial.

## **NOTE 8 – OTHER DISCLOSURES**

The City of Lynden has a commitment to pay for post employment benefits for employees that belong to LEOFF 1. These benefits include all medical/dental/vision expenses incurred and to be incurred in the future for these retirees. Two (2) retirees received benefits during the year and \$34,865.31 was paid out for those benefits during 2013.

On February 4, 2013, City Administrator William J. Verwolf gave notice of his retirement from his position which was effective August 2, 2013. Michael Martin was hired as City Administrator on August 5, 2013.

On May 2, 2014, Finance Director Teresa L. Camfield tendered her retirement from the city. The City intends to conduct a search for a replacement immediately.

In July 2012, the City of Lynden established a Transportation Benefit District within the corporate limits of the City of Lynden. In August 2012, the City Council passed a resolution to place the Lynden Transportation Benefit District on the November ballot. Voters approved the two tenths of one percent (.002) sales and use tax in November 2012 for a period of ten years to fund transportation related improvements. The Washington State Department of Revenue started collecting the sales and use tax within the district in April 2013, with the first payment received in June 2013. Per the interlocal, the City incurs approved costs per TBD budget and then is reimbursed by TBD Board approval. The TBD is included in the City's financial information under Fund 653. The TBD is reporting under MCAG 3043 and filing with the State Auditor's Office as required.

In April 2013 the City Council of Lynden awarded the contract for the construction of a new Water Treatment Plant. The award was for \$26,915,646.28 including applicable Washington State sales tax. This contract included the water treatment plant and Riverview Road frontage improvements. The entire project is projected to approximately cost \$36,500,000 including site preparation, construction, design support during construction, construction management, all permits/impact fees and equipment. Construction is expected to be completed in mid-2015.

## City of Lynden

Schedule of Liabilities  
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	263.81	PWTL - Main Street	7/1/2024	1,530,307	0	127,526	1,402,781
	251.11	2005 LTGO	12/1/2025	2,045,000	0	120,000	1,925,000
	251.14	2007 UTGO	12/1/2032	3,725,000	0	60,000	3,665,000
	263.81	PWTL - 17th Street Culvert	7/1/2028	421,052	0	26,316	394,736
	251.11	2012 LTGO	12/1/2024	5,535,000	0	405,000	5,130,000
	263.91	Line of Credit	6/30/2014	57,452	921,230	879,293	99,389
	259.11	Compensated Absences	12/31/2013	897,074	0	96,227	800,847
<b>Total General Obligations:</b>				<b>14,210,885</b>	<b>921,230</b>	<b>1,714,362</b>	<b>13,417,753</b>
Revenue Obligations							
	263.82	PWTL - Sewer	7/1/2016	359,091	0	89,772	269,319
	263.82	Drinking Water State Revolving Fund	10/1/2023	1,527,935	0	169,771	1,358,164
	263.82	State Revolving Fund	10/1/2024	3,985,392	0	335,848	3,649,544
	252.11	2003 Water/Sewer	12/1/2023	1,945,000	0	145,000	1,800,000
	263.82	PWTL - East Lynden Sub-Basin	7/1/2025	252,567	0	19,428	233,139
	252.11	2006 Water/Sewer	10/1/2025	4,130,000	0	365,000	3,765,000
	263.82	USDA Rural Development	1/2/2047	5,709,878	0	77,151	5,632,727

263.82	Whatcom County EDI	1/26/2023	1,465,692	0	123,551	1,342,141
263.82	PWTL - Pump Station 2 & Sewer Extension	6/1/2031	800,000	0	42,105	757,895
263.82	PWTL - Water Treatment Plant	6/1/2031	1,816,555	6,156,516	188,480	7,784,591
263.82	Drinking Water State Revolving Fund	10/1/2036	0	120,000	0	120,000
263.82	Drinking Water State Revolving Fund	10/1/2035	0	60,000	0	60,000
263.92	Line of Credit	6/30/2014	386,114	1,942,617	1,819,735	508,996
259.12	Compensated Absences	12/31/2013	205,380	0	32,667	172,713
<b>Total Revenue Obligations:</b>			<b>22,583,604</b>	<b>8,279,133</b>	<b>3,408,508</b>	<b>27,454,229</b>
Assessment Obligations						
253.11	2008 Utility Local Improvement District	10/1/2023	1,880,000	0	130,000	1,750,000
<b>Total Assessment Obligations:</b>			<b>1,880,000</b>	<b>0</b>	<b>130,000</b>	<b>1,750,000</b>
<b>Total Liabilities:</b>			<b>38,674,489</b>	<b>9,200,363</b>	<b>5,252,870</b>	<b>42,621,982</b>

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	ER-0902(314)	1,665,100		1,665,100	1
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	ER-0902(415)	81,157		81,157	1
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	STPD-8155(001)LA7819	468,083		468,083	1
<b>Total CFDA 20.205</b>				<b>2,214,340</b>	<b>0</b>	<b>2,214,340</b>	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Association of Sheriffs & Police Chiefs	State and Community Highway Safety	20.600	2012 -2013	929		929	1
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Association of Sheriffs & Police Chiefs	State and Community Highway Safety	20.600	2012 -2013	1,000		1,000	1
<b>Total CFDA 20.600</b>				<b>1,929</b>	<b>0</b>	<b>1,929</b>	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	n/a	492		492 1
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	n/a	756		756 1
Office Of Water, Environmental Protection Agency/Washington State Department of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM11-952-023	1,017,956		1,017,956 1
Department Of Homeland Security/	Assistance to Firefighters Grant	97.044	EMW-2008-FF-00265		9,568	9,568 1
Department Of Homeland Security/	Assistance to Firefighters Grant	97.044	EMW2008-FO-04851		26	26 3
Department Of Homeland Security/	Assistance to Firefighters Grant	97.044	EMW-2010-FO-04464		324	324 3
		<b>Total CFDA 97.044</b>		<b>0</b>		
Department Of Homeland Security/Whatcom County Sheriffs Office	Homeland Security Grant Program	97.067	2010-SS-T0-0084	391	<b>9,918</b>	<b>9,918</b> 391 1
Department Of Homeland Security/Whatcom County Sheriffs Office	Homeland Security Grant Program	97.067	2011-SS-00030-S01	32,551		32,551 1
Department Of Homeland Security/Whatcom County Sheriffs Office	Homeland Security Grant Program	97.067	2012-SS-00115-S01	95,511		95,511 1
		<b>Total CFDA 97.067</b>		<b>128,453</b>		
Department Of Homeland Security/	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012-FH-00107		<b>0</b> 194,361	<b>128,453</b> 194,361 1
		<b>Total Federal Awards Expended:</b>		<b>3,363,926</b>	<b>204,279</b>	<b>3,568,205</b>

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

## **CITY OF LYNDEN**

### **Notes To The Schedule Of Expenditures of Federal Awards For The Fiscal Year Ended December 31, 2013**

#### Note 1 - Basis Of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the City of Lynden's financial statements. The City of Lynden uses the cash basis of accounting for all funds.

#### Note 2 - Program Costs

The amounts shown as current year expenditures represent only the federal portion of the program costs. Actual program costs, including the City of Lynden's portion, may be more than shown.

#### Note 3 – Subsequent Event

CFDA Number 97.044 EMW-2008-FO-04851 (prior amounts reported on the 2009 SEFA) and EMW-2010-FO-04464 (reported on the 2011 SEFA). The 2013 reported amounts were disbursed to the City of Lynden by Department of Homeland Security upon receipt of the Assistance to Firefighters Grant closeout reports.

#### Note 4 – Federal Loans

The City of Lynden was approved by the EPA and the PWB to receive a loan totaling \$6,060,000.00 to improve its drinking water system. The amount listed for this loan includes the proceeds used during the year. Both the current and prior year loans are also reported on the City of Lynden's Schedule of Liabilities.

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

Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>