



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Lynden

For the period January 1, 2023 through December 31, 2023

*Published May 8, 2025*

Report No. 1037122



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

May 8, 2025

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

***Americans with Disabilities***

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## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### City of Lynden January 1, 2023 through December 31, 2023

#### **2023-001    The City's internal controls over preparing the financial schedules were inadequate for ensuring accurate and complete reporting.**

##### ***Background***

Federal and state agencies, the City Council and the public rely on the information included in the financial statement and reports to make decisions. City management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance the financial reports are reliable.

The City prepares its financial statements, notes and schedules in accordance with the cash-basis accounting method prescribed in the *Budgeting, Accounting and Reporting System* (BARS) Manual.

Local governments must report long-term liabilities on a Schedule of Liabilities and must report expenditures of federal funds on a Schedule of Expenditures of Federal Awards (SEFA) as part of their annual financial report.

Uniform Guidance requires governments that spend \$750,000 or more in federal funds in a year to obtain a federal single audit. Further, governments must submit audit results to the Federal Audit Clearinghouse within 30 calendar days after issuance of the audit report or within nine months after the audit period; whichever is earlier.

Our audit identified deficiencies in internal controls over financial reporting that affected the City's ability to produce reliable financial schedules. *Government Auditing Standards* requires our Office to communicate material weaknesses as a finding.

We reported similar deficiencies as findings in 2022 and 2020 and as a management letter in 2021.

### *Description of Condition*

The City's process for preparing and reviewing required financial schedules and related note disclosures was insufficient to ensure the amounts reported were accurate, complete and agreed to supporting records.

We identified the following deficiencies in internal controls over the City's process for preparing its financial schedules that, when taken together, represent a material weakness. Specifically, we determined the City did not:

- Verify the reported amounts on the Schedule of Liabilities were correctly calculated and agreed to the supporting amortization schedules. The City also did not ensure it included amounts new debt issuances on the schedule.
- Report liabilities associated with Other Post-Employment Benefits (OPEB) as required by GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pension*
- Report liabilities associated with pensions as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*
- Report federal grant expenditures made in 2021, 2022 or 2023 for the American Rescue Plan Act federal grant program. When the City revised its SEFA, the total annual federal expenditures for 2023 exceeded the \$750,000 threshold that requires a federal single audit.

### *Cause of Condition*

The City had turnover in the Finance Director position during the time the financial statements were prepared. As a result, the City did not dedicate adequate time and resources to prepare the required financial schedules and note disclosures.

### *Effect of Condition*

As a result of the internal control weakness, the City's financial schedules contained errors that significantly affected the ending total debt and liabilities balances for year-end, and the reporting of expenditures of federal awards.

Specifically, the City's Schedule of Liabilities and related note disclosures did not report:

- \$2,194,500 in outstanding liabilities related to a 2023 limited tax general obligation (LTGO) bond related to a fire station
- \$2,101,670 for liabilities associated with three new state and local loans
- \$1,106,943 in OPEB liabilities
- \$634,878 in net pension liabilities

The City corrected all the errors noted above.

In addition, the City's SEFA did not report \$1,776,406 in 2023 COVID-19 Coronavirus State and Local Fiscal Recovery Funds (SLFRF) federal expenditures. The City identified this omission during the audit and submitted a revised SEFA. The resulting federal expenditures exceeded the \$750,000 threshold and required a federal single audit, which was subsequently performed.

Lastly, the City also identified 2021 and 2022 SLFRF expenditures not reported on prior year SEFAs. These errors did not result in the City exceeding the federal single audit threshold for 2021 or 2022.

### ***Recommendation***

We continue to recommend the City establish adequate internal controls and review processes to ensure required financial schedules are prepared accurately and include all outstanding liabilities and expenditures of federal awards. Further, the City should monitor expenditures of federal awards to ensure federal grant compliance audits are completed timely when the City surpasses the federal single audit threshold.

### ***City's Response***

*The City appreciates the collaboration and support of the SAO office in identifying and correcting the errors made on the Schedule of Liabilities, and working through the SLFRF expenditures together. As stated in the Cause of Condition, the City had a significant change in staffing in the Finance Department during the time of preparing the financial reports – affecting multiple positions and the number of staff available. While these changes are factors, the City recognizes the importance of strong internal controls to support accurate financial reporting, and is dedicated to improving areas of weakness. Staff involved in preparing the financial reports will have additional controls in place going forward, including the preparation of an instruction package, multiple staff reviewing the reports, a reconciliation of*

*Schedule 1 and Schedule 9, and a verification of any variances identified in the SAO portal at the time of submission. Additionally, a new policy is being implemented with guidance on handling grant funding receipts, to provide guidance for situations where funding is received in advance of expenditures.*

### ***Auditor's Remarks***

We thank the City for its cooperation and assistance during the audit and acknowledge its commitment to resolve this finding. We will review the corrective action taken during our next audit.

### ***Applicable Laws and Regulations***

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

*Budgeting, Accounting and Reporting System (BARS) Manual – Accounting Principles and Controls, Internal Control, Sections 3.1.3.20 and 3.1.3.30*

*Budgeting, Accounting and Reporting System (BARS Manual), 4.14.5, Expenditures of Federal Awards (Schedule 16)*, requires governments that expend over \$750,000 or more in federal grant awards in a year, must arrange a federal single audit in accordance with the Uniform Guidance, 2 CFR 200, Subpart F-Audit Requirements.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), section 510 – Financial Statements, establishes criteria and requirements related to the preparation of the schedule of expenditures of Federal awards.

Title 2 CFR Part 200, Uniform Guidance, section 302 – Financial Management, requires grantees to identify, in their accounts, all Federal awards received and expended and the Federal programs under which the awards were received.

Title 2 CFR Part 200, Uniform Guidance, section 501 – Audit Requirements, requires non-Federal entities that expend Federal awards of \$750,000 or more during its fiscal year to have conducted a single audit.

Title 2 CFR Part 200, Uniform Guidance, section 514 – Scope of Audit, requires the audit be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and encompass the financial statements and schedule of expenditure of Federal awards (SEFA).

Title 2 CFR Part 200, Uniform Guidance, section 512 – Report submission, requires the audit be completed, the data collection form and reporting package submitted within the earlier of 30 calendar days after the auditor's report, or nine months after the end of the audit period.





## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### City of Lynden January 1, 2023 through December 31, 2023

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

<b>Audit Period:</b> January 1, 2022 - December 31, 2022	<b>Report Ref. No.:</b> 1034352	<b>Finding Ref. No.:</b> 2022-001
<b>Finding Caption:</b> The City lacked adequate controls for ensuring amounts reported on the Schedule of Liabilities were accurate.		
<b>Background:</b> Federal and state agencies, the 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 Budgeting, Accounting and Reporting System (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 its ability to produce reliable financial schedules. These issues were reported as a finding in the prior audit.		
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;"> <input checked="" type="checkbox"/> Fully Corrected         </div> <div style="text-align: center;"> <input type="checkbox"/> Partially Corrected         </div> <div style="text-align: center;"> <input type="checkbox"/> Not Corrected         </div> <div style="text-align: center;"> <input type="checkbox"/> Finding is considered no longer valid         </div> </div>		
<b>Corrective Action Taken:</b> <i>The City has corrected the noted errors in the 2022 Financial Statements. Additionally, the Finance team has developed and confirmed a practice of ensuring a second individual is reviewing and cross referencing the balances on financial reports to ensure accuracy that may be missed in a self-review. This step is also going to be added to the Checklist for year end in annual reports and will be confirmed by two signatures on the Financial Statement Checklist at fiscal year end.</i> <i>Due to timing of identification of this error for 2022, some of these steps may not be evident in 2023 Financial Statements, but will be evident going forward in 2024.</i>		

## 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, 2023 through December 31, 2023**

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, 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated May 2, 2025.

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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, that we consider to be a material weakness.

## **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*.

## **CITY'S RESPONSE TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

May 2, 2025

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Lynden January 1, 2023 through December 31, 2023**

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, 2023, 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, 2023, 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, 2023, 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 as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2025 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

May 2, 2025



## **FINANCIAL SECTION**

### **City of Lynden January 1, 2023 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2023  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023  
Notes to Financial Statements – 2023

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

Schedule of Liabilities – 2023

**City of Lynden**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>105 Berthussen Park</b>	<b>110 Hotel/Motel Tax</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	22,894,230	5,279,225	125,996	185,672
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	13,347,703	10,485,874	65,000	128,239
320	Licenses and Permits	571,354	571,354	-	-
330	Intergovernmental Revenues	6,740,012	1,760,079	-	-
340	Charges for Goods and Services	13,528,103	1,129,950	-	-
350	Fines and Penalties	156,529	88,218	-	-
360	Miscellaneous Revenues	2,722,272	214,792	47,398	5,126
Total Revenues:		37,065,973	14,250,267	112,398	133,365
<b>Expenditures</b>					
510	General Government	3,056,461	3,056,461	-	-
520	Public Safety	7,868,219	7,868,219	-	-
530	Utilities	7,175,930	-	-	-
540	Transportation	1,921,471	1,710,483	-	-
550	Natural/Economic Environment	1,234,101	1,073,789	-	160,312
560	Social Services	77,976	77,976	-	-
570	Culture and Recreation	1,778,039	1,554,499	89,271	-
Total Expenditures:		23,112,197	15,341,427	89,271	160,312
Excess (Deficiency) Revenues over Expenditures:		13,953,776	(1,091,160)	23,127	(26,947)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	8,147,534	2,195,223	-	-
397	Transfers-In	11,231,697	2,033,328	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	2,702,861	118,819	-	-
Total Other Increases in Fund Resources:		22,082,092	4,347,370	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	13,121,384	971,156	-	-
591-593, 599	Debt Service	10,161,294	44,858	-	-
597	Transfers-Out	11,231,697	2,430,724	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	2,642,015	2,579,778	-	-
Total Other Decreases in Fund Resources:		37,156,390	6,026,516	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,120,522)</b>	<b>(2,770,306)</b>	<b>23,127</b>	<b>(26,947)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	72,220	-	-	-
50831	Restricted	7,226,137	20,041	-	158,725
50841	Committed	-	-	-	-
50851	Assigned	11,990,873	4,400	149,123	-
50891	Unassigned	2,484,478	2,484,478	-	-
<b>Total Ending Cash and Investments</b>		<b>21,773,708</b>	<b>2,508,919</b>	<b>149,123</b>	<b>158,725</b>

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, 2023**

		<b>117 Drug Buy Imprest</b>	<b>119 Public Facilities Protective</b>	<b>163 Transportation Benefit Distric</b>	<b>221 COL Note Redemption Fund, A</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	15,589	127,915	1,445,087	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	913,986	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	156	-	-	-
360	Miscellaneous Revenues	704	-	41,916	-
Total Revenues:		860	-	955,902	-
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	52,391	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	52,391	-	-
Excess (Deficiency) Revenues over Expenditures:		860	(52,391)	955,902	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	1,865,048
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	124,475	-	-
Total Other Increases in Fund Resources:		-	124,475	-	1,865,048
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	1,865,048
597	Transfers-Out	-	-	708,075	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	62,237	-	-
Total Other Decreases in Fund Resources:		-	62,237	708,075	1,865,048
<b>Increase (Decrease) in Cash and Investments:</b>		<b>860</b>	<b>9,847</b>	<b>247,827</b>	<b>-</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	16,449	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	137,762	1,692,914	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>16,449</b>	<b>137,762</b>	<b>1,692,914</b>	<b>-</b>

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, 2023**

		<b>222 COL Note Redemption Fund, B</b>	<b>227 Public Works Trust Loan - Stre</b>	<b>229 LTGO Bond Redemption, 2017 -20</b>	<b>236 UTGO Bond Redemption, 2017 -20</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	-	-	46,880	757,990
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	542,363
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	1,295	22,769
Total Revenues:		-	-	1,295	565,132
<b>Expenditures</b>					
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:		-	-	1,295	565,132
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	3,736,866	128,801	190,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		3,736,866	128,801	190,000	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	3,736,866	128,801	193,890	265,550
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,736,866	128,801	193,890	265,550
<b>Increase (Decrease) in Cash and Investments:</b>		-	-	<b>(2,595)</b>	<b>299,582</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	44,285	1,057,572
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		-	-	<b>44,285</b>	<b>1,057,572</b>

*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, 2023**

		<b>237 Whatcom County EDI Loan</b>	<b>238 Public Works Trust Loan - 17th</b>	<b>240 2012 LTGO Bond Redemption</b>	<b>241 Community Economic Revitalizat</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	-	-	276,918	37,843
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	541,050	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	18,092	2,075
Total Revenues:		-	-	559,142	2,075
<b>Expenditures</b>					
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:		-	-	559,142	2,075
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	145,516	31,053	-	32,622
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		145,516	31,053	-	32,622
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	145,516	31,053	541,050	32,622
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		145,516	31,053	541,050	32,622
<b>Increase (Decrease) in Cash and Investments:</b>		-	-	<b>18,092</b>	<b>2,075</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	295,010	39,918
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		-	-	<b>295,010</b>	<b>39,918</b>

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, 2023**

		<b>302 Transportation Impact</b>	<b>305 Fire Impact</b>	<b>306 Park Impact</b>	<b>310 Streets Capital Construction</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	785,820	451,961	1,187,979	364,675
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	1,572,662
340	Charges for Goods and Services	381,232	57,664	159,887	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	12,809	9,930	34,053	22,059
Total Revenues:		394,041	67,594	193,940	1,594,721
<b>Expenditures</b>					
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:		394,041	67,594	193,940	1,594,721
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	2,091,275
397	Transfers-In	-	-	-	1,832,033
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	3,923,308
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	2,313,111
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	223,626	-	-	2,452,829
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		223,626	-	-	4,765,940
<b>Increase (Decrease) in Cash and Investments:</b>		<b>170,415</b>	<b>67,594</b>	<b>193,940</b>	<b>752,089</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	956,235	519,555	1,381,919	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	1,116,764
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>956,235</b>	<b>519,555</b>	<b>1,381,919</b>	<b>1,116,764</b>

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, 2023**

		<b>311 City Trail</b>	<b>343 Benson Road Improvements</b>	<b>350 General Government Capital Res</b>	<b>351 Police Capital Reserve</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	535,351	-	94,303	641
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	501,256	860,928	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	250,437	323	3,744	35
Total Revenues:		751,693	861,251	3,744	35
<b>Expenditures</b>					
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:		751,693	861,251	3,744	35
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	847,076	186,151	-	-
397	Transfers-In	141,356	831,419	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		988,432	1,017,570	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,721,121	940,167	27,275	-
591-593, 599	Debt Service	-	73,518	-	-
597	Transfers-Out	420,250	865,136	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,141,371	1,878,821	27,275	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(401,246)</b>	<b>-</b>	<b>(23,531)</b>	<b>35</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	134,105	-	70,772	676
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>134,105</b>	<b>-</b>	<b>70,772</b>	<b>676</b>

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, 2023**

		<b>355 Police Seizures/Forfeitures</b>	<b>356 Parks Capital Reserve</b>	<b>357 Public Safety Cap Res (Crim J)</b>	<b>358 Fire/EMS Capital Reserve</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	5,667	918,901	889,554	182,694
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	238,162	433,029	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	19,985	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	24	-	-
360	Miscellaneous Revenues	12,396	60,522	17,500	10,020
Total Revenues:		12,396	318,693	450,529	10,020
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	134,269	-	-
Total Expenditures:		-	134,269	-	-
Excess (Deficiency) Revenues over Expenditures:		12,396	184,424	450,529	10,020
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	1,155	52,500	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	3,000	-	-
Total Other Increases in Fund Resources:		-	4,155	52,500	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	5,670	148,144	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	53,914	445,500	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		5,670	202,058	445,500	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>6,726</b>	<b>(13,479)</b>	<b>57,529</b>	<b>10,020</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	905,422	947,083	-
50841	Committed	-	-	-	-
50851	Assigned	12,393	-	-	192,714
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>12,393</b>	<b>905,422</b>	<b>947,083</b>	<b>192,714</b>

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, 2023**

		<b>401 Water</b>	<b>405 Sewer</b>	<b>410 Stormwater</b>	<b>420 Airport</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	1,165,240	7,451,696	395,609	51,492
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	571,090	65,290	1,388,722	-
340	Charges for Goods and Services	5,511,891	5,129,686	1,008,416	149,377
350	Fines and Penalties	68,131	-	-	-
360	Miscellaneous Revenues	484,467	971,839	468,290	3,561
Total Revenues:		6,635,579	6,166,815	2,865,428	152,938
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	3,217,543	3,230,361	728,026	-
540	Transportation	-	-	-	158,597
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		3,217,543	3,230,361	728,026	158,597
Excess (Deficiency) Revenues over Expenditures:		3,418,036	2,936,454	2,137,402	(5,659)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	1,501,977	-	1,325,832	-
397	Transfers-In	-	-	210,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	2,453,119	3,086	362	-
Total Other Increases in Fund Resources:		3,955,096	3,086	1,536,194	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,147,051	4,127,725	1,719,964	-
591-593, 599	Debt Service	2,239,635	730,399	132,488	-
597	Transfers-Out	1,269,104	1,061,745	1,300,794	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,655,790	5,919,869	3,153,246	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>2,717,342</b>	<b>(2,980,329)</b>	<b>520,350</b>	<b>(5,659)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	727,784	156,099	40	-
50841	Committed	-	-	-	-
50851	Assigned	3,154,798	4,315,268	915,919	45,833
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>3,882,582</b>	<b>4,471,367</b>	<b>915,959</b>	<b>45,833</b>

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, 2023**

		<b>701 Berthusen Park Trust</b>
<b>Beginning Cash and Investments</b>		
308	Beginning Cash and Investments	113,532
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	6,120
Total Revenues:		6,120
<b>Expenditures</b>		
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:		6,120
<b>Other Increases in Fund Resources</b>		
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:		-
<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>6,120</b>
<b>Ending Cash and Investments</b>		
50821	Nonspendable	72,220
50831	Restricted	-
50841	Committed	-
50851	Assigned	47,432
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<b>119,652</b>

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

**City of Lynden**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Total for All Funds (Memo Only)</b>	<b>Custodial</b>
308	Beginning Cash and Investments	17,492	17,492
388 & 588	Net Adjustments	-	-
310-390	Additions	341,840	341,840
510-590	Deductions	331,790	331,790
	Net Increase (Decrease) in Cash and Investments:	10,050	10,050
508	Ending Cash and Investments	27,542	27,542

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

**City of Lynden**  
**Notes to Financial Statements**  
**January 1, 2023 thru December 31, 2023**

**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, 2023.

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), Ordinance No. 1629 (2021), Ordinance No. 1648 (2022). 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 18, 2023 the City of Lynden passed Ordinance No. 1670, which amended original Ordinance No. 1231. Per Banner Bank's proposal, the purpose of this amendment was to renew the revolving credit and establish a maturity date of the notes. Ordinance No. 1670 kept the maximum limit to \$3,000,000 with a fixed rate of 5.78% . The old notes were cancelled and the new notes were issued with a maturity of July 31, 2024.

The following table reflects line of credit activity during 2023:

Bond Fund	Balance 1/1/2023	Draws	Repayments	Balance 12/31/2023
COL Note Redemption 2005A (Utility based)	\$ 30,182	\$ 2,061,116	\$ 1,849,689	\$ 241,609
COL Note Redemption 2005B (LTGO based)	\$ 2,498,422	\$ 1,791,892	\$ 3,715,328	\$ 574,986
TOTALS	\$ 2,528,604	\$ 3,853,008	\$ 5,565,017	\$ 816,595

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", "Unassigned", "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, 2023 and their funds are listed below:



FUND NUMBER	2023 Ending										TOTAL
	Cash - Assigned	Cash - Unassigned	Cash - Committed	Cash - Restricted	Cash - Nonspendable	Inv - Assigned	Inv - Unassigned	Inv - Committed	Inv - Restricted	Inv - Nonspendable	
001 CURRENT EXPENSE	4,400.00	1,635,263.23		20,041.35			849,214.95				2,506,919.53
105 BERTHUSEN PARK	147,366.19					1,756.59					149,122.78
110 HOTEL/MOTEL				92,377.38					66,347.61		158,724.99
117 DRUG BUY IMPREST				3,880.51					12,568.73		16,449.24
119 PUBLIC FACILITIES PROTECTIVE INSPEC	137,761.79										137,761.79
163 TRANSPORTATION BENEFIT DISTRICT	1,316,291.36					376,623.08					1,692,914.44
221 COL NOTE REDEMPTION FUND, A											
222 COL NOTE REDEMPTION FUND, B											
227 PWTL - STREETS											
229 2005 LTGO DEBT				44,284.67							44,284.67
236 2007 UTGO BOND REDEMPTION				873,035.69					184,535.91		1,057,571.60
237 WHATCOM COUNTY EDI LOAN											
238 PWTL - 17TH STREET											
240 2012 LTGO BOND REDEMPTION				81,427.58					213,581.76		295,009.34
241 CERB Loan									39,917.96		39,917.96
302 TRANSPORTATION IMPACT				938,427.33					17,807.56		956,234.89
305 FIRE IMPACT				461,181.52					58,373.34		519,554.86
306 PARK IMPACT				1,015,910.30					366,009.40		1,381,919.70
310 STREETS CAPITAL CONSTRUCTION	1,116,764.38										1,116,764.38
311 CITY TRAIL	134,105.04										134,105.04
<b>SUBTOTAL PAGE 1</b>	<b>2,856,688.76</b>	<b>1,635,263.23</b>		<b>3,530,566.33</b>		<b>378,379.67</b>	<b>849,214.95</b>		<b>959,142.27</b>		<b>10,209,255.21</b>
343 BENSON ROAD IMPROVEMENTS											
349 PUBLIC WORKS VEHICLE & EQUIP. RSRV						70,772.44					70,772.44
350 GENERAL GOV. CAP.						676.41					676.41
351 POLICE CAPITAL RESERVE											
354 STREETS CAPITAL RESERVE											
355 POLICE SEIZURES/FORFEITURES	6,414.79					5,978.19					12,392.98
356 PARKS CAPITAL				606,809.09					298,612.97		905,422.06
357 PUBLIC SAFETY RESERVE (CRIM JUSTICE)				946,689.58					392.92		947,082.50
358 FIRE/EMS CAPITAL RESERVE						192,713.66					192,713.66
401 WATER	3,144,466.55					10,330.72					3,154,797.27
405 SEWER	2,630,422.44					1,684,845.01					4,315,268.45
410 STORM WATER	605,273.70										605,273.70
420 AIRPORT	45,832.73										45,832.73
431 USDA Rural Dev. Water Bond Guaranty									445,275.43		445,275.43
432 WA SE REV Refunding Bond 2017-B	310,644.72										310,644.72
433 WA SE REV Refunding Bond 2017-B									39.70		39.70
435 2017-A Guaranty									156,099.28		156,099.28
441 WATER FCI				161,727.30							161,727.30
442 SEWER FCI											
450 WATER SOURCE				120,782.30							120,782.30
461 WATER TREATMENT PLANT IMPROVEMEN											
701 BERTHUSEN TRUST	2,372.31					45,059.79				72,220.00	119,652.10
<b>SUBTOTAL PAGE 2</b>	<b>6,745,427.24</b>			<b>1,836,008.27</b>		<b>2,010,377.22</b>			<b>900,420.30</b>	<b>72,220.00</b>	<b>11,564,453.03</b>
<b>TOTAL BEFORE TRUST/AGENCY FUNDS</b>	<b>9,602,116.00</b>	<b>1,635,263.23</b>		<b>5,366,574.60</b>		<b>2,388,756.89</b>	<b>849,214.95</b>		<b>1,859,562.57</b>	<b>72,220.00</b>	<b>21,773,708.24</b>
613 FLEX BENEFITS											
631 PAYROLL											
632 CLAIMS											
634 WAGE ASSIGNMENT											
635 PW SWR RETENTION											
636 PROTECTIVE INSPECTION FEE DEPOSITS											
637 FIREFIGHTER/EMT EDUCATION DEPOSIT											
642 STATE BUILDING CODE FEE				64.00							64.00
644 GLENNING ST SHORT PLAT MAINT BOND											
645 TRINITY CORP											
646 JOHN WEEKS COST RECOVERY											
650 LYNDEN MUNICIPAL COURT				14,776.00							14,776.00
651 PUBLIC SAFETY & EDUCATION				12,587.87							12,587.87
652 CRIME VICTIM COMPENSATION				113.84							113.84
653 TRANSPORTATION BENEFIT DISTRICT											
<b>SUBTOTAL TRUST FUNDS</b>				<b>27,541.71</b>							<b>27,541.71</b>
<b>GRAND TOTAL</b>	<b>9,602,116.00</b>	<b>1,635,263.23</b>		<b>5,394,116.31</b>		<b>2,388,756.89</b>	<b>849,214.95</b>		<b>1,859,562.57</b>	<b>72,220.00</b>	<b>21,801,249.95</b>
					16,631,495.54 Total Cash				5,169,754.41 Total Investment		21,801,249.95

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, 2023 are as follows:

<u>Type of Investment</u>		<u>Balance</u>
Local Government Investment Pool		
Balance per YE Financial Statements	\$	5,169,754
<b>TOTAL</b>	<b>\$</b>	<b>5,169,754</b>

## **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 2022 for the collection of 2023 property taxes was \$1.21239 per \$1,000 on an assessed valuation of \$3,119,620,967 for a total regular levy of \$3,782,211.

The City of Lynden's general obligation bond, authorized in November 2006 by voters for a new city hall, for 2023 was \$0.17537 per \$1,000 on an assessed valuation of \$3,085,128,032 for a total levy of \$541,050.

#### **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 2023 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's office and with the Finance Director.

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

Includes Ending Cash in Appropriated Amounts

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance under(over)</b>
Current Expense	\$ 22,616,242	\$ 21,367,943	\$ 1,248,299
Berthusen Park	240,239	89,271	150,968
Hotel/Motel Tax	248,908	160,312	88,596
Drug Buy Imprest	15,450	-	15,450
Public Facilities Protective Inspections	230,000	114,628	115,372
Transportation Benefit District	2,151,000	708,075	1,442,925
COL Note Redemption Fund, A	1,895,638	1,865,048	30,590
COL Note Redemption Fund, B	7,555,561	3,736,866	3,818,695
Public Works Trust Loan - Streets	128,802	128,801	1
LTGO Bond Redemption, 2017 (2005)	333,250	193,890	139,360
UTGO Bond Redemption, 2017 (2007)	1,066,000	265,550	800,450
Whatcom County EDI	145,516	145,516	-
Public Works Trust Loan - 17th Street	31,053	31,053	-
2012 LTGO Bond Redemption	815,551	541,050	274,501
Community Economic Revitalization Board	70,022	32,622	37,400
Transportation Impact	700,200	223,626	476,574
Pepin Creek Transportation Impact	100,000	-	100,000
Fire Impact	430,000	-	430,000
Park Impact	1,321,000	-	1,321,000
Streets Capital Construction	12,892,011	4,765,939	8,126,072
City Trail	2,696,000	2,141,371	554,629
Benson Road Improvements	2,609,012	1,878,822	730,190
General Gov Capital Reserve	93,900	27,275	66,625
Police Capital Reserve	630	-	630
Police Seizures/Forfeitures	5,670	5,670	-
Parks Capital Reserve	2,179,520	336,328	1,843,192
Public Safety Capital Reserve (Crim Justice)	1,200,000	445,500	754,500
Fire/EMS Capital Reserve	181,800	-	181,800
Water	8,539,000	6,944,762	1,594,238
Sewer	14,236,100	8,428,095	5,808,005
Stormwater	4,499,794	3,748,784	751,010
Airport	181,780	158,597	23,183
USDA Rural Development Water Bond Guaranty	419,700	-	419,700
WA SE Rev Refunding Bond 2017B (ref 08ULID) Redemp.	370,000	132,488	237,512
WA SE Rev Refunding Bond 2017B (ref 08ULID) Guaranty	16,100	16,100	-
2017-A Guaranty (2003 W/S Rev Bond)	146,900	-	146,900
Water FCI	1,758,000	800,853	957,147
Sewer FCI	4,980,000	3,680,024	1,299,976
Water Source	1,140,000	666,101	473,899
<b>2023 Total Budget</b>	<b>\$ 98,240,349</b>	<b>\$ 63,780,960</b>	<b>\$ 34,459,389</b>

## **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 169 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<sup>[1]</sup>. 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.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, 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.

#### INSTRUCTIONS FOR PREPARER

<sup>[1]</sup> The liability program assumes no liability deductibles apply to any coverage. Claims deductible levels of \$25,000, \$50,000, \$100,000, and \$250,000 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 applicable

#### **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, 2023. 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
2024	3,306,007	690,894	3,996,901
2025	2,661,016	593,703	3,254,719
2026	2,487,301	555,578	3,042,879
2027	2,518,612	518,918	3,037,530
2028	2,555,501	478,840	3,034,341
2029-2033	11,812,144	1,752,008	13,564,152
2034-2038	6,499,372	839,811	7,339,183
2039-2043	2,080,113	323,922	2,404,035
2044-2047	742,214	43,353	785,567
<b>TOTALS</b>	<b>34,662,280</b>	<b>5,797,027</b>	<b>40,459,307</b>

#### **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](http://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](http://www.ofm.wa.gov).

The City of Lynden's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

2023 Cash Basis Pension

	Employer Contributions	Allocation %		Liability (Asset)
PERS 1	\$ -	0.000000%	-	-
PERS 1 UAAL	\$ 189,521	0.027812%	2,282,732,000	634,873
PERS 2 and 3	\$ 315,236	0.035854%	(4,098,683,000)	(1,469,542)
LEOFF 1	0.00	0.007377%	(2,968,024,000)	(218,951)
LEOFF 2	209,399.00	0.092771%	(2,398,598,000)	(2,225,203)
<b>Total</b>	<b>714,156.00</b>			<b>(3,278,823)</b>

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)**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Lynden, WA as required by RCW 41.26.080. The plan pays for 100% of eligible retiree's healthcare costs on a pay-as-you-go basis.

Fiscal year ending December 31, 2023	
Number of Retired Plan Members	3
Benefits Paid	\$ 71,845
Total OPEB Liability - Alternative Measurement Method	\$ 1,106,943

#### **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 – ACCOUNTING CHANGES AND ERROR CORRECTIONS**

During fiscal year 2023, the City of Lynden identified that certain federal expenditures related to COVID-19 American Rescue Plan Act (ARPA) were not reported on the Schedule of Federal Awards (Schedule 16) for fiscal year 2021 (\$543,261) and 2022 (\$467,403). The total



expenditures for these fiscal years did not meet the threshold to require a single audit. Refer to Schedule 16 - Note 4 for additional details, including a re-statement of the prior year expenditures.

#### **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 2022. 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 2023, and by moderating projected 2022 Sales Tax revenues.

#### **NOTE 13 – HEALTH & WELFARE**

The **City of Lynden** 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, 2022, 262 cities/towns/non-city entities participate and have enrollment 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, Willamette Dental Group, 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 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust 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 AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC 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 14 – LEASES AND SBITA**

In compliance with the Governmental Accounting Standards Board (GASB) Statements 87 and 96 regarding Leases and Subscription-Based Information Technology Arrangements (SBITA), the City of Lynden is instituting a liability threshold for reporting purposes. This threshold will be deemed de minimis in relation to the City's financial capacity. Leases or SBITAs considered for inclusion must have a minimum possible duration exceeding one year.

The determination of the value of leases or SBITAs under this policy will follow the methodology outlined in the original statements and current accepted industry practices. For the purpose of capitalization, leases or SBITAs with total payments equaling or exceeding \$25,000 and possessing a duration of at least one year will be capitalized and recorded as a liability on the City's Schedule of Long-Term Liabilities. Any lease or SBITA failing to meet this threshold or having a term of less than one year will not be reflected on the City's Schedule of Long-Term Liabilities.

#### **NOTE 15 – OTHER DISCLOSURES**

In 2021 and 2022, the City of Lynden received \$4.2M in assistance through the American Rescue Plan Act (ARPA). The money has been dedicated to government services and projects, with additional funds remaining to be expended through 2024 to 2026.

**City of Lynden**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2023**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
251.11	2012 LTGO	12/1/2024	1,035,000	-	510,000	525,000
251.11	LTGO Refunding Bond 2017 (2005 LTGO Police)	12/1/2025	550,000	-	180,000	370,000
251.11	UTGO Refunding Bon 2017 (2007 City Hall)	12/1/2032	2,475,000	-	170,000	2,305,000
263.81	PWTL - Main Street	7/1/2024	255,051	-	127,526	127,525
263.81	PWTL - 17th Street Culvert	7/1/2028	157,895	-	26,316	131,579
263.81	CERB	1/31/2036	394,927	-	24,723	370,204
263.91	Property - Benson Road	11/14/2024	111,983	-	57,309	54,674
263.91	COL Note Redemption - 2005 B (G.O.)	6/30/2024	2,498,422	1,791,892	3,715,328	574,986
251.11	LTGO Bond 2023 (Fire Station)	12/1/2038	-	2,194,500	-	2,194,500
<b>Total General Obligation Debt/Liabilities:</b>			<b>7,478,278</b>	<b>3,986,392</b>	<b>4,811,202</b>	<b>6,653,468</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	W/S Rev Refunding Bonds 2017 A (REF 2003)	12/1/2023	205,000	-	205,000	-
259.12	Compensated Absences	12/31/2023	1,334,330	1,136,415	1,120,467	1,350,278
263.82	PWTF Loan - East Lynden Sub-basin	7/1/2025	58,285	-	19,428	38,857
263.82	W/S Rev Bond 2007 - USDA RUS	1/2/2047	4,774,727	-	229,081	4,545,646
263.82	Whatcom County EDI #9006	1/26/2023	143,365	-	143,365	-

**City of Lynden  
Schedule of Liabilities  
For the Year Ended December 31, 2023**

<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>
263.82	PWTF - PS 2 & Sewer Ext	6/1/2031	378,948	-	42,105	336,843
263.82	PWTF Loan - WTP (951-023)	6/1/2031	4,505,760	-	500,640	4,005,120
263.82	DWSRF - DOH (109)	10/1/2036	8,484,000	-	606,000	7,878,000
263.82	DWSRF - DOH (169)	10/1/2035	1,950,140	-	130,009	1,820,131
263.82	DWSRF - DOH (023)	10/1/2025	3,939,000	-	303,000	3,636,000
263.82	Whatcom County EDI #1003 WTP	3/31/2035	2,691,285	-	194,890	2,496,395
263.82	WWTP Outfall DOE (#00026)	4/1/2031	985,357	-	49,614	935,743
263.92	COL Note Redemption 2005 A (Utility based)	6/30/2021	30,182	2,061,117	1,849,689	241,610
263.84	WSDOE Loan- Pepin Creek (#00044)	11/30/2042	850,126	-	61,233	788,893
263.84	WSDOE - SRF Loan #0023 WWTP	10/1/2024	389,982	-	389,982	-
263.84	WSDOE Loan - Judson/8th	5/20/2044	-	203,443	-	203,443
263.84	WSDOE Loan - Judson/9th	12/30/2045	-	2,894	-	2,894
263.82	Whatcom County EDI (W Front)	3/7/2043	-	1,333,333	-	1,333,333
263.82	Whatcom County EDI (South Park)	5/2/2043	-	562,500	-	562,500
264.30	Net Pension Liabilities	12/31/2023	730,813	-	95,935	634,878
264.40	OPEB Liabilities	12/31/2023	1,166,017	-	59,074	1,106,943

**City of Lynden**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2023**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
	Total Revenue and Other (non G.O.) Debt/Liabilities:		32,617,317	5,299,702	5,999,512	31,917,507
<b>Assessment Debt/Liabilities (with commitments)</b>						
253.11	W/S Rev Refunding Bonds 2017 B (ULID No. 2008-1)	10/1/2023	130,000	-	130,000	-
	Total Assessment Debt/Liabilities (with commitments):		130,000	-	130,000	-
	Total Liabilities:		40,225,595	9,286,094	10,940,714	38,570,975

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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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