



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Northshore Utility District
King County

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

Published December 14, 2017

Report No. 1020371





Office of the Washington State Auditor
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December 14, 2017

Board of Commissioners
Northshore Utility District
Kenmore, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office 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.

The attached comprises our report on the District's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT SUMMARY

Results in brief

In most areas we audited, District operations complied with applicable requirements and provided adequate safeguarding of public resources. The District also complied with state laws and regulations and its own policies and procedures in most areas we examined.

However, we noted certain matters that we communicated to District management in a letter dated December 4, 2017, related to compliance with state bid law. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of the Northshore Utility District from January 1, 2016 through December 31, 2016.

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.

Our audit involved performing procedures to obtain 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.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Financial condition
- Procurement – public works projects
- Procurement – purchases
- Payroll disbursements
- Controls over key software applications

RELATED REPORTS

Financial

Our opinion on the District's financial statements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

The Northshore Utility District was established in 1947 as King County Water District No. 79 to provide water distribution and wastewater collection services. In 1992, the District changed its name to Northshore Utility District. The District is located at the northeast corner of Lake Washington, and encompasses approximately 18.7 square miles to the areas of Kenmore, Lake Forest Park, West Bothell, Juanita, West Woodinville, Totem Lake, Kingsgate, Finn Hill, and North Kirkland. The District serves approximately 65,000 customers.

An elected, five-member Board of Commissioners serves as the governing body and has authority to set rates and charges for the District. Commissioners serve staggered, six-year terms. The Board appoints management to oversee the District's daily operations as well as its approximately 50 employees. For fiscal year 2016, the District had \$41.0 million in operating revenues and \$35.5 million in operating expenses.

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Northshore Utility District 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.

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