

Washington State Auditor's Office
Financial Statements Audit Report

**Snohomish County Startup Water
District**

Audit Period
January 1, 2011 through December 31, 2011

Report No. 1009257

Issue Date
March 11, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

March 11, 2013

Board of Commissioners
Snohomish County Startup Water District
Startup, Washington

Report on Financial Statements

Please find attached our report on the Snohomish County Startup Water District's financial statements.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

Table of Contents

Snohomish County Startup Water District January 1, 2011 through December 31, 2011

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Financial Statements.....	3
Financial Section.....	5

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

**Snohomish County Startup Water District
January 1, 2011 through December 31, 2011**

Board of Commissioners
Snohomish County Startup Water District
Startup, Washington

We have audited the financial statements of the Snohomish County Startup Water District, Snohomish County, Washington, as of and for the year ended December 31, 2011, and have issued our report thereon dated December 17, 2012.

We conducted our audit 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted certain matters that we have reported to the management of the District in a separate letter dated February 12, 2013.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

This report is intended for the information and use of management and the Board of Commissioners. 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.



TROY KELLEY
STATE AUDITOR

December 17, 2012

Independent Auditor's Report on Financial Statements

Snohomish County Startup Water District January 1, 2011 through December 31, 2011

Board of Commissioners
Snohomish County Startup Water District
Startup, Washington

We have audited the accompanying financial statements of the Snohomish County Startup Water District, Snohomish County, Washington, for the year ended December 31, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the District prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System (BARS)* manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Snohomish County Startup Water District, for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the District's internal control over financial reporting and on our 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long-Term Liabilities is presented for purposes of additional analysis as required by the prescribed BARS manual. This schedule is not a required

part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The report is intended for the information and use of the management and the Board of Commissioners of the District. 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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

December 17, 2012

Financial Section

**Snohomish County Startup Water District
January 1, 2011 through December 31, 2011**

FINANCIAL STATEMENTS

Statement of Activities Arising from Cash Transactions – 2011
Notes to Financial Statements – 2011

SUPPLEMENTARY INFORMATION

Schedule of Long-Term Liabilities – 2011

MCAG No. 2309	Statement C-1
Startup Water District	
Statement of Activities Arising	
From Cash Transactions	
For the Year Ended December 31, 2011	
OPERATING RECEIPTS	
Water Revenue 343.40	179,615.00
Late Fees/Penalties 343.42	1,564.00
Hook-up 343.40	938.00
Total Operating Receipts	182,117.00
OPERATING DISBURSEMENTS	
Administration 534.10	73,426.00
Maintenance 534.50	63,324.00
Operations 534.80	6,191.00
Training 534.40	979.00
Decrease A/R Cash	-939.00
Total Operating Expenses	142,981.00
Operating Income (Loss)	39,136.00
NON-OPERATING RECEIPTS	
Investment Income 361.11	106.00
Tax	
Long-Term Debt Proceeds	
Operating Grants	
Capital Contributions/Grants	
Gain on investments	
Other Non-Operating Receipts Scrap 369.10	4,165.00
ARRA 408.333	289,805.00
Total Nonoperating Receipts	294,076.00
NON-OPERATING DISBURSEMENTS	
Long-Term Debt Payments - Principal 591.34.70	20,226.00
Long-Term Debt Payments - Interest 592.34.80	36,712.00
Loss on Investments	
Other Non-Operating Disbursements	
Capital Asset 594.34.60	283,635.00
Total Nonoperating Disbursements	340,573.00
Net increase (decrease) in net cash and investments	-7,361.00
Beginning balance of cash and investments	76,729.00
Ending balance of cash and investments	69,368.00

The Accompanying Notes Are An Integral Part Of This Statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Startup Water District, a Municipal Corporation that provides water services only to the general public and is supported primarily through monthly water fees. The Startup Water District was established in 1956 and operates under RCW 57 and other laws of the State of Washington applicable to Special Purpose Districts.

The Startup Water District accounts and reports in accordance with methods prescribed by the State Auditor's Office under authority of Chapter 43.09 RCW and contained in the *Cash Basis Budgeting, Accounting and Reporting* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) and it does not conform to generally accepted accounting principals (GAAP).

Revenues are recognized only when cash is received and expenses are recognized only when paid. Purchases of capital assets are expenses during the year of acquisition. There is no allocation of depreciation expenses. Inventory is expensed when purchased.

NOTE 2- COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liability of the Startup Water District and summarizes the Startup Water District's debt transactions for 2011. The debt service requirements, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2012	\$	\$ 49,140	\$ 2,861,937	\$ 2,911,077
2013		\$ 49,140	\$ 17,964	\$ 67,104
2014		\$ 49,140	\$ 17,900	\$ 67,040
2015		\$ 49,140	\$ 17,836	\$ 66,976
2016		\$ 49,140	\$ 17,774	\$ 66,914
2017-2021		\$ 245,700	\$ 46,749	\$ 292,449
2022-2026		\$ 245,700	\$ 34,874	\$ 280,574
2027-2031		\$ 245,700	\$ 4,816	\$ 250,516
2032-2036		\$ 245,700		\$ 245,700
2037-2049		\$ 638,820		\$ 638,820
Totals		\$1,867,320	\$ 3,019,850	\$ 4,887,170

Startup Water District
 Schedule of Long-Term Liabilities
 Year-Ended 12/31/11

ID. No.	Description	Beginning Balance 01/01/2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2011
263.82	Emergency Loan PWTF (1)	\$18,948		\$1,184	401.263.82.11	\$17,764
263.82	Precon Waterline Replace PWTF (2)	\$50,981		\$3,186	401.263.82.12	\$47,795
263.82	Precon Waterline Replace PWTF (3)	\$43,019		\$2,390	405.263.82.13	\$40,629
263.82	USDA - Replace Water Line (4)	\$1,057,000		\$13,466	403.263.82.21	\$1,043,534
263.82	ARRA Capitalization Grant (5)	\$2,615,855	\$289,805		408.263.82.31	\$2,905,660
	TOTAL	\$3,785,803	\$289,805	\$20,226		\$4,055,382

The Accompanying Notes Are An Integral Part Of This Schedule



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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

State Auditor
Chief of Staff
Director of State and Local Audit
Director of Performance Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of Quality Assurance
Local Government Liaison
Public Records Officer
Main number
Toll-free Citizen Hotline

Troy Kelley
Doug Cochran
Chuck Pfeil, CPA
Larisa Benson
Kelly Collins, CPA
Jan M. Jutte, CPA, CGFM
Sadie Armijo
Barb Hinton
Mike Murphy
Mary Leider
(360) 902-0370
(866) 902-3900

Website
Subscription Service

www.sao.wa.gov
<https://www.sao.wa.gov/EN/News/Subscriptions>