



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Selah Park and Recreation Service Area

For the period January 1, 2016 through December 31, 2018

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

March 9, 2020

Board of Directors
Selah Park and Recreation Service Area
Selah, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

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

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, District operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas in which the District could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters that we communicated to District management and Board of Directors in a letter dated February 28, 2020, related to procurement of professional services. We appreciate the District's commitment to resolving those matters.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Selah Park and Recreation Service Area from January 1, 2016 through December 31, 2018.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2018, 2017 and 2016, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Financial condition and fiscal sustainability
- Procurement – professional services and public works

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2018-001 The District's financial position places it at risk of not meeting its financial obligations or providing services at current levels.

Background

The Selah Park and Recreation Service Area is administered by a seven-member Board of Directors. The District is primarily supported through property taxes and donations received from the Selah Parks Foundation. In 2013, the District began funding the City's pool at Wixon Park through an annual Maintenance and Operation levy of about \$120,000. The City operated the pool through the 2018 season. In 2018 and 2019, the District constructed a new aquatic center through a \$6.2 million voter-approved bond, which it operated in the 2019 season.

Description of Condition

The District has had a declining financial condition. The table below shows the year-end cash and investment balance for the past four years.

Fiscal Year	Unreserved Cash & Investment Balance	Reserved* Cash & Investment Balance
2016	\$4,092	\$4,931,187
2017	\$454	\$4,641,100
2018	\$392	\$4,821,640
2019	\$80,822	\$666,754**

**Reserved cash and investments are subject to restrictions imposed by external parties and consist of property taxes collected for the annual debt payments and unspent bond proceeds.*

*** Reserved cash and investment balance dropped significantly from 2018 to 2019 due to planned construction of the pool.*

We identified the following issues affecting the District's financial position:

- The District did not have sufficient unreserved cash and investments at the end of 2018 and relied on donations of \$120,000 to operate the pool during the 2019 season.
- As of December 2019, the District's unreserved cash and investment balance of \$80,822 would not cover the aquatic center's 2020 estimated operating expenditures of at least \$230,000.

Cause of Condition

The District lacks a secure source of operating revenue. The District historically relied on a Maintenance and Operation levy to support pool operations and the levy failed to earn the super majority support from voters for the past three elections. The Board plans to hold a Maintenance and Operation levy in the November 2020 general election. However, the District does not have a contingency plan to secure funding if the levy does not pass.

Effect of Condition

The District is at risk of not being able to continue operation of its new aquatic center at current service levels. In addition, the District will continue to collect property taxes for the annual bond payments through the year 2036 even if the pool is not in operation.

Recommendation

We recommend District to continue closely monitor its financial status and develop a written plan to address the District's financial condition.

District's Response

The District (SPRSA) recognizes and accepts the Auditor's financial finding. In fact, the District appreciates the Auditor's official report of such, given how critical a widespread understanding of the District's reliance on voter-approved levies is to our financial viability. As a Park and Recreation Service Area (PRSA), the District exists 'to finance, acquire, construct, improve, maintain, or operate any park, senior citizen activities center, zoo, aquarium, and, or recreational facilities as defined in RCW 36.69.010.' The District has successfully passed an up to \$6.2 million bond measure (in November 2015), constructed the new Selah Aquatic Center (with the bond proceeds) without exceeding budget, and managed/operated the facility in summer 2019. The District has also produced three successive M&O levy measures in 2017, 2018 and in 2019 to provide for ongoing operational revenue in the wake of the expiration of a 6-year M&O levy passed in August 2012. Unfortunately, the required super majority of voters did not support these tax measures. The District plans, once again, to place an M&O levy measure on the ballot in November 2020. Per WA State regulation, the District is reliant on levies, excess levies, bonds and fees (charged at recreational facilities). We have few alternatives other than to continue to ask the voters to support operations at the Selah Aquatic Center. We appreciate the generosity of the Selah community and will, gratefully, operate the Selah Aquatic Center with the help of donations in summer 2020. But donations are not a reasonable contingency plan. The District

will assess next steps in November should the M&O levy not pass. In the meantime, the District's focus is on realizing every operational efficiency and revenue generating opportunity to bring the most value to our community.

Auditor's Remarks

We appreciate the District's commitment to resolving the issues identified above. We will follow up on the status during our next audit.

INFORMATION ABOUT THE DISTRICT

The Selah Park and Recreation Service Area is administered by a seven-member Board of Directors. The District is primarily supported through property taxes and donations received from the Selah Parks Foundation. In 2013, the District began funding the City's pool at Wixon Park through an annual Maintenance and Operation levy of about \$120,000. The City operated the pool through the 2018 season. In 2018 and 2019, the District constructed a new aquatic center through a \$6.2 million voter- approved bond, which it operated in the 2019 season. The District's operating expenditures were about \$137,000, \$125,000 and \$117,000 in 2016, 2017 and 2018, respectively.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Selah Park and Recreation Service Area at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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