



Office of the Washington State Auditor  
Pat McCarthy

## Assessment Audit Report

# Lynden Regional Park and Recreation District

For the period January 1, 2021 through December 31, 2023

*Published December 16, 2024*

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

December 16, 2024

Board of Commissioners  
Lynden Regional Park and Recreation District  
Lynden, Washington

**Report on Assessment Audit**

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.

The attached report describes the procedures performed and conclusions for the areas we reviewed. We appreciate the opportunity to work with your staff, and value your cooperation during the assessment audit.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

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## AUDIT SUMMARY

### Results in brief

Based on the procedures performed, we identified areas where the District could make improvements. These recommendations are included with our report as findings. In other areas we reviewed, nothing came to our attention that caused us to believe the District was not in substantial compliance with applicable state laws, regulations, and its own policies or had not provided adequate controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### About the assessment audit

This report contains the results of our independent audit of the Lynden Regional Park and Recreation District from January 1, 2021 through December 31, 2023.

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. State law (RCW 43.09.230) also requires local governments to prepare and submit certified annual reports to our Office summarizing such things as revenues received, collections made, amounts receivable or payable, expenditures made, and debt owed.

This assessment audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments at least once every three years. Assessment audits are risk-based, limited-scope reviews of small local governments, generally defined as local governments with less than \$300,000 in annual revenues. To help minimize audit costs, our work for this engagement was conducted off-site primarily using financial and other information provided by the District.

This assessment audit was limited to the following:

- Reviewing meeting minutes for compliance with the Open Public Meetings Act
- Inquiring as to internal controls over assets, revenues, and disbursements
- Verifying that annual reports submitted to our Office were complete and filed timely in compliance with state law
- Reviewing the District's annual revenues and expenditures for unusual transactions or trends
- Corroborating financial information reported by the District by comparing reported revenues, expenditures, and cash and investment balances to third-party sources
- Reviewing expenditures for indications of unusual activities, excessive Board of Commissioners compensation, conflicts of interest, or procurement requirements. Based on that review, we compared selected expenditures with supporting invoices and voucher approvals to verify their validity and completeness.
- Evaluating the District's financial information for indications of financial distress
- Compliance with bond debt covenants

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Lynden Regional Park and Recreation District January 1, 2021 through December 31, 2023

#### **2023-001    The District lacked adequate controls and monitoring over its financial activities, resulting in significant unspent bond proceeds.**

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

The Lynden Regional Park and Recreation District was established to maintain and improve public parks and recreational facilities in the District's boundaries. Property taxes, which generated annual revenues of about \$215,000, primarily fund the District. The District had annual debt service principal and interest payments of about \$205,000.

The *Budgeting, Accounting and Reporting System* (BARS) Manual requires governments to establish and maintain internal controls to provide effective and efficient operations, comply with laws and regulations, and safeguard of public resources.

##### ***Description of Condition***

In 2020, the District issued a \$3 million bond for trails construction, park development and purchasing property. As of the end of 2023, the District had about \$2 million in unspent bond proceeds and paid annual interest of \$121,000, \$76,000 and \$73,000 in 2021, 2022 and 2023, respectively.

The District does not have a detailed, actionable plan to spend bond proceeds, and said that it may take up to another four years to be ready to spend the remaining funds.

##### ***Cause of Condition***

The District did not develop formal plans for spending debt proceeds as it primarily relies on the City to carry out its projects.

## ***Effect of Condition***

The District continues to hold a significant cash balance made up of bond proceeds without a plan for future spending; therefore, residents continue to pay taxes to support debt service costs on the bond without receiving a benefit.

## ***Recommendation***

We recommend the District:

- Formalize project plans specific to its bond proceeds, including specific projects and a timeline to determine what funds it needs
- Determine if it needs bond proceeds; if there is excess lending, it should evaluate repaying the funds to minimize debt service costs to the public

## ***District's Response***

*The district's plans for the \$3 million bond were formalized in partnership with the City of Lynden. As a result of this collaboration, project locations are on land owned by both entities, which has impacted the planning process. Due to changes in site preparation, plan modifications have caused an extension of the project timeline. Specific challenges have necessitated adjustments to the project plan. The district remains committed to advancing this project and continues to make efforts toward its completion. To provide greater transparency, a more comprehensive plan will be formed to track the project's status and outline its current stage and plans for completion. In the event that there are excess funds, the district will adopt a policy to handle the repayment of those funds.*

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

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

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

*Budgeting, Accounting and Reporting System (BARS) Manual 3.1.3 – Internal Controls*

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Lynden Regional Park and Recreation District January 1, 2021 through December 31, 2023

#### **2023-002    The District lacked adequate internal controls and monitoring over disbursements to ensure the safeguarding of public resources and compliance with state law.**

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

A five-member Board of Commissioners governs the Lynden Regional Park and Recreation District, which operated on total expenditures of about \$728,000, \$245,000 and \$212,000 in 2021, 2022 and 2023, respectively. The District was established to promote recreation and collaborate with the City for parks improvement projects.

State law and the *Budgeting, Accounting and Reporting System* (BARS) Manual require governments to establish and maintain internal controls that safeguard public resources and retain original supporting documentation necessary to isolate and prove the validity of every transaction. Governments may only make advance payments subject to a contract or contractual obligation.

State law prohibits one entity from benefiting another, and the Washington State Constitution prohibits lending credit.

##### ***Description of Condition***

The District paid \$500,000 to the City of Lynden in 2021 but was unable to provide supporting documentation for audit, such as an invoice or request for funds. Further, the District did not establish a contract with the City that would support this spending.

The District paid an additional \$10,000 to the City for repairs to its pool facilities. The City leases these facilities to a private business, making them unavailable for public use. The District had no contract or business purpose for this payment to the pool.

Between 2021 and 2023, the District also paid a local nonprofit about \$44,000; these payments were supported by reimbursement requests, primarily for improvements to City park grounds. There is no contract with the nonprofit or the City demonstrating the business purpose of these payments. Further, the District paid \$16,000 of the payments to the nonprofit before the work was performed.

## ***Cause of Condition***

The District did not dedicate necessary resources to ensure payments were supported, such as establishing contracts and retaining invoices.

## ***Effect of Condition***

Without retaining original supporting documentation, the District cannot demonstrate the validity of payments made to the City. It also cannot demonstrate an obligation to make these payments or the benefit the public received as a result. This may be viewed as one government benefiting another.

The District exposes itself to unnecessary risks when it does not establish contracts and agreements. Written contracts and agreements are a key form of documentation necessary to safeguard entity interests and support transactions with significant parties. Without this, the District is out of compliance with state law when advancing funds and may be unable to act if disputes arise.

## ***Recommendation***

We recommend the District:

- Implement controls over expenditures to ensure it adequately safeguards public funds. Specifically, the District should obtain sufficient support to evidence the validity of all disbursements. Further, the District should review support before payment; it should retain support and make it available for public inspection.
- Establish contracts and agreements that evidence commitments, consideration and the District's benefit

## ***District's Response***

*The district recognizes the need for a more formal set of Standard Operating Procedures (SOPs) to govern its financial transactions and agreements that establish clear contractual obligations and safeguards. These SOPs aim to establish robust internal controls and improve the monitoring of the district's financial resources and record-keeping practices. Earlier this year, the district began the process of hiring a director to implement these necessary procedures. As of October 2024, the new Director has already initiated some of these changes, including formalizing the application process for fund requests and the associated supporting documentation. The district will adopt in the future any policies needed to ensure the continued success of the District.*

### *Auditor's Remarks*

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

### *Applicable Laws and Regulations*

RCW 42.24.080, Municipal corporations and political subdivisions—Claims against for contractual purposes—Auditing and payment—Forms—Authentication and certification.

RCW 43.09.200, Local government accounting—Uniform system of accounting

RCW 43.09.210, Local government accounting—Separate accounts for each fund or activity—Exemptions.

*Budgeting, Accounting and Reporting System (BARS) Manual 3.1.3 – Internal Controls*

BARS Manual 3.1.4, Original Supporting Documentation

BARS Manual 3.8.5, Voucher Certification and Approval



## INFORMATION ABOUT THE DISTRICT

The Lynden Regional Park and Recreation District was formed in 1996 with the purpose of maintaining and improving the public parks and recreational facilities within the District's boundaries.

An elected, five-member Board of Commissioners governs the District. The District received annual revenue of about \$239,000 in 2021, \$241,000 in 2022, and \$270,000 in 2023, primarily from property tax collections.

### Contact information related to this report

Address:	Lynden Regional Park and Recreation District 220 Stremmer Drive Lynden, WA 98264
Contact:	Bob Johnson, Commissioner/Fiscal Officer
Telephone:	(360) 410-1977

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Lynden Regional Park and Recreation District at <https://portal.sao.wa.gov//ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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