



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Burlington

For the period January 1, 2021 through December 31, 2021

*Published December 1, 2022*

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

December 1, 2022

Mayor and City Council  
City of Burlington  
Burlington, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## INDEPENDENT AUDITOR'S REPORT

### 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 Burlington January 1, 2021 through December 31, 2021**

Mayor and City Council  
City of Burlington  
Burlington, 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 Burlington, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 14, 2022.

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 state law 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.

### **REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described above 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 or significant deficiencies may exist that were not identified.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

## **PURPOSE OF THIS REPORT**

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

November 14, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Burlington January 1, 2021 through December 31, 2021**

Mayor and City Council  
City of Burlington  
Burlington, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the City of Burlington, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

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

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Burlington, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

### **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 Burlington, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management 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 state law and the BARS manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and



*Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022 on our consideration of the City's internal control over financial reporting and on the 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 the effectiveness of the City's 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

November 14, 2022

## **FINANCIAL SECTION**

### **City of Burlington January 1, 2021 through December 31, 2021**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2021  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021  
Notes to Financial Statements – 2021

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

Schedule of Liabilities – 2021

**City of Burlington**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 City Street Fund</b>	<b>102 Arterial Street Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	20,872,893	4,208,829	714,689	455,549
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	16,879,087	15,639,450	-	-
320	Licenses and Permits	618,165	557,735	48,676	-
330	Intergovernmental Revenues	4,787,471	1,908,876	187,870	457,202
340	Charges for Goods and Services	7,421,406	318,817	1,252	79,831
350	Fines and Penalties	59,841	54,676	-	-
360	Miscellaneous Revenues	451,382	203,189	15,874	3,090
Total Revenues:		30,217,352	18,682,743	253,672	540,123
<b>Expenditures</b>					
510	General Government	3,421,630	3,421,630	-	-
520	Public Safety	10,912,755	5,829,505	-	-
530	Utilities	3,497,609	64,914	-	-
540	Transportation	964,300	246,220	718,080	-
550	Natural/Economic Environment	787,313	501,356	-	-
560	Social Services	93,873	33,791	-	-
570	Culture and Recreation	2,220,491	2,161,346	-	-
Total Expenditures:		21,897,971	12,258,762	718,080	-
Excess (Deficiency) Revenues over Expenditures:		8,319,381	6,423,981	(464,408)	540,123
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	3,828,666	-	50,000	232,938
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	321,606	24,278	-	288,000
Total Other Increases in Fund Resources:		4,150,272	24,278	50,000	520,938
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	2,620,171	182,055	3,731	1,043,021
591-593, 599	Debt Service	314,981	-	-	-
597	Transfers-Out	3,828,666	3,385,827	-	273,589
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	295,600	292,600	3,000	-
Total Other Decreases in Fund Resources:		7,059,418	3,860,482	6,731	1,316,610
<b>Increase (Decrease) in Cash and Investments:</b>		<b>5,410,235</b>	<b>2,587,777</b>	<b>(421,139)</b>	<b>(255,549)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	376,153	-	-	-
50831	Restricted	6,323,251	1,426,163	-	200,000
50841	Committed	-	-	-	-
50851	Assigned	14,670,301	457,019	293,550	-
50891	Unassigned	4,913,420	4,913,420	-	-
<b>Total Ending Cash and Investments</b>		<b>26,283,125</b>	<b>6,796,602</b>	<b>293,550</b>	<b>200,000</b>

The accompanying notes are an integral part of this statement.

**City of Burlington**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>103 First Step Center Operating</b>	<b>105 Fiber Fund</b>	<b>107 Park Endowment Fund</b>	<b>150 Fire</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	-	-	27,917	4,546
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	63,556	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	88,900	-	1,678,654
340	Charges for Goods and Services	-	65,137	-	620,354
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,184	746	265	29,317
Total Revenues:		64,740	154,783	265	2,328,325
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	5,083,250
530	Utilities	-	10,459	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	35,523	-	-	-
570	Culture and Recreation	-	-	2,492	-
Total Expenditures:		35,523	10,459	2,492	5,083,250
Excess (Deficiency) Revenues over Expenditures:		29,217	144,324	(2,227)	(2,754,925)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	32,500	50,000	-	3,163,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	7,599
Total Other Increases in Fund Resources:		32,500	50,000	-	3,170,599
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>61,717</b>	<b>194,324</b>	<b>(2,227)</b>	<b>415,674</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	61,433	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	284	194,325	25,690	420,222
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>61,717</b>	<b>194,325</b>	<b>25,690</b>	<b>420,222</b>

The accompanying notes are an integral part of this statement.

**City of Burlington**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>197 Lodging Tax Fund</b>	<b>201 Debt Service Fund</b>	<b>301 Local Capital Improvement</b>	<b>401 Sewer Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	429,314	229,690	4,088,202	5,778,004
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	436,600	-	739,481	-
320	Licenses and Permits	-	-	-	11,754
330	Intergovernmental Revenues	-	-	407,000	-
340	Charges for Goods and Services	-	-	66,650	3,978,625
350	Fines and Penalties	-	-	-	5,165
360	Miscellaneous Revenues	4,582	2,404	73,846	65,924
Total Revenues:		441,182	2,404	1,286,977	4,061,468
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	2,365,322
540	Transportation	-	-	-	-
550	Natural/Economic Environment	285,957	-	-	-
560	Social Services	-	-	24,559	-
570	Culture and Recreation	-	-	56,653	-
Total Expenditures:		285,957	-	81,212	2,365,322
Excess (Deficiency) Revenues over Expenditures:		155,225	2,404	1,205,765	1,696,146
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	298,787	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	1,729
Total Other Increases in Fund Resources:		-	298,787	-	1,729
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	575,260	479,242
591-593, 599	Debt Service	-	314,981	-	-
597	Transfers-Out	-	-	169,250	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	314,981	744,510	479,242
<b>Increase (Decrease) in Cash and Investments:</b>		<b>155,225</b>	<b>(13,790)</b>	<b>461,255</b>	<b>1,218,633</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	508,662	-	4,126,993	-
50841	Committed	-	-	-	-
50851	Assigned	75,877	215,900	422,463	6,996,633
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>584,539</b>	<b>215,900</b>	<b>4,549,456</b>	<b>6,996,633</b>

**City of Burlington**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>425 Storm Drain Fund</b>	<b>501 Equipment Rental &amp; Repair Fund</b>	<b>502 Computer Rental &amp; Replacement</b>	<b>701 Cemetery Endowment Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	3,127,123	1,332,520	105,404	371,106
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	58,969	-	-	-
340	Charges for Goods and Services	1,251,770	827,471	211,499	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	31,345	14,595	1,415	3,606
Total Revenues:		1,342,084	842,066	212,914	3,606
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	1,056,914	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,056,914	-	-	-
Excess (Deficiency) Revenues over Expenditures:		285,170	842,066	212,914	3,606
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	1,441
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	1,441
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	263,457	73,405	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	263,457	73,405	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>285,170</b>	<b>578,609</b>	<b>139,509</b>	<b>5,047</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	376,153
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	3,412,296	1,911,128	244,914	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>3,412,296</b>	<b>1,911,128</b>	<b>244,914</b>	<b>376,153</b>

The accompanying notes are an integral part of this statement.

**City of Burlington**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Total for All Funds (Memo Only)</b>	<b>Private-Purpose Trust</b>	<b>Custodial</b>
308	Beginning Cash and Investments	15,235	5,682	9,553
388 & 588	Net Adjustments	-	-	-
310-390	Additions	244,323	167,191	77,132
510-590	Deductions	240,212	162,742	77,470
	Net Increase (Decrease) in Cash and Investments:	4,111	4,449	(338)
508	Ending Cash and Investments	19,346	10,131	9,215

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



**City of Burlington**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

**Note 1 - Summary of Significant Accounting Policies**

The City of Burlington was incorporated on June 2, 1902 and operates under the laws of the state of Washington applicable to a code city with a strong mayor – council form of government. The City of Burlington is a general purpose local government and provides police protection, municipal court, legal, building, engineering and planning, code enforcement, cemetery, animal control, fire protection, emergency medical services, street construction, maintenance and improvements, parks and recreation, public library, storm water and sewage disposal, senior services, finance and accounting and general administrative services.

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

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

A. Fund Accounting

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

**GOVERNMENTAL FUND TYPES:**

General Fund

This fund is the primary operating fund of the government. 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 government.

#### Debt Service Funds

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

#### Capital 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.

#### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

### **FIDUCIARY FUND TYPES:**

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

#### Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

#### Custodial Funds

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

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

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

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

C. Cash and Investments

See Note 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 two years. Capital assets and inventory are recorded as expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 25 days (10 24-hour “days” for firefighters) and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Eight (8) hours is compensable to the employee at his/her contractual rate of pay at the time of payment for every 32 hours accrued in excess of the 960 hour limit. Upon separation or retirement employees do not receive payment for unused sick leave.

F. Long-Term Debt

See Note 4, Long-Term Debt (*Formerly Debt Service Requirements*).

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or resolution of the City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

The city’s Ending Cash and Investments consists of \$6,323,251 in Restricted Funds. The restricted fund balances include General Fund (001) where funds are restricted through COVID 19 Local Fiscal Recovery Funds, refundable deposits held for rental facilities and impact fees, Arterial Street Fund (102) where Transportation Improvement Board (TIB) grant funds are restricted for a project, First Step Center Operating Fund (103) where taxes are restricted to provide affordable housing, Lodging Tax Fund (197) where tax revenue is restricted for tourism/promotional expenses as required by state law, Parks Capital Fund (301) where revenue from taxes and impact fees are reserved for capital project expenses.

<b>Fund</b>	<b>Restricted Balance</b>
General (001)	\$ 1,426,163
Arterial Street (102)	\$ 200,000
First Step Center Operations (103)	\$ 61,433
Lodging Tax (197)	\$ 508,662
Parks Capital (301)	\$ 4,126,993

<b>Total Restricted</b>	<b>\$</b>	<b>6,323,251</b>

## **Note 2 – Budget Compliance**

The City of Burlington adopts annual appropriated budgets for all funds except Fund 625 Court Trust Fund and Fund 630 Agency Fund. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General	\$16,634,195	\$16,119,244	\$514,951
City Street	\$955,952	\$724,811	\$231,141
Arterial Street	\$4,073,589	\$1,316,610	\$2,756,979
First Step Operating	\$100,000	\$35,523	\$64,477
Fiber	\$300,000	\$10,459	\$289,541
Park Endowment	\$3,050	\$2,492	\$558
Fire - EMS	\$5,294,590	\$5,083,250	\$211,340
Lodging Tax	\$433,557	\$285,957	\$147,600
Debt Service	\$314,980	\$314,981	(\$1)
Local Capital Improvement	1,914,471	825,722	\$1,088,749
Sewer	\$5,288,445	\$2,844,564	\$2,443,881
Storm Drainage	\$1,483,466	\$1,056,914	\$426,552
Equipment Rental & Replacement	\$603,000	\$263,457	\$339,543
Computer Rental and Replacement	\$205,500	\$73,405	\$132,095
Cemetery Endowment	0	0	
	<b>\$37,604,795</b>	<b>\$28,957,389</b>	<b>\$8,647,406</b>

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

## **Note 3 – COVID 19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Due to the stay at home order, the City experienced significant losses in tax and other miscellaneous revenues. To address these losses the City made a number of reductions that included a staffing restructure and a staff furlough. Despite the pandemic, the City was able to improve its overall financial position from the beginning of the year.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the City is unknown at this time.

#### **Note 4 – Deposits and Investments**

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments are reported at original cost. Investments by type at December 31, 2021 are as follows:

Type of Investment	City's own investments	Investments held by City as an agent for other local governments, individuals or private organizations.	Total
Bank Deposits	\$1,161,532	\$19,346	\$1,180,878
L.G.I.P.	\$6,800,780	\$0	\$6,800,780
U.S. Government Securities	18,320,813	0	\$18,320,813
Total	\$26,283,125	\$19,346	\$26,302,471

The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with [Chapter 43.250 RCW](#). Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

### **Note 5 – Interfund Loans**

The Following table displays interfund loan activity during 2021:

Borrowing Fund	Lending Fund	Balance 1/1/2021	New Loans	Repayments	Balance 12/31/21
303-First Step Center Construction	301-Local Capital Improvement	\$0	\$400,000	\$0	\$400,000
102-Arterial Street	001-Current Expense	\$0	\$288,000	\$0	\$288,000
	Totals	\$0	\$688,000	\$0	\$688,000

### **Note 6 - Property Tax**

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

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

The City's regular levy for the year 2021 was \$1.5557 per \$1,000 on an assessed valuation of \$1,794,371,931 for a total regular levy of \$2,791,624.

### **Note 7 – Long-Term Debt**

#### **Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2021.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$277,170	\$37,811	\$314,980
2023	\$283,443	\$31,537	\$314,980
2024	\$289,785	\$25,195	\$314,980
2025-2028	\$898,576	\$35,406	\$933,982
Totals:	<u>\$1,748,974</u>	<u>\$129,949</u>	<u>\$1,878,923</u>

## **Note 8 – Pension Plans**

### **A. State Sponsored Pension Plans**

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. (PERS, PERS 2/3, LEOFF 1, and LEOFF 2)

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

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

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

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

At June 30, 2021 (the measurement date of the plans), the city'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	\$233,894	.031400%	\$383,467
PERS 2/3	\$381,858	.040311%	\$(4,015,624)
LEOFF 1		.007482%	\$(256,301)
LEOFF 2	\$236,350	.118564%	\$(6,886,688)

### **LEOFF Plan 1**

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

### **LEOFF Plan 2**

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

B. Deferred Compensation

The City provides a maximum of 6.2% of the Firefighter Base Wage Rate (BWR) per month in matching dollars within the City's Deferred Compensation Plan. An employee may choose to increase his/her portion of the contribution above the matching share of 6.2% of the (BWR). However, should the employee invest less than the 6.2% of the (BWR) the city will only match the amount the employee contributes to the City's recognized Deferred Compensation Program. This Program is designed as an alternative to participating in Social Security.

C. International City Management Association Retirement Corporation ("ICMA-RC")

The City participates in an ICMA-RC plan on behalf of the City Administrator and in lieu of the City's other retirement plans. This plan is administered in accordance with the requirements for plans which satisfy the qualification requirements of Section 401 of the Internal Revenue Code and other applicable federal law.

**Note 9 – Risk Management**

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter-local Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 Members.

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sub-limits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sub-limits.



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

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

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

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

*Self Insurance* – The city Self-Insures for unemployment compensation.

## **Note 10 – Health & Welfare**

The City of Burlington is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2020, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in

order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

#### **Note 11 – OPEB Plans**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had three members, all retirees. As of December 31, 2021, the city's total OPEB liability was \$1,387,116 as calculated using the alternative measurement method. For the year ended December 31, 2021, the city paid \$32,017 in benefits.

During the year ended 2019, the city adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

**City of Burlington**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2021**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	North Burlington Boulevard	12/1/2027	2,020,009	-	271,035	1,748,974
<b>Total General Obligation Debt/Liabilities:</b>			<b>2,020,009</b>	<b>-</b>	<b>271,035</b>	<b>1,748,974</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences	12/31/2021	545,046	29,182	-	574,228
264.30	Net Pension Liability		1,836,604	-	1,453,137	383,467
264.40	Other Post Employment Benefits		1,433,055	-	45,939	1,387,116
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>3,814,705</b>	<b>29,182</b>	<b>1,499,076</b>	<b>2,344,811</b>
<b>Total Liabilities:</b>			<b>5,834,714</b>	<b>29,182</b>	<b>1,770,111</b>	<b>4,093,785</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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