



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Lynden

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

Published September 23, 2019

Report No. 1024638





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

September 23, 2019

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,

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

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Lynden are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified 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 in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 16, 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 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 16, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Lynden
January 1, 2018 through December 31, 2018**

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, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Other Matters

We noted certain matters that we have reported to the management of the City in a separate letter dated September 16, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

September 16, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

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, for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

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 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 Lynden, and its changes in cash and investments, for the year ended December 31, 2018, 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, 2018, 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 conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is 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 16, 2019 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 16, 2019

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018
Schedule of Expenditures of Federal Awards – 2018
Notes to the Schedule of Expenditures of Federal Awards – 2018

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

		Total for All Funds (Memo Only)	001 Current Expense	105 Berthusen Park	110 Hotel/Motel Tax
Beginning Cash and Investments					
30810	Reserved	3,717,611	2,350	-	101,034
30880	Unreserved	16,757,853	2,736,342	5,546	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	10,149,761	8,115,452	43,500	87,643
320	Licenses and Permits	586,593	586,593	-	-
330	Intergovernmental Revenues	3,151,631	1,189,963	-	-
340	Charges for Goods and Services	11,910,276	995,411	-	-
350	Fines and Penalties	180,603	117,152	-	-
360	Miscellaneous Revenues	3,186,501	433,980	51,354	1,369
Total Revenues:		29,165,366	11,438,550	94,854	89,012
Expenditures					
510	General Government	2,337,450	2,329,029	-	-
520	Public Safety	5,150,745	5,148,716	-	-
530	Utilities	4,903,489	-	-	-
540	Transportation	1,209,878	1,141,906	-	-
550	Natural and Economic Environment	1,137,096	941,821	-	54,676
560	Social Services	43,911	43,911	-	-
570	Culture and Recreation	1,222,845	1,126,003	96,841	-
Total Expenditures:		16,005,414	10,731,387	96,841	54,676
Excess (Deficiency) Revenues over Expenditures:		13,159,951	707,165	(1,987)	34,336
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	2,555,473	-	-	-
397	Transfers-In	5,367,313	930,083	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	48,234	40,863	3,743	-
381, 395, 398	Other Resources	42,241	42,241	-	-
Total Other Increases in Fund Resources:		8,013,261	1,013,187	3,743	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	6,096,331	789,423	-	-
591-593, 599	Debt Service	6,727,066	57,610	-	-
597	Transfers-Out	5,237,119	858,591	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	15,426	9,007	2,884	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		18,075,943	1,714,632	2,884	-
Increase (Decrease) in Cash and Investments:		3,097,269	5,720	(1,128)	34,336
Ending Cash and Investments					
5081000	Reserved	4,999,833	3,050	-	135,371
5088000	Unreserved	18,572,901	2,741,360	4,417	-
Total Ending Cash and Investments		23,572,734	2,744,410	4,417	135,371

The accompanying notes are an integral part of this statement.

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

		117 Drug Buy Imprest	119 Public Facilities Protective	163 Transportation Benefit District	221 COL Note Redemption Fund, A
Beginning Cash and Investments					
30810	Reserved	15,395	-	776,813	-
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	629,201	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	1,377	-	-	-
360	Miscellaneous Revenues	297	-	15,282	-
Total Revenues:		1,674	-	644,483	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	2,028	-	-	-
530	Utilities	-	6,509	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,028	6,509	-	-
Excess (Deficiency) Revenues over Expenditures:		(354)	(6,509)	644,483	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	123,994	-	195,568
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	123,994	-	195,568
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	117,485	-	-
591-593, 599	Debt Service	-	-	-	195,568
597	Transfers-Out	-	-	426,159	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	117,485	426,159	195,568
Increase (Decrease) in Cash and Investments:		(354)	(0)	218,324	(0)
Ending Cash and Investments					
5081000	Reserved	15,041	-	995,138	-
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		15,041	-	995,138	-

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

		222 COL Note Redemption Fund, B	227 Public Works Trust Loan - Streets	229 LTGO Bond Redemption, 2017 (2005)	236 UTGO Bond Redemption, 2017 (2007)
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	-	-	355,599	142,334
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	241,052
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	5,093	2,445
Total Revenues:		-	-	5,093	243,497
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	-	5,093	243,497
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,685,022	131,989	330,145	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		1,685,022	131,989	330,145	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	1,685,022	131,989	192,870	224,830
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,685,022	131,989	192,870	224,830
Increase (Decrease) in Cash and Investments:		(0)	(0)	142,368	18,667
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	-	-	497,967	161,001
Total Ending Cash and Investments		-	-	497,967	161,001

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

		237 Whatcom County EDI Loan	238 Public Works Trust Loan - 17th	240 2012 LTGO Bond Redemption	241 Community Economic Revitalization
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	-	-	172,194	35,405
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	550,000	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	3,132	680
Total Revenues:		-	-	553,132	680
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	-	553,132	680
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	145,536	35,000	-	32,622
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		145,536	35,000	-	32,622
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	145,536	35,000	537,330	32,622
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		145,536	35,000	537,330	32,622
Increase (Decrease) in Cash and Investments:		-	-	15,802	680
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	-	-	187,996	36,085
Total Ending Cash and Investments		-	-	187,996	36,085

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

		302 Transportation Impact	305 Fire Impact	306 Park Impact	310 Streets Capital Construction
Beginning Cash and Investments					
30810	Reserved	299,425	55,954	402,492	-
30880	Unreserved	-	-	-	70,153
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	1,028,434
340	Charges for Goods and Services	711,879	152,094	183,723	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	5,817	1,245	6,678	1,050
Total Revenues:		717,696	153,340	190,401	1,029,484
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	217
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	217
Excess (Deficiency) Revenues over Expenditures:		717,696	153,339	190,401	1,029,267
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	1,632,201
397	Transfers-In	-	-	-	889,523
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	2,521,723
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	2,509,898
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	31,167	-	168,932	1,110,962
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		31,167	-	168,932	3,620,860
Increase (Decrease) in Cash and Investments:		686,529	153,339	21,469	(69,870)
Ending Cash and Investments					
5081000	Reserved	985,955	209,293	423,961	-
5088000	Unreserved	-	-	-	283
Total Ending Cash and Investments		985,955	209,293	423,961	283

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

		311 City Trail	343 Benson Road Improvements	350 General Government Capital Reserve	351 Police Capital Reserve
Beginning Cash and Investments					
30810	Reserved	-	-	160,118	-
30880	Unreserved	498,693	6	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	457,443	147,912	5,714	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,814	10	1,050	137
Total Revenues:		461,257	147,922	6,764	137
Expenditures					
510	General Government	-	-	8,421	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	140,600	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	140,600	8,421	-
Excess (Deficiency) Revenues over Expenditures:		461,257	7,322	(1,657)	137
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	485,291	139,688	-	-
397	Transfers-In	293,082	218,215	173,000	70,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		778,373	357,903	173,000	70,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	809,384	247,670	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	458,420	115,640	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,267,804	363,310	-	-
Increase (Decrease) in Cash and Investments:		(28,174)	1,915	171,343	70,137
Ending Cash and Investments					
5081000	Reserved	-	-	331,461	-
5088000	Unreserved	470,518	1,922	-	70,137
Total Ending Cash and Investments		470,518	1,922	331,461	70,137

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

		354 Streets Capital Reserve	355 Police Seizures/Forfeitures	356 Parks Capital Reserve	357 Police Capital Reserve (Crim Justice)
Beginning Cash and Investments					
30810	Reserved	15,138	-	770,648	129,555
30880	Unreserved	-	4,679	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	216,252	266,660
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	7	-
360	Miscellaneous Revenues	-	670	35,019	1,647
Total Revenues:		-	670	251,278	268,307
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	(0)	-
Total Expenditures:		-	-	(0)	-
Excess (Deficiency) Revenues over Expenditures:		-	670	251,278	268,307
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	63,534
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	139	3,141	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	139	3,141	63,534
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	99,523	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	15,138	-	124,150	330,145
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	75	3,141	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		15,138	75	226,815	330,145
Increase (Decrease) in Cash and Investments:		(15,138)	734	27,604	1,696
Ending Cash and Investments					
5081000	Reserved	-	-	798,253	131,252
5088000	Unreserved	-	5,414	-	-
Total Ending Cash and Investments		-	5,414	798,253	131,252

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

		358 Fire/EMS Capital Reserve	401 Water	405 Sewer	410 Stormwater
Beginning Cash and Investments					
30810	Reserved	100,421	334,690	138,450	308,768
30880	Unreserved	-	8,978,610	3,625,276	129,020
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	173,197	-	146,504
340	Charges for Goods and Services	-	4,810,244	4,332,505	662,660
350	Fines and Penalties	-	27,412	29,561	5,094
360	Miscellaneous Revenues	1,072	829,731	1,596,620	184,118
Total Revenues:		1,072	5,840,584	5,958,686	998,377
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	2,213,790	2,293,636	389,555
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	2,213,790	2,293,636	389,555
Excess (Deficiency) Revenues over Expenditures:		1,072	3,626,794	3,665,050	608,821
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	298,293	-	-
397	Transfers-In	50,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	134	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		50,000	298,293	134	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	598,421	871,160	53,367
591-593, 599	Debt Service	-	2,522,234	672,435	294,020
597	Transfers-Out	-	740,853	635,715	221,248
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	134	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	3,861,508	2,179,443	568,634
Increase (Decrease) in Cash and Investments:		51,072	63,579	1,485,741	40,187
Ending Cash and Investments					
5081000	Reserved	151,493	372,392	141,110	197,703
5088000	Unreserved	-	9,004,488	5,108,357	280,273
Total Ending Cash and Investments		151,493	9,376,880	5,249,467	477,975

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

		<u>420 Airport</u>	<u>701 Berthusen Park Trust</u>
Beginning Cash and Investments			
30810	Reserved	-	106,360
30880	Unreserved	3,996	-
388 / 588	Prior Period Adjustments, Net	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	2,463	-
340	Charges for Goods and Services	61,760	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	2,192	2,001
Total Revenues:		66,415	2,001
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	67,754	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		67,754	-
Excess (Deficiency) Revenues over Expenditures:		(1,339)	2,001
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	213	-
381, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		213	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	185	-
581	Other Uses	-	-
Total Other Decreases in Fund Resources:		185	-
Increase (Decrease) in Cash and Investments:		(1,311)	2,001
Ending Cash and Investments			
5081000	Reserved	-	108,361
5088000	Unreserved	2,685	-
Total Ending Cash and Investments		2,685	108,361

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

		Total for All Funds (Memo Only)	Pension Trust	Agency
308	Beginning Cash and Investments	49,848	5,969	43,879
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	629,303	10,124	619,179
510-590	Deductions	581,150	10,224	570,926
	Net Increase (Decrease) in Cash and Investments:	48,153	(100)	48,252
508	Ending Cash and Investments	98,001	5,869	92,132

The accompanying notes are an integral part of this statement.

City of Lynden
Notes to Financial Statements
January 1, 2018 thru December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 uses single-entry, cash basis accounting which is a departure 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

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 restricted 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 on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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. Deposits and Investments

See Note 2, *Deposits and Investments*

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 three years. The capital assets of the City of Lynden are recorded as expenditures when purchased.

E. 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.

Prior to January 1, 2018 the City of Lynden sick leave policy exceeded RCW 49.46.210 requirements. 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. As of January 1, 2018 all non-regular employees accumulate .025 hours of sick leave per one hour of compensated work. 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. Employees hired after December 31, 2014 will not have the option to "sell back" sick leave hours.

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, 2018.

F. Long – Term Debt (See Note #5, Debt Service Requirements)

G. 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 (i.e 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), Ordinance No. 1400 (2011), Ordinance No. 1420 (2012), Ordinance No. 1444 (2013), Ordinance No 1467 (2014), Ordinance No 1485 (2015), Ordinance No. 1510 (2016), Ordinance No. 1534 (2017). 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 2.05%.

On July 17, 2018 the City of Lynden passed Ordinance No. 1558, which amended Ordinance No. 1534. Per Skagit State Bank's proposal dated June 14, 2014, the purpose of this amendment was to renew the revolving credit and establish a maturity date of the notes. The maximum limit was reduced to \$1,850,000 with a fixed rate of 3.75% . The old notes were cancelled and the new notes were issued with a maturity of July 31, 2019.

The following table reflects line of credit activity during 2018:

Bond Fund	Balance 1/1/2018	Draws	Repayments	Balance 12/31/2018
COL Note Redemption 2005A (Utility based)	\$ 71,931	\$ 298,293	\$ 194,776	\$ 175,448
COL Note Redemption 2005B (LTGO based)	\$ 122,546	\$ 2,257,179	\$ 1,679,062	\$ 700,663
TOTALS	\$ 194,477	\$ 2,555,472	\$ 1,873,838	\$ 876,111

All other financing sources and uses would consist of operating transfers-in and operating transfers-out.

H. Reserved Fund Balance

Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the city. When expenditures that meet restrictions are incurred, the City of Lynden intends to use reserved resources first before using unreserved amounts. The City of Lynden has a portion of ending fund balances which are reserved. The amounts segregated at December 31, 2018 and their funds are listed below:

FUND NUMBER	2018 YEAR END			
	Cash - Res	Investment - Res	Total	DESCRIPTION / COMMENTS
001 CURRENT EXPENSE	3,050.00	0.00	3,050.00	To cover cash drawer requirements
110 HOTEL/MOTEL	75,394.11	59,976.62	135,370.73	RCW 67.28.080 for the promotion of tourism
117 DRUG BUY IMPREST	2,000.00	13,041.36	15,041.36	Funds available for law enforcement drug buys
163 TRANSPORTATION BENEFIT DISTRICT	205,677.14	789,460.90	995,138.04	RCW 36.73 revenue for specific Transportation projects
302 TRANSPORTATION IMPACT	762,841.72	223,112.95	985,954.67	RCW 82.02 fees for Transportation system improvements
305 FIRE IMPACT	158,405.99	50,887.43	209,293.42	RCW 82.02 fees for Fire protection facilities
306 PARK IMPACT	93,097.24	330,863.65	423,960.89	RCW 82.02 fees for Park, Open Space and Rec facilities
350 GENERAL GOV. CAP.	317,854.91	13,606.41	331,461.32	To establish reserve funds for future capital expenditures
354 STREETS CAPITAL RESERVE	0.00	0.00	0.00	To establish reserve funds for future capital expenditures
356 PARKS CAPITAL	285,557.17	512,695.97	798,253.14	To establish reserve funds for future capital expenditures
357 POLICE CAPITAL RESERVE (CRIM JUSTICE	52,580.47	78,671.21	131,251.68	To establish reserve funds for future capital expenditures
358 FIRE/EMS CAPITAL RESERVE	109,698.73	41,793.93	151,492.66	To establish reserve funds for future capital expenditures
431 USDA Rural Dev. Water Bond Guaranty	31,271.50	341,120.37	372,391.87	Required guaranty for USDA Bond debt payment
435 2017-A Guaranty	0.00	141,109.99	141,109.99	To ensure payment guarantee on 2017-A water/sewer Bond
432 WA SE REV Refunding Bond 2017-B	5,089.24	51,322.41	56,411.65	Refunding Bond on the 2008-1 ULID
433 WA SE REV Refunding Bond 2017-B	0.00	141,291.07	141,291.07	Guaranty funds on the Refunding Bond 2008-1 ULID
701 BERTHUSEN TRUST	2,342.60	106,018.10	108,360.70	Trust established for maintenance of Berthusen Park
TOTAL BEFORE TRUST/AGENCY FUNDS	2,104,860.82	2,894,972.37	4,999,833.19	
613 FLEX BENEFITS	5,869.13	0.00	5,869.13	Fiduciary Fund to process employee flex benefits
631 PAYROLL	111,805.01	0.00	111,805.01	Fiduciary Fund to process employee payroll
632 CLAIMS	1,506,578.55	0.00	1,506,578.55	Fiduciary Fund to process City expenditures
636 PROTECTIVE INSPECTION FEE DEPOSITS	85,131.52	0.00	85,131.52	Fiduciary Fund to process engineering code inspections
637 FIREFIGHTER/EMT EDUCATION DEPOSIT	1,500.00	0.00	1,500.00	Fiduciary Fund for firefighter education
642 STATE BUILDING CODE FEE	0.00	0.00	0.00	Not Active
650 LYNDEN MUNICIPAL COURT	5,500.00	0.00	5,500.00	Fiduciary Fund to process City Court payments
651 PUBLIC SAFETY & EDUCATION	0.00	0.00	0.00	Not Active
652 CRIME VICTIM COMPENSATION	0.00	0.00	0.00	Not Active
653 TRANSPORTATION BENEFIT DISTRICT	0.00	0.00	0.00	Not Active
SUBTOTAL TRUST FUNDS	1,716,384.21	0.00	1,716,384.21	
GRAND TOTAL	3,821,245.03	2,894,972.37	6,716,217.40	

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 – CASH AND INVESTMENTS

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.

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.

The city's deposits and certificates of deposit are covered by Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Local Government Investment Pool	
Balance per YE Financial Statements	\$ 16,177,588
TOTAL	\$ 16,177,588

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 by City of Lynden. 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 2018 was \$1.93992 per \$1,000 on an assessed valuation of \$1,627,374,720 for a total regular levy of \$3,156,969.

The City of Lynden's general obligation levy, authorized in November 2006 by voters for a new city hall, for 2018 was \$0.17502 per \$1,000 on an assessed valuation of \$1,371,275,031 for a total levy of \$240,000.

NOTE 4 – 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 Funds object classes within the Funds. 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.

A copy of the legally adopted 2018 Budget is originally placed on the on the City's website with additional hard copies available in the Lynden City Library, The Mayor's Office, The City Administrator and Finance Director.

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

Includes Ending Cash in Appropriated Amounts			
Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance under(over)
Current Expense	\$ 14,479,237	\$ 12,446,019	\$ 2,033,218
Berthusen Park	94,950	99,725	(4,775)
Hotel/Motel Tax	135,150	54,676	80,474
Drug Buy Imprest	16,600	2,028	14,572
Public Facilities Protective Inspections	50,000	123,994	(73,994)
Transportation Benefit District	1,463,993	426,159	1,037,834
COL Note Redemption Fund, A	1,683,417	195,568	1,487,849
COL Note Redemption Fund, B	4,857,197	1,685,022	3,172,175
Public Works Trust Loan - Streets	131,990	131,989	1
LTGO Bond Redemption, 2017 (2005)	516,295	192,870	323,425
UTGO Bond Redemption, 2017 (2007)	328,650	224,830	103,820
Whatcom County EDI	145,536	145,536	-
Public Works Trust Loan - 17th Street	35,000	35,000	-
2012 LTGO Bond Redemption	722,598	537,330	185,268
Community Economic Revitalization Board	68,152	32,622	35,530
Transportation Impact	1,001,000	31,167	969,833
Fire Impact	140,100	-	140,100
Park Impact	461,000	168,932	292,068
Streets Capital Construction	6,921,270	3,621,078	3,300,192
City Trail	1,769,732	1,267,804	501,928
Benson Road Improvements	3,655,960	503,910	3,152,050
General Gov Capital Reserve	351,800	8,421	343,379
Police Capital Reserve	70,000	-	70,000
Streets Capital Reserve	15,150	15,138	12
Police Seizures/Forfeitures	4,004	75	3,929
Parks Capital Reserve	551,665	226,815	324,850
Police Capital Reserve (Crim Justice)	330,145	330,145	-
Fire/EMS Capital Reserve	150,300	-	150,300
Water	10,694,500	5,564,860	5,129,640
Sewer	9,794,000	4,473,079	5,320,921
Stormwater	1,150,690	664,170	486,520
Airport	68,025	67,939	86
USDA Rural Development Water Bond Guaranty	367,059	-	367,059
WA SE Rev Refunding Bond 2017B (ref 08ULID) Redemp.	324,773	294,019	30,754
WA SE Rev Refunding Bond 2017B (ref 08ULID) Guaranty	141,051	-	141,051
2017-A Guaranty (2003 W/S Rev Bond)	140,042	-	140,042
Water Source	1,635,948	526,540	1,109,408
Water Treatment Plant Improvements	2,864,591	15,089	2,849,502
2018 Total Budget	\$ 67,331,570	\$ 34,112,549	\$ 33,219,021

NOTE 5 – RISK MANAGEMENT

The City of Lynden is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program 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 December 1, 2018, the CIAW had 207 members in the program.

The program 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 program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,922,394.

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 program bears the \$25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryptions and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

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, with the exception of Pumps and Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1 to terminate participation the following December 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 Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2018 were \$2,809,430.

NOTE 6 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides the 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, 2018. The debt service requirements for general obligation, revenue, and other debt (i.e.assessment, public works trust loans), including both principal and interest, are as follows:

Fiscal Year	Principal	Interest	Total
2018	3,944,175	905,347	4,849,522
2019	3,909,779	841,538	4,751,317
2020	4,455,733	773,971	5,229,704
2021	4,522,140	682,949	5,205,089
2022	3,899,154	625,196	4,524,350
2023-2027	13,672,412	2,298,434	15,970,846
2028-2032	10,800,838	1,441,457	12,242,295
2033-2037	5,735,028	728,636	6,463,664
2038-2042	1,163,463	396,147	1,559,610
2043-2047	1,260,292	131,887	1,392,179
TOTALS	53,363,014	8,825,562	62,188,576

NOTE 7 - 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.

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
PO Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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. 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.

As of May 3, 2018, the City of Lynden'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	\$ -	0.000000%	-	-
PERS 1 UAAL	\$ 166,967	0.024979%	4,466,034,000	1,115,571
PERS 2 and 3	\$ 246,263	0.031915%	1,707,411,000	544,920
LEOFF 1		0.006506%	(1,815,502,000)	(118,117)
LEOFF 2	136,779.13	0.078876%	(2,030,218,000)	(1,601,355)
Total	550,009.14			(58,980)

LEOFF Plan 1

The City of Lynden 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 of the remaining liability will require new legislation. Starting on July 1, 2000, employers contribute zero percent.

LEOFF Plan 2

The City of Lynden 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.

NOTE 8 - CONTINGENCIES AND LITIGATION

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

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 9 – 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. Three (3) retirees received benefits during the year and \$47,948 was paid out for those benefits during 2018.

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. The City's TBD Board was disbanded at the end of March 2017 and from April 1, 2017 thereon the TBD was consolidated into the City's financial information under Fund 163.

On September 17, 2018 the City of Lynden hired Mark Billmire as the new Fire Chief.

NOTE 10 – DISCLOSURE OF JOINT VENTURE

The Whatcom Council of Governments (WCOG) and the City of Lynden entered into an agreement on January 13, 1977 and have renewed the membership agreement every year since. The interlocal agreement is to provide a forum for planning, coordination and mutual cooperation among the local municipalities, the Port of Bellingham and other regional entities.

City of Lynden Resolution No. 915 was the latest Resolution to ratify the City's ongoing membership in the WCOG.

Complete financial statements for the WCOG can be obtained from the WCOG's administrative office.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.81	PWTL - Main Street	7/1/2024	892,680	-	127,526	765,154
263.81	PWTL - 17th Street Culvert	7/1/2028	289,475	-	26,315	263,160
251.11	2012 LTGO	12/1/2024	3,405,000	-	450,000	2,955,000
263.91	Property - Benson Road	11/14/2024	366,556	-	46,941	319,615
263.81	CERB	1/31/2036	511,458	-	22,392	489,066
263.91	Line of Credit - G.O.	6/30/2018	122,546	2,257,179	1,679,062	700,663
251.11	LTGO Refunding Bond 2017 (2005 LTGO Police)	12/1/2025	1,360,000	-	155,000	1,205,000
251.11	UTGO Refunding Bond 2017 (2007 City Hall)	12/1/2032	3,140,000	-	110,000	3,030,000
Total General Obligation Debt/Liabilities:			10,087,715	2,257,179	2,617,236	9,727,658
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Drinking Water SRF	10/1/2023	679,082	-	169,770	509,312
263.82	State Revolving Fund	10/1/2024	2,254,818	-	361,904	1,892,914
263.82	PWTL - East Lynden Sub-basin	7/1/2025	155,425	-	19,428	135,997
263.82	USDA Rural Development	1/2/2047	5,290,602	-	94,612	5,195,990
263.82	Whatcom County EDI	1/26/2023	829,127	-	133,099	696,028
263.82	PWTL - PS 2 & Sewer Ext	6/1/2031	589,474	-	42,105	547,369
263.82	PWTL - Water Treatment Plant	6/1/2031	7,008,960	-	500,640	6,508,320
263.82	Drinking Water SRF	10/1/2036	11,514,000	-	606,000	10,908,000
263.82	Drinking Water SRF	10/1/2035	5,454,000	-	303,000	5,151,000
263.82	PWTL - DWSRF	10/1/2037	2,600,186	-	130,009	2,470,177
263.82	Whatcom County EDI - 2015	3/31/2035	3,637,171	-	185,431	3,451,740
263.92	Line of Credit - Utilities	6/30/2018	71,931	298,293	194,776	175,448
259.12	Compensated Absences	12/31/2018	1,520,990	87,137	-	1,608,127
264.30	Net Pension Liabilities	12/31/2018	2,311,756	-	651,265	1,660,491
252.11	W/S Revenue Refunding Bonds 2017 A (REF 2003)	12/1/2023	1,190,000	-	190,000	1,000,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			45,107,522	385,430	3,582,039	41,910,913
Assessment Debt/Liabilities (with commitments)						
253.11	W/S Revenue Refunding Bonds 2017 B (ULID No. 2008-1)	10/1/2023	1,195,000	-	270,000	925,000
Total Assessment Debt/Liabilities (with commitments):			1,195,000	-	270,000	925,000

City of Lynden
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Department of Archaeology and Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	BY18-61018- 005	12,952	-	12,952	1
Highway Planning and Construction Cluster							
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	ER-0902(415) LA-7102	39,440	-	39,440	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	STPUS-8160 (002) LA-8074	942	-	942	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	SRTS-0710 (004) LA-8299	194,291	-	194,291	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	STPUS-8162 (001) LA-8456	1,029,364	-	1,029,364	-
Total Highway Planning and Construction Cluster:				1,264,037	-	1,264,037	-
Highway Safety Cluster							

The accompanying notes are an integral part of this schedule.

City of Lynden
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

		Expenditures					Passed through to Subrecipients	Note
		Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washinton Association of Sheriffs and Police Chiefs)		State and Community Highway Safety	20.600	WASPC 120-6200-00	2,000	-	2,000	-
Total Highway Safety Cluster:					2,000	-	2,000	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Whatcom County Sheriff's Office)		Homeland Security Grant Program	97.067	2015-SS-0013	8,705	-	8,705	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Whatcom County Sheriff's Office)		Homeland Security Grant Program	97.067	2016-SS-00005-S01	37,037	-	37,037	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Whatcom County Sheriff's Office)		Homeland Security Grant Program	97.067	2017-SS-00101-S01	1,116	-	1,116	-
Total CFDA 97.067:					46,858	-	46,858	-
Total Federal Awards Expended:					1,325,847	-	1,325,847	-

The accompanying notes 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, 2018

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. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2. U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The City of Lynden has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov