



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Lynden

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

Published March 6, 2023

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

March 6, 2023

Mayor and City Council
City of Lynden
Lynden, Washington

Report on Financial Statements

Please find attached our report on the City of Lynden'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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Lynden January 1, 2021 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period:	Report Ref. No.:	Finding Ref. No.:
January 1, 2020 through December 31, 2020	1029300	2020-001
Finding Caption: The City lacked adequate controls for ensuring the accuracy of the reported Schedule of Liabilities.		
Background: Federal and state agencies, City Council, and the public rely on the information included in the financial statements and reports to make decisions. The City prepares its financial statements in accordance with the cash basis accounting method as prescribed in the <i>Budgeting, Accounting and Reporting System</i> (BARS) manual. City management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance regarding the reliability of the financial reports. Our audit identified deficiencies in the City's internal controls over financial reporting that hindered the City's ability to produce reliable financial schedules. The City's process for preparing and reviewing financial reports for fiscal years 2019 and 2020 was insufficient for ensuring the required supplementary Schedule of Liabilities was accurate, complete and tied to supporting records. Specifically, we noted the following control deficiencies that when taken together represent a material weakness: <ul style="list-style-type: none"> • The City did not ensure the reported liability amounts were correctly calculated and tied to the supporting amortization schedules. The City also did not ensure amounts were not double reported. • The City did not appropriately implement GASB Statement No. 75, <i>Accounting and Financial Reporting for Post-employment Benefits Other than Pension</i>, and it did not report any liability associated with its Law Enforcement Officers and Fire Fighters (LEOFF 1) employees. 		

For fiscal years 2019 and 2020, the City's Schedule of Liabilities had several errors, which significantly affected the ending total debt/liabilities balance for each year. Specifically, the City:

- Incorrectly calculated its net pension liability in the 2019 Schedule, which resulted in an overstatement of \$991,736. Additionally, the City did not include newly issued
- liabilities in its calculation, which caused an understatement of \$1,992,805.
- Reported a liability twice in the 2020 Schedule, which resulted in an overstatement of \$1,295,652. Additionally, the City did not use the correct amortization schedules, which caused an understatement of \$56.

Omitted the required OPEB liability amounts and related note disclosures for both years. The City has yet to determine the liability associated with the three LEOFF participants. The City corrected the errors noted above.

Status of Corrective Action: (check one)

☐ Fully
Corrected

☒ Partially
Corrected

☐ Not Corrected

☐ Finding is considered no
longer valid

Corrective Action Taken:

All reporting errors were corrected at the time of Audit.

The following further corrective actions were taken or are in process:

- 1) A review was conducted of the current internal controls and processes.*
- 2) Despite staffing shortages additional staff is being hired to ensure the appropriate amount of time and resources are available to review submittals.*
- 3) Additional training was provided to staff.*
- 4) Additional emphasis was placed on researching and implementing GASB updates.*
- 5) The internal review process is under further review to enhance tracking and documentation of expenditures and grants.*

The City has completed or is completing all of the above actions to improve the City's internal processes and controls.

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 Lynden January 1, 2021 through December 31, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 23, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted certain other matters that we have reported to the management of the City in a separate letter dated February 23, 2023.

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

February 23, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Lynden January 1, 2021 through December 31, 2021

Mayor and City Council
City of Lynden
Lynden, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Lynden, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the financial section of our report.

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 Lynden, 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 Lynden, 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 February 23, 2023 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, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

February 23, 2023

FINANCIAL SECTION

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

		Total for All Funds (Memo Only)	001 Current Expense	105 Berthusen Park	110 Hotel/Motel Tax
Beginning Cash and Investments					
308	Beginning Cash and Investments	22,787,958	1,588,680	57,689	135,763
388 / 588	Net Adjustments	(3,846)	(3,196)	(172)	-
Revenues					
310	Taxes	12,238,924	9,454,191	65,000	96,547
320	Licenses and Permits	665,590	665,590	-	-
330	Intergovernmental Revenues	5,011,679	3,169,414	-	-
340	Charges for Goods and Services	12,891,999	1,125,717	-	-
350	Fines and Penalties	98,684	97,508	-	-
360	Miscellaneous Revenues	2,713,862	467,497	34,335	111
Total Revenues:		33,620,738	14,979,917	99,335	96,658
Expenditures					
510	General Government	2,656,569	2,656,569	-	-
520	Public Safety	6,479,918	6,479,918	-	-
530	Utilities	5,637,884	-	-	-
540	Transportation	1,498,669	1,255,923	-	-
550	Natural/Economic Environment	978,217	915,593	-	62,624
560	Social Services	58,223	58,223	-	-
570	Culture and Recreation	1,244,045	1,170,608	65,099	-
Total Expenditures:		18,553,525	12,536,834	65,099	62,624
Excess (Deficiency) Revenues over Expenditures:		15,067,213	2,443,083	34,236	34,034
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	2,217,193	-	-	-
397	Transfers-In	4,546,462	1,489,624	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	2,743,863	2,529,838	-	-
Total Other Increases in Fund Resources:		9,507,518	4,019,462	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	8,927,782	3,251,056	-	-
591-593, 599	Debt Service	6,433,218	49,957	-	-
597	Transfers-Out	4,546,462	365,676	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	2,571,940	82,154	-	-
Total Other Decreases in Fund Resources:		22,479,402	3,748,843	-	-
Increase (Decrease) in Cash and Investments:		2,095,329	2,713,702	34,236	34,034
Ending Cash and Investments					
50821	Nonspendable	111,645	-	-	-
50831	Restricted	4,296,403	-	-	169,797
50841	Committed	-	-	-	-
50851	Assigned	16,175,857	3,650	91,753	-
50891	Unassigned	4,295,536	4,295,536	-	-
Total Ending Cash and Investments		24,879,441	4,299,186	91,753	169,797

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, 2021

		117 Drug Buy Imprest	119 Public Facilities Protective	163 Transportation Benefit Distric	221 COL Note Redemption Fund, A
Beginning Cash and Investments					
308	Beginning Cash and Investments	14,535	40,827	606,576	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	784,274	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	491	-	-	-
360	Miscellaneous Revenues	14	-	593	-
Total Revenues:		505	-	784,867	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	119,935	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	119,935	-	-
Excess (Deficiency) Revenues over Expenditures:		505	(119,935)	784,867	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	1,220,667
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	153,619	-	-
Total Other Increases in Fund Resources:		-	153,619	-	1,220,667
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	1,220,667
597	Transfers-Out	-	-	551,407	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	14,557	-	-
Total Other Decreases in Fund Resources:		-	14,557	551,407	1,220,667
Increase (Decrease) in Cash and Investments:		505	19,127	233,460	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	15,040	59,954	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	840,036	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		15,040	59,954	840,036	-

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, 2021

		222 COL Note Redemption Fund, B	227 Public Works Trust Loan - Stre	229 LTGO Bond Redemption, 2017 -20	236 UTGO Bond Redemption, 2017 -20
Beginning Cash and Investments					
308	Beginning Cash and Investments	-	-	296,481	171,793
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	542,800
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	268	285
Total Revenues:		-	-	268	543,085
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	-	268	543,085
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	287,133	130,077	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		287,133	130,077	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	287,133	130,077	194,041	249,150
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		287,133	130,077	194,041	249,150
Increase (Decrease) in Cash and Investments:		-	-	(193,773)	293,935
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	102,708	465,728
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	-	102,708	465,728

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, 2021

		237 Whatcom County EDI Loan	238 Public Works Trust Loan - 17th	240 2012 LTGO Bond Redemption	241 Community Economic Revitalizat
Beginning Cash and Investments					
308	Beginning Cash and Investments	-	-	198,834	37,161
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	619,895	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	394	39
Total Revenues:		-	-	620,289	39
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	-	620,289	39
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	145,536	32,632	-	32,622
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		145,536	32,632	-	32,622
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	145,536	32,632	545,900	32,622
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		145,536	32,632	545,900	32,622
Increase (Decrease) in Cash and Investments:		-	-	74,389	39
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	273,223	37,200
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	-	273,223	37,200

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

		302 Transportation Impact	305 Fire Impact	306 Park Impact	310 Streets Capital Construction
Beginning Cash and Investments					
308	Beginning Cash and Investments	12,399	122,260	609,515	40,447
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	264,960
340	Charges for Goods and Services	520,380	181,585	348,294	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	204	138	432	24
Total Revenues:		520,584	181,723	348,726	264,984
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		520,584	181,723	348,726	264,984
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	160,116
397	Transfers-In	191,049	-	-	611,094
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		191,049	-	-	771,210
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	669,187
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	55,336	-	250,000	304,522
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		55,336	-	250,000	973,709
Increase (Decrease) in Cash and Investments:		656,297	181,723	98,726	62,485
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	668,696	303,983	708,241	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	102,932
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		668,696	303,983	708,241	102,932

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

		311 City Trail	343 Benson Road Improvements	350 General Government Capital Res	351 Police Capital Reserve
Beginning Cash and Investments					
308	Beginning Cash and Investments	593,604	327	244,064	629
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,201	148,862	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	301,540	31	169	1
Total Revenues:		302,741	148,893	169	1
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		302,741	148,893	169	1
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	602,089	-	-
397	Transfers-In	54,361	68,552	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		54,361	670,641	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	266,574	609,351	77,050	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	173,660	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		266,574	783,011	77,050	-
Increase (Decrease) in Cash and Investments:		90,528	36,523	(76,881)	1
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	684,132	36,850	167,183	630
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		684,132	36,850	167,183	630

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

		355 Police Seizures/Forfeitures	356 Parks Capital Reserve	357 Police Capital Reserve (Crim J)	358 Fire/EMS Capital Reserve
Beginning Cash and Investments					
308	Beginning Cash and Investments	5,565	640,154	418,525	179,406
388 / 588	Net Adjustments	-	(455)	-	-
Revenues					
310	Taxes	-	332,817	343,400	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	20	-	-
360	Miscellaneous Revenues	6	224,850	319	188
Total Revenues:		6	557,687	343,719	188
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	8,338	-	-
Total Expenditures:		-	8,338	-	-
Excess (Deficiency) Revenues over Expenditures:		6	549,349	343,719	188
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	250,000	33,115	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	250,000	33,115	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	568,213	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	54,361	120,000	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	622,574	120,000	-
Increase (Decrease) in Cash and Investments:		6	176,775	256,834	188
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	816,474	675,359	-
50841	Committed	-	-	-	-
50851	Assigned	5,571	-	-	179,594
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		5,571	816,474	675,359	179,594

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

		401 Water	405 Sewer	410 Stormwater	420 Airport
Beginning Cash and Investments					
308	Beginning Cash and Investments	7,746,304	8,613,757	230,395	70,738
388 / 588	Net Adjustments	-	(3)	-	(20)
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	512,113	104,870	784,204	26,055
340	Charges for Goods and Services	5,015,573	4,766,250	863,461	70,739
350	Fines and Penalties	645	-	20	-
360	Miscellaneous Revenues	637,345	916,663	125,400	2,901
Total Revenues:		6,165,676	5,787,783	1,773,085	99,695
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	2,375,887	2,662,989	599,008	-
540	Transportation	-	-	-	122,811
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,375,887	2,662,989	599,008	122,811
Excess (Deficiency) Revenues over Expenditures:		3,789,789	3,124,794	1,174,077	(23,116)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	561,415	37,886	855,687	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	1,966	22,110	1,341	34,989
Total Other Increases in Fund Resources:		563,381	59,996	857,028	34,989
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,044,113	1,343,109	1,082,890	16,239
591-593, 599	Debt Service	2,595,397	739,352	210,754	-
597	Transfers-Out	1,425,346	565,041	681,113	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	2,451,852	22,036	1,341	-
Total Other Decreases in Fund Resources:		7,516,708	2,669,538	1,976,098	16,239
Increase (Decrease) in Cash and Investments:		(3,163,538)	515,252	55,007	(4,366)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	4,582,766	9,129,006	285,402	66,352
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		4,582,766	9,129,006	285,402	66,352

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

		701 Berthusen Park Trust
		<hr/>
Beginning Cash and Investments		
308	Beginning Cash and Investments	111,530
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	115
Total Revenues:		<hr/> 115
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> -
Excess (Deficiency) Revenues over Expenditures:		<hr/> 115
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> -
Other Decreases in Fund Resources		
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:		<hr/> -
Increase (Decrease) in Cash and Investments:		<hr/> 115
Ending Cash and Investments		
50821	Nonspendable	111,645
50831	Restricted	-
50841	Committed	-
50851	Assigned	-
50891	Unassigned	-
Total Ending Cash and Investments		<hr/> 111,645

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

		Total for All Funds (Memo Only)	Pension/OPEB Trust Fund	Custodial
308	Beginning Cash and Investments	19,520	6,791	12,729
388 & 588	Net Adjustments	3,846	-	3,846
310-390	Additions	391,884	3,206	388,678
510-590	Deductions	387,553	1,450	386,103
	Net Increase (Decrease) in Cash and Investments:	4,331	1,756	2,575
508	Ending Cash and Investments	27,697	8,547	19,150

The accompanying notes are an integral part of this statement.

City of Lynden
Notes to Financial Statements
January 1, 2021 thru December 31, 2021

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.

For all employees hired before December 31, 2014 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, 2020.

F. Long Term Debt (See Note #6, 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 (2007); Ordinance No. 1295 (2008); Ordinance No. 1319 (2009); Ordinance No. 1355 (2010); Ordinance No. 1376 (2011), Ordinance No. 1400 (2012), Ordinance No. 1420 (2013), Ordinance No. 1444 (2014), Ordinance No 1467 (2015), Ordinance No. 1485 (2016), Ordinance No. 1510 (2017), Ordinance No. 1534 (2018), Ordinance No. 1558 (2019), Ordinance No. 1606 (2020). 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%. In 2019 Skagit State Bank merged with Banner Bank. All transactions since then have been under the name of Banner Bank.

On July 19, 2021 the City of Lynden passed Ordinance No. 1629, which amended original Ordinance No. 1231. Per Banner Bank's proposal dated June 4, 2021, the purpose of this amendment was to renew the revolving credit and establish a maturity date of the notes. On September 7, 2021 the Lynden City Council passed Ordinance No. 1634 raising the maximum limit to \$3,000,000 with a fixed rate of 2.85% . The old notes were cancelled and the new notes were issued with a maturity of July 31, 2022.

The following table reflects line of credit activity during 2021:

Bond Fund	Balance 1/1/2021	Draws	Repayments	Balance 12/31/2021
COL Note Redemption 2005A (Utility based)	\$ 0	\$ 1,455,314	\$ 1,211,524	\$ 243,790
COL Note Redemption 2005B (LTGO based)	\$ 1,344,164	\$ 701,632	\$ 282,683	\$ 1,763,113
TOTALS	\$ 1,344,164	\$ 2,156,946	\$ 1,494,207	\$ 2,006,903

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

H. Assigned / Restricted and Non Spendable Fund Balances

Prior to 2020 Beginning and Ending Cash and Investments were reported as “Reserved” when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the city. The Washington State Auditor’s Office required that Reserve balances be separated out into “Assigned”, “Restricted” or “Non Spendable” classifications. The City of Lynden has a portion of ending fund balances which are either Assigned, Restricted or Non Spendable. The amounts segregated at December 31, 2021 and their funds are listed below:

FUND NUMBER	2021 Ending						
	Cash - Assigned	Cash - Restricted	Cash - Nonspendable	Inv - Assigned	Inv - Restricted	Inv - Nonspendable	TOTAL
001 CURRENT EXPENSE	3,650						3,650.00
105 BERTHUSEN PARK	90,116			1,637			91,753.14
110 HOTEL/MOTEL		107,966			61,831		169,797.19
117 DRUG BUY IMPREST		3,327			11,713		15,039.60
119 PUBLIC FACILITIES PROTECTIVE INSPECT		59,954					59,954.04
163 TRANSPORTATION BENEFIT DISTRICT	489,052			350,984			840,035.90
229 2005 LTGO DEBT		836			101,872		102,708.39
236 2007 UTGO BOND REDEMPTION		293,755			171,973		465,728.27
240 2012 LTGO BOND REDEMPTION		74,181			199,042		273,222.95
241 CERB Loan					37,200		37,200.43
302 TRANSPORTATION IMPACT		668,696					668,695.79
305 FIRE IMPACT		249,584			54,399		303,983.42
306 PARK IMPACT		367,149			341,092		708,240.94
310 STREETS CAPITAL CONSTRUCTION	102,932						102,931.53
311 CITY TRAIL	534,964			149,168			684,131.97
SUBTOTAL PAGE 1	1,220,714	1,825,448		501,788	979,123		4,527,073.56
343 BENSON ROAD IMPROVEMENTS	36,850						36,849.75
350 GENERAL GOV. CAP.	56,427			110,755			167,182.78
351 POLICE CAPITAL RESERVE				630			630.37
354 STREETS CAPITAL RESERVE							0.00
355 POLICE SEIZURES/FORFEITURES				5,571			5,571.20
356 PARKS CAPITAL		538,189			278,284		816,473.60
357 POLICE CAPITAL RESERVE (CRIM JUSTICE)		594,256			81,103		675,359.33
358 FIRE/EMS CAPITAL RESERVE				179,594			179,594.19
401 WATER	331,389			3,836,413			4,167,802.80
405 SEWER	2,312,727			6,670,806			8,983,533.17
410 STORM WATER	114,252			47,891			162,142.57
420 AIRPORT	66,352						66,352.08
431 USDA Rural Dev. Water Bond Guaranty					414,962		414,962.16
432 WA SE REV Refunding Bond 2017-B	9,975			39,885			49,860.21
433 WA SE REV Refunding Bond 2017-B					73,399		73,398.83
435 2017-A Guaranty					145,472		145,472.41
450 Water Source							0.00
451 Water Treatment Plant Improvements							0.00
701 BERTHUSEN TRUST			2,349			109,296	111,644.92
SUBTOTAL PAGE 2	2,927,973	1,132,445	2,349	10,891,546	993,221	109,296	16,056,830.37
TOTAL BEFORE TRUST/AGENCY FUNDS							20,583,903.93
613 FLEX BENEFITS		8,548					8,548.07
642 STATE BUILDING CODE FEE		170					169.50
650 LYNDEN MUNICIPAL COURT		7,854					7,854.00
651 PUBLIC SAFETY & EDUCATION		11,032					11,031.82
652 CRIME VICTIM COMPENSATION		93					92.50
SUBTOTAL TRUST FUNDS		27,696					27,695.89
GRAND TOTAL	4,148,687.12	2,985,589.47	2,349.25	11,393,334.54	1,972,343.77	109,295.67	20,611,599.82
			7,136,625.84 Total Cash		13,474,973.98 Total Investment		20,611,599.82

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 – DEPOSITS 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, 2021 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Local Government Investment Pool	
Balance per YE Financial Statements	\$ 14,212,944
TOTAL	\$ 14,212,944

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 2020 for the collection of 2021 property taxes was \$1.57304 per \$1,000 on an assessed valuation of \$2,237,569,863 for a total regular levy of \$3,519,784.

The City of Lynden's general obligation bond, authorized in November 2006 by voters for a new city hall, for 2021 was \$0.24688 per \$1,000 on an assessed valuation of \$2,209,944,048 for a total levy of \$545,600.

NOTE 4 – BUDGET COMPLIANCE

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 2021 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	\$ 17,391,077	\$ 16,288,872	\$ 1,102,205
Berthusen Park	160,950	65,271	95,679
Hotel/Motel Tax	140,800	62,623	78,177
Drug Buy Imprest	15,230	-	15,230
Public Facilities Protective Inspections	140,000	134,492	5,508
Transportation Benefit District	1,920,000	551,407	1,368,593
COL Note Redemption Fund, A	1,598,572	1,220,669	377,903
COL Note Redemption Fund, B	6,106,120	287,133	5,818,987
Public Works Trust Loan - Streets	130,077	130,076	1
LTGO Bond Redemption, 2017 (2005)	430,443	194,040	236,403
UTGO Bond Redemption, 2017 (2007)	386,500	249,150	137,350
Whatcom County EDI	145,536	145,536	-
Public Works Trust Loan - 17th Street	32,632	32,632	-
2012 LTGO Bond Redemption	746,800	545,900	200,900
Community Economic Revitalization Board	70,432	32,622	37,810
Transportation Impact	215,500	55,336	160,164
Fire Impact	136,000	-	136,000
Park Impact	643,000	250,000	393,000
Streets Capital Construction	6,986,167	973,709	6,012,458
City Trail	1,104,000	266,574	837,426
Benson Road Improvements	5,483,103	783,012	4,700,091
Public Works Vehicle & Equipment Reserve	-	-	-
General Gov Capital Reserve	178,362	77,050	101,312
Police Capital Reserve	629	-	629
Police Seizures/Forfeitures	5,609	-	5,609
Parks Capital Reserve	1,750,760	631,367	1,119,393
Police Capital Reserve (Crim Justice)	846,029	120,000	726,029
Fire/EMS Capital Reserve	182,200	-	182,200
Water	13,502,057	8,734,093	4,767,964
Sewer	13,129,927	5,332,531	7,797,396
Stormwater	2,898,561	2,454,996	443,565
Airport	153,450	139,071	14,379
USDA Rural Development Water Bond Guaranty	419,957	-	419,957
WA SE Rev Refunding Bond 2017B (ref 08ULID) Redemp.	210,854	210,754	100
WA SE Rev Refunding Bond 2017B (ref 08ULID) Guaranty	74,481	-	74,481
2017-A Guaranty (2003 W/S Rev Bond)	146,970	-	146,970
Water Source	3,733,570	1,208,810	2,524,760
Water Treatment Plant Improvements	2,495,000	2,463,875	31,125
2021 Total Budget	\$ 83,711,355	\$ 43,641,601	\$ 40,069,754

NOTE 5 – RISK MANAGEMENT

The City of Lynden is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of **166 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 [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, 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 sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

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

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

[1] The liability program assumes no liability deductibles apply to any coverage. Claims deductible levels of \$25,000, \$50,000, \$100,000, \$250,000, \$500,000 and \$1,000,000 are potential coverage options for members that may at the sole discretion of WCIA, be extended to members. Member should include the liability deductible amount if

NOTE 6 – LONG TERM DEBT

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, 2021. 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
2021	4,624,620	837,055	5,461,675
2022	3,942,030	680,322	4,622,352
2023	3,925,952	615,297	4,541,249
2024	3,098,039	549,027	3,647,066
2025	2,436,552	458,370	2,894,922
2026 - 2030	11,489,368	1,812,556	13,301,924
2031 - 2035	8,867,315	998,206	9,865,521
2036 - 2040	2,338,289	495,925	2,834,214
2041 - 2045	1,388,684	245,639	1,634,323
2046 - 2047	439,252	17,136	456,388
TOTALS	42,550,101	6,709,533	49,259,634

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 that includes financial statements and required supplementary information for each plan. comprehensive annual financial report The DRS Annual Financial Report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98540-8380

Or 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.

NOTE 7 - PENSION PLANS (Continued)

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	\$ 190,942	0.025634%	1,221,234,000	313,051
PERS 2 and 3	\$ 311,982	0.032935%	(9,961,609,000)	(3,280,856)
LEOFF 1		0.008282%	(3,425,562,000)	(283,705)
LEOFF 2	176,748.18	0.088665%	(5,808,414,000)	(5,150,030)
Total	679,672.50			(8,401,540)

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 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Employees covered by benefit terms: At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	91
Total	94

This is a defined benefit plan with the City as the plan administrator. The City's contribution requirements to OPEB are calculated based on the alternative measurement method and any medical, dental or vision reimbursements to the retirees as required by the LEOFF 1 Plan. The Washington Administrative Code (WAC) is the authority under which contribution requirements of the employer are established. The Washington State Department of Retirement Services in its Annual Report provides a specific financial report on OPEB that is available to the public.

The City of Lynden's OPEB Liability for LEOFF 1 employees is as follows:

<u>Description</u>	<u>Invoice Amount</u>
<i>AWC Employee Benefit Trust total:</i>	\$51,621.28
<i>LEOFF 1 Employees Reimbursement total:</i>	\$9,620.23
Total Inactive LEOFF 1 OPEB \$61,241.51	
Total Ending OPEB Liability	\$1,387,116

NOTE 9 - CONTINGENCIES AND LITIGATION

In the opinion of management, the city's insurance policies and coverage limits (referenced in Note 5 above) 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 10 – 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 \$61,241 was paid out for those benefits during 2021.

In July of 2021 the City of Lynden received \$2.1M in assistance through the American Rescue Plan Act (ARPA). The money is being held in the General Fund awaiting distribution to approved projects.

NOTE 11 – 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.

NOTE 12 – COVID 19

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the COVID-19 virus. The state of emergency remained in effect through 2021. In the weeks following the declaration, precautionary measures to slow the spread of the virus had been ordered. These measures included closing schools, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The City implemented measures to offset the economic impact of the pandemic by delaying capital purchases into 2021 and 2022, and by lowering projected 2021 Sales Tax revenues.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.81	PWTL - Main Street	7/1/2024	510,102	-	127,526	382,576
263.81	PWTL - 17th Street Culvert	7/1/2028	210,527	-	26,316	184,211
251.11	2012 LTGO	12/1/2024	2,020,000	-	485,000	1,535,000
263.91	Property - Benson Road	11/14/2024	219,960	-	52,910	167,050
263.91	Property - Dickinson	1/30/2021	500,000	-	500,000	-
263.81	CERB	1/31/2036	442,929	-	23,297	419,632
263.94	COL LGO Bond 2005B Revolving	6/30/2021	1,344,164	701,632	282,683	1,763,113
251.11	LTGO Refunding Bond 2017 (2005 LTGO Police)	12/1/2025	890,000	-	170,000	720,000
251.11	UTGO Refunding Bon 2017 (2007 City Hall)	12/1/2032	2,775,000	-	145,000	2,630,000
Total General Obligation Debt/Liabilities:			8,912,682	701,632	1,812,732	7,801,582
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Drinking Water SRF	10/1/2023	169,771	-	169,771	-
263.82	State Revolving Fund	10/1/2024	1,152,677	-	378,498	774,179
263.82	PWTL - East Lynden Sub-basin	7/1/2025	97,141	-	19,428	77,713
263.82	USDA Rural Development	1/2/2047	4,994,733	-	161,277	4,833,456
263.82	Whatcom County EDI	1/26/2023	423,810	-	139,179	284,631
263.82	PWTL - PS 2 & Sewer Ext	6/1/2031	463,158	-	42,105	421,053
263.82	PWTL - Water Treatment Plant	6/1/2031	5,507,040	-	500,640	5,006,400
263.82	Drinking Water SRF	10/1/2036	9,696,000	-	606,000	9,090,000
263.82	Drinking Water SRF	10/1/2035	2,210,158	-	130,009	2,080,149
263.82	PWTL - DWSRF	10/1/2025	4,545,000	-	303,000	4,242,000
263.82	Whatcom County EDI - 2015	3/31/2035	3,075,296	-	191,050	2,884,246
263.82	WWTP Outfall DOE #00026)	4/1/2031	1,082,382	-	48,149	1,034,233
263.95	COL Revenue Bond 2005A Revolving	6/30/2021	-	1,455,314	1,211,524	243,790
259.12	Compensated Absences	12/31/2021	1,904,554	1,036,912	931,661	2,009,805
264.30	Net Pension Liabilities	12/31/2021	1,330,481	-	1,017,430	313,051
264.40	OPEB Liabilities	12/31/2021	1,423,771	-	36,655	1,387,116
252.11	W/S Revenue Refunding Bonds 2017 A (REF 2003)	12/1/2023	615,000	-	205,000	410,000
263.82	WSDOE SRF Loan #00044	10/31/2042	-	60,247	-	60,247
Total Revenue and Other (non G.O.) Debt/Liabilities:			38,690,972	2,552,473	6,091,376	35,152,069

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Assessment Debt/Liabilities (with commitments)						
253.11	W/S Revenue Refunding Bonds 2017 B (ULID No. 2008-1)	10/1/2023	535,000	-	200,000	335,000
	Total Assessment Debt/Liabilities (with commitments):		535,000	-	200,000	335,000
	Total Liabilities:		48,138,654	3,254,105	8,104,108	43,288,651

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.

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