

Washington State Auditor's Office
Accountability Audit Report

Malaga Water District
Chelan County

Report Date
January 30, 2014

Report No. 1011296

Issue Date
February 18, 2014



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

February 18, 2014

Board of Commissioners
Malaga Water District
Malaga, Washington

Report on Accountability

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the Malaga Water District's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

TROY KELLEY
STATE AUDITOR

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Chelan County
January 30, 2014**

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Audit Summary

Malaga Water District Chelan County January 30, 2014

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the Malaga Water District from January 1, 2010 through December 31, 2012.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

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 noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Utility receipting
- Inter-local agreement billing
- Payroll expenses

RESULTS

In the areas we examined, the District's internal controls were adequate to safeguard public assets. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

Description of the District

Malaga Water District Chelan County January 30, 2014

ABOUT THE DISTRICT

The Malaga Water District was established in 1994 and provides water services to approximately 490 customers in Chelan County. It is administered by a five-member Board of Commissioners and an appointed District Manager. The District has one full-time and one part-time employee. The majority of the District's revenue is generated from water sales. Water revenue was approximately \$285,000, \$317,000 and \$323,000 for 2010, 2011, and 2012, respectively. Other significant sources of revenue include investment interest, bond proceeds, operating assessments, delinquent irrigation fees, meter fees, engineering fees and impact fees.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Commissioners:

Kevin Aiken
Glenn England
Lorelei Fulton
Dan Richmond
George Spear

Note: Herb Gardner replaced Dan Richmond in 2014.

APPOINTED OFFICIALS

Manager

Herb Gardner

Note: Jon Johnston replaced Herb Gardner in 2014.

DISTRICT CONTACT INFORMATION

Address: Malaga Water District
P.O. Box 249
Malaga, WA 98828-0249

Phone: (509) 664-0142

AUDIT HISTORY

Typically, we audit the District once every three years. Prior to 2008, we only audited the District for accountability purposes. However, the District received federal funds in 2008 and was required to have a financial and federal audit. We reported two findings related to insufficient controls over financial reporting and federal compliance during that audit, which have since been resolved. This is the fourth accountability audit in which we have not reported any findings.

Status of Prior Audit Findings

Malaga Water District Chelan County January 30, 2014

The status of findings contained in the prior years' audit reports of the Malaga Water District is provided below:

1. **The District's controls over financial statement preparation are inadequate to ensure accurate reporting and compliance with federal regulations.**

Report Nos. 1005338 and 1005339, dated April 11, 2011

Background

The District was unable to prepare accurate financial statements or the Schedule of Expenditures of Federal Awards (SEFA). An unqualified opinion on the SEFA was issued after subsequent corrections. Inaccurate information prevents the Board Members and other interested parties from having an independent opinion on the financial results of the District's operations.

The District also did not obtain the required audit of federal grant expenditures and submit a financial and federal audit report to the Federal Audit Clearinghouse by the September 30, 2009, deadline.

Status

The District Manager has attended training associated with the State Auditor's Office *Budgeting, Accounting and Reporting System*. The federal and financial statement audit reports were submitted to the Federal Audit Clearinghouse in April 2011. As the District does not normally receive federal funds, no additional federal compliance or financial statement audits have been required. We consider this finding to be resolved.



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 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.

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Deputy Director of Communications
Local Government Liaison
Public Records Officer
Main number
Toll-free Citizen Hotline

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

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