



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Soap Lake

For the period January 1, 2019 through December 31, 2019

*Published May 1, 2023*

Report No. 1028292



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

May 1, 2023

Mayor and City Council  
City of Soap Lake  
Soap Lake, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Soap Lake's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### City of Soap Lake January 1, 2019 through December 31, 2019

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Soap Lake are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

##### Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

##### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
10.760	Water and Waste Disposal Systems for Rural Communities

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2019-001.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2019-002.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### City of Soap Lake January 1, 2019 through December 31, 2019

#### **2019-001 The City's internal controls over preparing financial statements were inadequate for ensuring accurate reporting**

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

City officials, state and federal agencies, and the public rely on the information in the financial statements and reports to make decisions. City management is responsible for designing and following internal controls to ensure the financial statements, notes to financial statements and supplemental schedules are accurate, and to provide reasonable assurance regarding the reliability of financial reporting.

The City prepares its financial statements, notes and supplementary schedules in accordance with the cash basis accounting method prescribed in the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS) Manual.

State law (RCW 43.09.230) requires local governments to submit annual financial reports to the State Auditor's Office within 150 days of fiscal year-end. As part of the annual financial report, all local governments that spend federal funds must prepare a Schedule of Expenditures of Federal Awards (SEFA). Local governments that spend \$750,000 or more in federal funds must receive a federal Single Audit.

*Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses in internal controls as a finding. The Applicable Laws and Regulations section below defines the standards for material weaknesses.

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

Our audit found the following deficiencies in internal controls over preparing financial statements. When taken together, they represent material weaknesses.

- City staff responsible for compiling financial information lacked the technical knowledge and experience needed to accurately prepare the financial statements and supplementary schedules, including the SEFA.
- The City lacked an effective review process for ensuring amounts reported in the financial statements, notes to the financial statements, and supplementary schedules were consistent with underlying accounting records, had supporting documentation and followed BARS Manual guidance.

This issue was reported as a finding in the prior audit.

### *Cause of Condition*

The City experienced turnover in its Finance Department in 2019, resulting in multiple employees being involved in the financial activity and operations. Additionally, the City did not dedicate the necessary time to train new employees responsible for overseeing and preparing the annual financial report to ensure they prepared financial statements accurately.

### *Effect of Condition*

Because of the deficiencies in internal controls over preparing financial statements, our audit found the following:

- The City understated its 2019 SEFA by about \$480,000. As a result, the City did not obtain a federal Single Audit for 2019 or submit the results to the Federal Audit Clearinghouse by December 31, 2020.
- The City could not support the accuracy of all liabilities on its Schedule of Liabilities, resulting in a total overstatement of about \$23,000.
- The City excluded an investment account from its financial statements, resulting in understatements of about \$198,000 in revenue and expenditures and \$2,700 in ending cash.

We identified other, less significant errors in the financial statements, notes and supplemental schedules.

### *Recommendation*

We recommend management provide training to staff with financial reporting responsibilities and dedicate the necessary resources to improve its internal controls over financial reporting. Specifically, management should ensure the City:

- Prepares accurate financial statements, notes, and supplemental schedules (such as the SEFA) in accordance with the BARS Manual
- Compares revenue, expenditures, and ending cash reported in the financial statements to its reconciled general ledger and bank balances at year-end
- Conducts an effective review of the financial statements, notes, and schedules to identify and correct errors before submitting the annual report for audit

## ***City's Response***

*The City of Soap Lake concurs with the financial deficiencies as noted by the auditors. The city has had considerable turnover in financial staff over the last five years, which explains but does not excuse what these findings reveal. We have allotted funding to train and educate our whole staff to ensure knowledge to accurately prepare and report financial statements.*

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

We appreciate the City's commitment to respond to these issues and thank the city for its cooperation and assistance during the audit. We will review the corrective action taken during the next audit.

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

RCW 43.09.200 Local government accounting – uniform system of accounting.

*Budgeting, Accounting, and Reporting Systems (BARS) Manual – Accounting, Accounting Principles and General Procedures, Internal Control.*

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.



## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### City of Soap Lake January 1, 2019 through December 31, 2019

#### **2019-002    The City did not have adequate internal controls for ensuring compliance with federal procurement and reporting requirements.**

<b>CFDA Number and Title:</b>	10.760 – Water and Waste Disposal Systems for Rural Communities
<b>Federal Grantor Name:</b>	U.S. Department of Agriculture
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	N/A
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Questioned Cost Amount:</b>	\$0

#### ***Background***

The Water and Waste Disposal Systems for Rural Communities program is designed to assist rural communities in obtaining safe drinking water and adequate waste disposal facilities, which are prerequisites for economic growth. During fiscal year 2019, the City spent \$916,498 in loan and grant funds awarded by the U.S. Department of Agriculture Rural Utilities Service. The City used this program funding for its water and sewer improvement projects.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

#### ***Procurement***

Federal regulations require recipients to follow their own documented procurement procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR § 200.318-327. The procedures must reflect the most restrictive of applicable federal requirements, state laws and local policies. When using federal funds to procure goods and services, governments must apply the more restrictive

requirements by obtaining quotes or following a competitive procurement process, depending on the estimated cost of the procurement activity.

Additionally, federal regulations require recipients to maintain written standards of conduct covering conflicts of interest and governing the actions of employees engaged in selecting, awarding or administering contracts with federal funds.

#### *Reporting*

To comply with federal reporting requirements, the City must annually submit forms RD 442-2, *Statement of Budget, Income and Equity*, and RD 442.3, *Balance Sheet*, to the U.S. Department of Agriculture (USDA). These forms report the financial operations and financial status of the borrower's water and waste disposal projects.

### *Description of Condition*

#### *Procurement*

Although the City has written procurement policies that allow it to initiate and approve the procurement of goods and services, the policies do not conform to the most restrictive requirements and do not include required procedures to follow for soliciting and awarding public works contracts. Additionally, the City's policies did not include other required procedures for procuring transactions, such as obtaining quotations for small purchases, requesting proposals for architectural and engineering services, piggybacking, contract cost and price analysis, bonding requirements, and more.

We also found the City has not established written standards of conduct procedures, which federal regulations require.

#### *Reporting*

The City did not have procedures in place to submit its required forms to USDA during fiscal year 2019.

We consider these internal control deficiencies to be material weaknesses, which led to material noncompliance.

These issues were not reported as findings in the prior audit.

## ***Cause of Condition***

### ***Procurement***

The City has not received a federal grant compliance audit recently, and staff and management were not aware of the requirements to update the City's written procurement policies and procedures to comply with federal regulations. Staff and management also did not know the City was required to establish standards of conduct policies.

### ***Reporting***

The City experienced turnover in its key management position that was responsible for preparing these forms, and did not adequately train new staff or inform them of the federal reporting requirements.

## ***Effect of Condition***

### ***Procurement***

Although the City's policies did not conform to Uniform Guidance, our testing found the City complied with federal requirements for competitive solicitation of public works contractors. However, without updated written procurement procedures, the City is at greater risk of noncompliance with the most restrictive procedures when procuring contractors with federal funds.

### ***Reporting***

USDA uses the financial reports to assess the City's compliance with grant and loan requirements, and to evaluate if it can maintain financial operations and maintenance of its water and wastewater disposal systems. Because the City did not provide the required financial information to USDA during 2019, the grantor could not use these reports to assess the City's compliance or its ability to financially operate and maintain its water and wastewater disposal systems.

Although the City did not submit its required reports during fiscal year 2019, we verified USDA subsequently received the reports in September 2020.

## ***Recommendation***

We recommend the City update its written procurement policies to conform to Uniform Guidance (2 CFR § 200.318-327) for all procurement activities. We further recommend the City establish written standards of conduct procedures that also comply with Uniform Guidance requirements.

Additionally, we recommend the City ensure it submits all required annual reports to USDA.

### ***City's Response***

*We are reviewing current Procedure and Purchasing Policy for updating, to correctly reflect the Federal requirements.*

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

We appreciate the City's commitment to respond to these issues and thank the city for its cooperation and assistance during the audit. We will review the corrective action taken during the next audit.

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

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR 200, Uniform Guidance, section 318 General procurement standards, establishes requirements for documented procurement procedures which reflect applicable state, local and federal laws and regulations.

Title 7 CFR, Part 1780, *Water and Waste Loans and Grants*, section 47, Borrower accounting methods, management reporting and audits, establishes requirements for submitting annual management reports to the grantor.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### City of Soap Lake January 1, 2019 through December 31, 2019

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> 2018	<b>Report Ref. No.:</b>	<b>Finding Ref. No.:</b> 2018-001
<b>Finding Caption:</b> The City's internal controls over preparing financial statements were inadequate for ensuring accurate reporting.		
<b>Background:</b> The audit found the following deficiencies in internal controls over preparing financial statements. When taken together, they represent material weaknesses. <ul style="list-style-type: none"><li>• City staff responsible for compiling financial information lacked the technical knowledge and experience needed to accurately prepare the financial statements and supplementary schedules, including the SEFA.</li><li>• The City lacked an effective review process for ensuring amounts reported in the financial statements, notes to the financial statements, and supplementary schedules were consistent with underlying accounting records, had supporting documentation and followed BARS Manual guidance.</li><li>• The City did not keep support for direct accounting adjustments to its financial system.</li></ul>		
<b>Status of Corrective Action:</b> <div><input type="checkbox"/> Fully Corrected</div> <div><input type="checkbox"/> Partially Corrected</div> <div><input checked="" type="checkbox"/> Not Corrected</div> <div><input type="checkbox"/> Finding is considered no longer valid</div>		
<b>Corrective Action Taken:</b> <i>We have allotted funding to train and educate our whole staff to ensure knowledge to accurately prepare and report financial statements.</i>		

<b>Audit Period:</b> 2018	<b>Report Reference No.:</b>	<b>Finding Ref. No.:</b> 2018-002	<b>CFDA Number(s):</b> 14.228
<b>Federal Program Name and Granting Agency:</b> Community Development Block Grant, U.S. Department of Housing and Urban Development		<b>Pass-Through Agency Name:</b> Washington State Department of Housing and Urban Development	
<b>Finding Caption:</b> The City did not have adequate internal controls for ensuring compliance with federal procurement requirements.			
<b>Background:</b> Although the City has written procurement policies that allow it to initiate and approve the procurement of goods and services, they do not conform to the most restrictive requirements. They also do not include required procedures to follow for soliciting and awarding public works and A&E contracts. Additionally, the City's policies did not include other required procedures for procuring transactions, such as obtaining quotations for small purchases, piggybacking, contract cost and price analysis, bonding requirements, and more. We also found the City has not established written standards of conduct procedures, which federal regulations require.  During the audit period, the City procured an A&E contract and paid the firm about \$171,000. The City did not retain documentation demonstrating it conducted technical evaluations of the proposals it received and how it awarded the contract.			
<b>Status of Corrective Action:</b> <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>We are reviewing current Procedure and Purchasing Policy for updating, to correctly reflect the Federal requirements.</i>			

## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **City of Soap Lake January 1, 2019 through December 31, 2019**

Mayor and City Council  
City of Soap Lake  
Soap Lake, Washington

We have audited, 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, the financial statements of the City of Soap Lake, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated April 24, 2023.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001, that we consider to be material weaknesses.

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

## **CITY'S RESPONSE TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.



## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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 black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

April 24, 2023

## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

#### City of Soap Lake January 1, 2019 through December 31, 2019

Mayor and City Council  
City of Soap Lake  
Soap Lake, Washington

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

#### Opinion on Each Major Federal Program

We have audited the compliance of the City of Soap Lake, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

#### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

## City's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2019-002, that we consider to be a material weakness.

### **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. 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 black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

April 24, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Soap Lake January 1, 2019 through December 31, 2019**

Mayor and City Council  
City of Soap Lake  
Soap Lake, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the City of Soap Lake, as of and for the year ended December 31, 2019, and the related notes to the financial statements, as listed in the financial section of our report.

### **Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Soap Lake, and its changes in cash and investments, for the year ended December 31, 2019, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Soap Lake, as of December 31, 2019, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Matters of Emphasis**

As discussed in Note 6 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Our opinion is not modified with respect to this matter.

As discussed in Note 7 to the financial statements, during the year ended December 31, 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.




## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are 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 as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2023 on our consideration of the City's internal control over financial reporting and on the 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

April 24, 2023

## **FINANCIAL SECTION**

### **City of Soap Lake January 1, 2019 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to the Financial Statements – 2019

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2019  
Schedule of Expenditures of Federal Awards – 2019  
Notes to the Schedule of Expenditures of Federal Awards – 2019

**City of Soap Lake**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Street Fund</b>	<b>105 Stadium Tax Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	685,226	636	(41,649)	34,760
30880	Unreserved	528,563	(2,370)	-	-
388 / 588	Net Adjustments	(14)	(14)	-	-
<b>Revenues</b>					
310	Taxes	982,930	894,484	-	30,956
320	Licenses and Permits	33,751	33,751	-	-
330	Intergovernmental Revenues	1,609,633	103,367	1,393,213	-
340	Charges for Goods and Services	1,682,096	32,972	-	-
350	Fines and Penalties	400	400	-	-
360	Miscellaneous Revenues	216,098	183,878	21,904	332
Total Revenues:		4,524,908	1,248,852	1,415,117	31,288
<b>Expenditures</b>					
510	General Government	258,959	258,959	-	-
520	Public Safety	828,337	828,337	-	-
530	Utilities	1,466,886	-	-	-
540	Transportation	176,247	19,619	156,628	-
550	Natural and Economic Environment	36,569	36,569	-	-
560	Social Services	2,250	2,250	-	-
570	Culture and Recreation	166,408	126,882	-	36,650
Total Expenditures:		2,935,656	1,272,616	156,628	36,650
Excess (Deficiency) Revenues over Expenditures:		1,589,252	(23,764)	1,258,489	(5,362)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	664,938	52,000	37,278	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	2,432	2,432	-	-
381, 382, 395, 398	Other Resources	28,123	12,469	-	-
Total Other Increases in Fund Resources:		695,493	66,901	37,278	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	2,337,711	85,441	1,248,097	-
591-593, 599	Debt Service	317,525	63,713	10,095	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	(2,420)	(2,420)	-	-
581, 582	Other Uses	15,654	15,654	-	-
Total Other Decreases in Fund Resources:		2,668,470	162,388	1,258,192	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(383,725)</b>	<b>(119,251)</b>	<b>37,575</b>	<b>(5,362)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	838,040	4,426	(4,076)	29,400
5088000	Unreserved	(7,981)	(125,420)	-	-
<b>Total Ending Cash and Investments</b>		<b>830,059</b>	<b>(120,994)</b>	<b>(4,076)</b>	<b>29,400</b>

The accompanying notes are an integral part of this statement.

**City of Soap Lake**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>107 Lava Light Project</b>	<b>108 Real Estate Excise Tax</b>	<b>110 Transportation Benefit District</b>	<b>302 2017 Limited Obligation Bond</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	144,685	184,491	111,839	(3,159)
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	27,513	29,977	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,131	1,409	-	-
Total Revenues:		1,131	28,922	29,977	-
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	2,876	-	-
Total Expenditures:		-	2,876	-	-
Excess (Deficiency) Revenues over Expenditures:		1,131	26,046	29,977	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	139,102
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	139,102
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	77,235	-	2,209
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	77,235	-	2,209
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,131</b>	<b>(51,189)</b>	<b>29,977</b>	<b>136,893</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	145,816	133,302	141,816	133,733
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>145,816</b>	<b>133,302</b>	<b>141,816</b>	<b>133,733</b>

The accompanying notes are an integral part of this statement.

**City of Soap Lake**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>401 Water Utility Fund</b>	<b>402 Solid Waste Fund</b>	<b>403 Sewer Utility Fund</b>	<b>406 Mineral Water Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	253,623	-	-	-
30880	Unreserved	337,021	255,095	(21,214)	(39,969)
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	84,709	28,344
340	Charges for Goods and Services	558,509	338,007	735,865	16,743
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,713	2,827	1,055	849
Total Revenues:		561,222	340,834	821,629	45,936
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	604,436	356,907	481,722	23,821
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		604,436	356,907	481,722	23,821
Excess (Deficiency) Revenues over Expenditures:		(43,214)	(16,073)	339,907	22,115
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	402,158	-	34,400	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	5,218	5,218	5,218	-
Total Other Increases in Fund Resources:		407,376	5,218	39,618	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	551,019	1,090	372,620	-
591-593, 599	Debt Service	81,417	5,067	157,233	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		632,436	6,157	529,853	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(268,274)</b>	<b>(17,012)</b>	<b>(150,328)</b>	<b>22,115</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	253,623	-	-	-
5088000	Unreserved	68,748	238,084	(171,539)	(17,854)
<b>Total Ending Cash and Investments</b>		<b>322,371</b>	<b>238,084</b>	<b>(171,539)</b>	<b>(17,854)</b>

The accompanying notes are an integral part of this statement.

**City of Soap Lake**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>Total for All Funds (Memo Only)</b>	<b>Custodial</b>
308	Beginning Cash and Investments	37,861	37,861
388 & 588	Net Adjustments	-	-
310-390	Additions	9,080	9,080
510-590	Deductions	4,620	4,620
	Net Increase (Decrease) in Cash and Investments:	4,460	4,460
508	Ending Cash and Investments	42,109	42,109

*The accompanying notes are an integral part of this statement.*

**City of Soap Lake**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 1 - Summary of Significant Accounting Policies**

The City of Soap Lake was incorporated on June 9, 1919 and operates under the laws of the state of Washington applicable to a non-charter code city. The city is a general purpose local government and provides public safety, street improvements, parks and recreation, and general and administrative services. In addition, Soap Lake owns, maintains and operates a water distribution system, a sewer transmission system, solid waste operations and a wastewater treatment plant.

The city reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter [43.09](#) RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

**City of Soap Lake**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

**B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

**C. Cash and Investments**

See Note 4 - Deposits and Investments.

**D. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$7,500 and an estimated useful life in excess of two years. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 80 working hours for one to five years or service, 120 working hours for six to ten years or service, 160 working hours for 11 to 15 years or service and an additional eight working hours for each incremental year of service after 16 years, and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees do receive payment for 25% of unused sick leave. Payments are recognized as expenditures when paid. The accompanying compensated absence balances on Schedule of Liabilities includes estimated cost for employer benefits plus employer FICA and Medicare. The total compensated absence balance due as of December 31, 2019 is \$43,058.10.

**F. Long-Term Debt**

See Note 3 - Debt Service Requirements.



**City of Soap Lake**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**G. Reserved Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Ordinance or Resolution by City Council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount		Reason for Restriction
	Reserved		
001-General Fund	\$4,426		Donations for Shop with a Cop.
101-Street Fund	(\$4,076)		Restricted due to revenue source and nature of fund.
105-Stadium Tax Fund	\$29,400		Restricted due to RCW restrictions on tourism funds.
107-Lava Light Project	\$145,816		Restricted due to donations for Lava Light Project.
108-Real Estate Excise Tax	\$133,302		Restricted due to RCW restrictions on REET funds.
110-Transportation Benefit District	\$141,816		Restricted due to revenue source and nature of fund.
401-Water Fund	\$253,623		Restricted due to debt covenant and reservations for projects.

**Note 2 – Budget Compliance**

The city adopts annual appropriated budgets for government and proprietary funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

**City of Soap Lake**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
<b>001 - General Fund</b>				
General Fund	1,325,633	1,432,548	(106,915)	See budget disclosures
Shop With A Cop Fund	641	2,465	(1,824)	
Ambulance Fund				
<b>Total 001 - General Fund</b>	<b>1,326,274</b>	<b>1,435,013</b>	<b>(108,739)</b>	See budget disclosures
<b>101 - Street Fund</b>	<b>371,631</b>	<b>1,414,822</b>	<b>(1,043,191)</b>	See budget disclosures
<b>105 - Stadium Tax Fund</b>	<b>62,760</b>	<b>36,649</b>	<b>26,112</b>	Not used as anticipated
<b>107 - Lava Light Project</b>	<b>147,185</b>		<b>147,185</b>	Not used as anticipated
<b>108 - Real Estate Excise Tax</b>	<b>210,491</b>	<b>80,111</b>	<b>130,381</b>	Not used as anticipated
<b>110 - Transportation Benefit District</b>	<b>134,954</b>		<b>134,954</b>	Not used as anticipated
<b>301 - Capital Projects Fund - Main Ave</b>				
<b>302 - 2017 Limited Obligation Bond</b>	<b>22,844</b>	<b>2,209</b>	<b>20,635</b>	Not used as anticipated
<b>401 - Water Utility Fund</b>				
Water Utility Fund	928,792	1,236,871	(308,079)	See budget disclosures
Water/sewer Bond	289,897		289,897	Not used as anticipated
Water Tank Replacement				
<b>Total 401 - Water Utility Fund</b>	<b>1,218,689</b>	<b>1,236,871</b>	<b>(18,182)</b>	See budget disclosures
<b>402 - Solid Waste Fund</b>	<b>644,204</b>	<b>363,062</b>	<b>281,141</b>	Not used as anticipated
<b>403 - Sewer Utility Fund</b>				
Sewer Utility Fund	861,667	640,042	221,625	Not used as anticipated
Sewer Construction Fund				
Main AVE Sewer Replacement	171,881	371,530	(199,650)	See budget disclosures
<b>Total 403 - Sewer Utility Fund</b>	<b>1,033,548</b>	<b>1,011,572</b>	<b>21,975</b>	Not used as anticipated
<b>406 - Mineral Water Fund</b>	<b>16,156</b>	<b>23,821</b>	<b>(7,664)</b>	
<b>601 - Utility Deposits</b>	<b>73,779</b>	<b>4,620</b>	<b>69,159</b>	Not used as anticipated
<b>634 - Treasurers Suspense Fund</b>	<b>200</b>	<b>213</b>	<b>(13)</b>	

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body.

Title for Disclosure	Details for Disclosure
General Fund	The city encountered the following unexpected expenses: additional police vehicle purchase of \$42,055.45, extra police department overtime of \$23,541.50, and the hiring of an interim finance director and city administrator of \$32,051.09.
Street Fund	Due to the uncertainty of the timing of street project expenditures the city spent \$1,075,405.77 in project expenditures that were not budgeted for. These projects are partially funded through grants that are reimbursable and the city anticipates receiving these reimbursements in 2020.
Water Utility Fund	Due to the uncertainty of the timing of water project expenditures the city spent \$549,928.77 in project expenditures that were not budgeted for. These projects are partially funded through grants that are reimbursable and the city anticipates receiving these reimbursements in 2020.
Main Ave Sewer Replacement	Due to the uncertainty of the timing of the Main Avenue Sewer Replacement project expenditures the city spent \$348,432.09 in project expenditures that were not budgeted for. These projects are partially funded through grants that are reimbursable and the city anticipates receiving these reimbursements in 2020.

**City of Soap Lake**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 3 – Debt Service Requirements**

**Debt Service**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2019.

The debt service requirements for general obligation bonds, revenue bonds and other debt are as follows:

Year	Principal	Interest	Total Debt Service
2020	253,050	93,243	346,292
2021	264,561	100,639	365,200
2022	252,459	94,677	347,136
2023	255,732	88,653	344,385
2024	236,424	82,920	319,344
2025-2029	893,993	350,922	1,244,915
2030-2034	740,411	246,544	986,955
2035-2039	513,064	130,153	643,217
2040-2044	137,302	61,421	198,723
2045-2049	157,095	40,493	197,588
2050-2054	80,603	21,623	102,225
2055-2059	78,553	10,205	88,758
2060	17,214	538	17,752
Totals	3,880,460	1,322,031	5,202,491

**Note 4 – Deposits and Investments**

Investments are reported at original cost. Deposits and investments by type at December 31, 2019 are as follows:

Type of Deposit or Investment	(City/town/district's own deposits & investments)	Deposits & investments held by the county as an agent for other local governments, individuals, or private organizations.	Total
Bank Deposits	353,260		353,260
Local Government Investment Pool	236,969		236,969
County Investment Pool	281,939		281,939
Totals	\$ 872,168	\$ -	\$ 872,168

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

**Investments in the State Local Government Investment Pool (LGIP)**

The city is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with [Chapter 43.250](#)

**City of Soap Lake**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**RCW.** Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

**Investments in Grant County Investment Pool**

The city is a voluntary participant in the Grant county investment pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with **RCW 36.48.070**. The city reports its investment in the pool at fair value, which is the same as the value of the pool per share. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals/disclose any liquidity fees or redemption gates.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The city's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the city or its agent in the government's name.

**Note 5 - Interfund Loans**

The following table displays interfund loan activity during 2019:

Borrowing Fund	Lending Fund	Beginning Balance	Additions	Reductions	Ending Balance
General Fund	Water	26616.67		5,217.93	21,398.74
General Fund	Solid Waste	26616.67		5,217.93	21,398.74
General Fund	Sewer	26616.66		5,217.93	21,398.73

**Note 6 - Other Disclosures**

**COVID-19 Subsequent Event**

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. Grant County has issued an emergency proclamation and the city is following all local, state, and national guidance in response to COVID-19. The length of time these measures will be in place, and the full extent of the financial impact is unknown at this time.

**Contingencies and Litigation**

1. Shawn Donnelly and Dwane Hayden v. City of Soap Lake: Probationary police officer, Shawn Donnelly, was terminated from employment with Soap Lake on September 18, 2015. Officer Dwane Hayden resigned from the department. Both plaintiffs have filed a wage claim lawsuit, and Mr. Donnelly has additionally filed a wrongful termination claim. Plaintiffs' claims seek reinstatement of employment with the City, back

**City of Soap Lake**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

wages and benefits, unspecified monetary damages, and attorney's fees and costs. The parties are currently engaged in settlement discussions and intend to pursue mediation; the case is not currently set for trial. The City will continue to vigorously defend this lawsuit should it continue to trial.

2. Krystie Harguindeguy v. City of Soap Lake: On May 29, 2014, Plaintiff filed a tort claim for alleged personal injuries sustained in a fall into a water meter vault. The water meter vault is owned by McKay Healthcare and is located on McKay's property. The claim demanded \$75,000 in damages and alleged that the City negligently maintained the water meter vault lid. Plaintiff filed a lawsuit in Grant County Superior Court in July, 2015. Subsequently, Plaintiff added McKay Healthcare and Rehabilitation Center as an additional defendant and increased her demand to \$1.5 million. The City denied liability and its insurer provided a vigorous defense. The parties reached a settlement of the claim during mediation on January 24, 2019. The City's exposure is covered by its insurance and there is no deductible.

3. Dormaier v. City of Soap Lake: Plaintiffs filed a personal injury claim on May 30, 2018 arising out of alleged use of excessive force claiming unspecified damages in the amount of \$1 Million. Plaintiff filed an amended Complaint in the United States District Court for the Eastern District of Washington on December 18, 2019 substituting the current Police Chief for the previous Chief. The City has denied liability and the City's insurer will provide a vigorous defense. The litigation is in the early phase and no discovery has been conducted.

4. Alvarez v. City of Soap Lake: A fire caused significant property damage to an apartment complex on May 14, 2019. The City received a "Notice of Possible Subrogation Claim and Preservation Request" from Subrosmart on December 19, 2019 notifying the City that the loss was due, in part, to an alleged failure of the City's fire hydrants. No formal claim has been filed pursuant to the tort claim filing requirements of Chapter 4.96 RCW and no loss amount has been identified by Subrosmart. The City's insurer has opened a claim file and is currently handling the matter through its claims process.

**Construction Commitment**

The city currently has multiple projects and construction commitments ongoing to improve aging infrastructure systems. These include city hall remediation, water & sewer main improvements, and street repairs and repaving. Due to the nature and timing of these projects, expenditures and grant reimbursements may cross over fiscal years. These projects are funded by a combination of grants and loans.

**Note 7 – Other Post-Employment Benefits (OPEB) Plans**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the city as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2019, the plan had 1 member, all retirees. As of December 31, 2019 the city's total OPEB liability was \$588,975, as calculated using the alternative measurement method. For the year ended December 31, 2019, the city paid \$5,874.56 in benefits.

**Note 8 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS),

**City of Soap Lake**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2/3, LEOFF 1 & 2.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The city also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2019 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1 UAAL	15519.73	3,845,355,000	0.00216441%	83,229	
PERS 2/3	22830.72	971,340,000	0.00279536%	27,152	
LEOFF 1		(1,976,611,000)	0.00078033%		(15,424)
LEOFF 2	12928.41	(2,316,693,000)	0.00701214%		(162,450)
			<i>Totals</i>	\$ 110,382	\$ (177,874)

**LEOFF Plan 1**

The city also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

**LEOFF Plan 2**

The city also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

**City of Soap Lake**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 9 - Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2019 was \$2.0216880059 per \$1,000 on an assessed valuation of \$78,070,340 for a total regular levy of \$157,833.57.

**Note 10 – Risk Management**

The City of Soap Lake is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 163 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

**City of Soap Lake**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 11 – Joint Ventures**

The City of Soap Lake, along with 28 Grant County entities, entered into an Interlocal Cooperative Agreement under the authority of RCW Chapter 39.34 in order to provide for the joint operation of a consolidated E911 emergency dispatch facility known as the Multi Agency Communications Center (MACC). MACC serves as the Public Safety Answering Point for all law enforcement and emergency response agencies in Grant County. The property acquired by MACC is shared by the participants in the Agreement to the same extent as they have made financial contributions to MACC. Grant County accounts for MACC as an Agency Fund and financial reports can be obtained for MACC at the Grant County Auditor's Office, 37 C Street NW, Ephrata WA 98823.



**City of Soap Lake  
Schedule of Liabilities  
For the Year Ended December 31, 2019**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.12	USDA RD 97-08	1/23/2021	10,912	-	10,912	-
251.11	DOE WQC-2015-SoaLak-00020	12/30/2020	12,082	-	2,926	9,156
263.51	First Gvmt Lease	12/31/2023	208,698	52,000	36,655	224,043
263.96	2017 LTGO Bond	10/30/2039	400,000	139,102	3,019	536,083
251.11	General Obligation Bond Non Voted DOE 00086	6/30/2039	-	37,278	-	37,278
<b>Total General Obligation Debt/Liabilities:</b>			<b>631,692</b>	<b>228,380</b>	<b>53,512</b>	<b>806,560</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	DOE EL150033	12/31/2021	9,296	-	3,055	6,241
252.11	Revenue Bond Non Voted DOE L0300028B	12/31/2024	2,829	-	236	2,593
252.11	Revenue Bond Non Voted DOE L030028A	6/1/2024	234,376	-	21,307	213,069
252.11	Revenue Bond Non Voted DOE L0100001	8/1/2021	41,754	-	13,918	27,836
252.11	Revenue Bond Non Voted USDA 91- 01	12/31/2036	750,361	-	25,182	725,179
252.11	Revenue Bond Non Voted USDA 91- 03	12/31/2038	112,383	-	3,606	108,777
252.11	Revenue Bond Non Voted USDA 91- 05	12/31/2038	31,827	-	1,017	30,810
252.11	Revenue Bond Non Voted USDA 92- 07	12/31/2054	457,790	-	9,241	448,549
252.11	Revenue Bond Non Voted USDA 10	6/30/2023	25,827	-	9,287	16,540
252.11	Revenue Bond Non Voted PC13961066	6/1/2032	1,139,113	-	81,365	1,057,748
252.11	General Obligation SIP 2014-06	12/31/2019	5,000	-	5,000	-
252.11	Revenue Bond Non Voted - Banner Bank Interim Financing	12/31/2040	-	402,158	-	402,158
252.11	Revenue Bond Non Voted DOE EL180494	12/31/2038	-	34,400	-	34,400
259.12	Compensated Absences		67,987	-	24,929	43,058
264.30	Pension Liability		158,779	-	48,397	110,382
264.40	OPEB Liabilities		-	588,975	-	588,975
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>3,037,322</b>	<b>1,025,533</b>	<b>246,540</b>	<b>3,816,315</b>
<b>Total Liabilities:</b>			<b>3,669,014</b>	<b>1,253,913</b>	<b>300,052</b>	<b>4,622,875</b>

**City of Soap Lake**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF	Water and Waste Disposal Systems for Rural Communities	10.760	NA	-	916,498	916,498	1,2,3
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	16-62210-034	-	145	145	1,2
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Department Of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	16-62210-040	23,098	-	23,098	1,2
<b>Highway Safety Cluster</b>				<b>23,098</b>	<b>145</b>	<b>23,243</b>	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	2014	3,863	-	3,863	1,2
<b>Total Highway Safety Cluster:</b>				<b>3,863</b>	<b>-</b>	<b>3,863</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA Military Department Emergency Management)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4309-DR-WA	499,973	-	499,973	1,2
<b>Total Federal Awards Expended:</b>				<b>526,934</b>	<b>916,643</b>	<b>1,443,577</b>	

The accompanying notes are an integral part of this schedule.

**City of Soap Lake**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2019**

**Note 1 – Basis of Accounting**

This Schedule is prepared on the same basis of accounting as the city's financial statements. The city reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

**Note 2 – Federal Indirect Cost Rate**

The city has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3 – Federal Loans**

The city was approved by the USDA Rural Development to receive a loan totaling \$3,880,000 for the Sewer Main Improvement Project. Interim loan financing was received for the construction period. The amount listed for this loan includes the proceeds used during the year. The total balance owed at the end of 12/31/2018 was \$402,158.

Both the current and prior year loans are reported on the city's Schedule of Liabilities.



## **CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE**

### **City of Soap Lake January 1, 2019 through December 31, 2019**

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2019-001	<b>Finding caption:</b> The City's internal controls over preparing financial statements were inadequate for ensuring accurate reporting.
<b>Name, address, and telephone of City contact person:</b> Ruth Wade P O Box 1270 Soap Lake WA 98851 (509) 246-1211	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>We have allotted funding to train and educate our whole staff to ensure knowledge to accurately prepare and report financial statements.</i>	
<b>Anticipated date to complete the corrective action:</b> <i>by the end of 2023</i>	

<b>Finding ref number:</b> 2019-002	<b>Finding caption:</b> The City did not have adequate internal controls for ensuring compliance with federal procurement and reporting requirements.
<b>Name, address, and telephone of City contact person:</b> Ruth Wade P O Box 1270 Soap Lake WA 98851 (509) 246-1211	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>We are reviewing current Procedure and Purchasing Policy for updating, to correctly reflect the Federal requirements.</i>	
<b>Anticipated date to complete the corrective action:</b> <i>by the end of 2023</i>	

## 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.

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