



Office of the Washington State Auditor  
Pat McCarthy

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

# **Kittitas County Conservation District**

**For the period January 1, 2020 through December 31, 2020**

*Published September 27, 2021*

Report No. 1029135



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

September 27, 2021

Board of Supervisors  
Kittitas County Conservation District  
Ellensburg, Washington

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

Please find attached our report on the Kittitas County Conservation District's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District'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).*

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Federal Award Findings and Questioned Costs.....	6
Independent Auditor's 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.....	9
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	12
Independent Auditor's Report on the Financial Statements.....	15
Financial Section.....	19
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	34
About the State Auditor's Office.....	35

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Kittitas County Conservation District January 1, 2020 through December 31, 2020

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

The results of our audit of the Kittitas County Conservation District 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 District’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 no deficiencies that we consider to be material weaknesses.

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

##### 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 District’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>CFDA No.</u>	<u>Program or Cluster Title</u>
81.U01	Yakima Tributary Access & Habitat Program Cluster

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

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

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See finding 2020-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Kittitas County Conservation District January 1, 2020 through December 31, 2020

#### **2020-001    The District lacked adequate internal controls for ensuring compliance with federal procurement requirements.**

<b>CFDA Number and Title:</b>	81.U01 Yakima Tributary Access & Habitat Program
<b>Federal Grantor Name:</b>	United States Department of Energy Bonneville Power Administration
<b>Federal Award/Contract Number:</b>	2007-398-00
<b>Pass-through Entity Name:</b>	Washington Resource Conservation & Development Council
<b>Pass-through Award/Contract Number:</b>	81849 and 84929
<b>Questioned Cost Amount:</b>	\$0

#### *Description of Condition*

During fiscal year 2020, the District spent \$384,104 in Yakima Tributary Access & Habitat Program grant funding. The District used this grant funding for its Olmstead Park Fish Screening and Passage and Cooke Creek projects.

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

Additionally, federal regulations require grant recipients to follow their own written procurement procedures, which must reflect the most restrictive of applicable federal, state or local laws. Established procedures must conform to federal procurement requirements to ensure recipients follow the most restrictive thresholds and methods when using federal funds. The District had a written procurement policy. However, it did not include federal requirement thresholds, and it was less restrictive than federal thresholds for the procurement of public works and professional services (architectural and engineering).

We consider this internal control deficiency to be a material weakness, which led to material noncompliance.

The issue was not reported as a finding in the prior audit.

### *Cause of Condition*

The District has not received a federal grant compliance audit recently, and it was unaware of the policy requirements until October 2020 when our Office issued a recommendation during the last accountability audit. The District updated its policy on November 12, 2020, to conform to federal procurement requirements.

### *Effect of Condition*

Without updated written policies and procedures, the District is at greater risk of noncompliance with the most restrictive of federal, state or local procurement methods and requirements when procuring contractors paid all or in part with federal funds.

While the District did not update its policies until November 2020, we did verify that the District properly procured the architectural and engineering services and public works contracts for its Olmstead Park Fish Screening and Passage Project and Cooke Creek Projects.

### *Recommendation*

We recommend the District continue updating its written procurement policy to ensure it conforms to federal regulations for all procurement transactions.

### *District's Response*

*The Kittitas County Conservation District appreciates the opportunity to respond to this finding. We would like to thank the audit staff both last year and this year for their communication about our procurement policies.*

*The District has already addressed the issue noted under Cause of Condition, but the updated written procurement policies and procedures were not adopted until November 2020 which was after the bid solicitation for the two construction contracts. We appreciate the audit staff noting that our procurement of services and contracts was completed properly despite the late adoption of the policy updates.*

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

We thank the District for its cooperation and assistance during the audit and acknowledge its improvement of the condition above. We will review the status of this condition during our 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 Part 200, Uniform Guidance, section 318 General procurement standards, establishes requirements for documented procurement procedures, which reflect applicable state, local, and federal laws and regulations.



## 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*

#### **Kittitas County Conservation District January 1, 2020 through December 31, 2020**

Board of Supervisors  
Kittitas County Conservation District  
Ellensburg, 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 Kittitas County Conservation District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 21, 2021.

We issued an unmodified opinion on the fair presentation of the District'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 District 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.

As discussed in Note 2 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## 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 District'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 District'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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 21, 2021

## 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

### **Kittitas County Conservation District January 1, 2020 through December 31, 2020**

Board of Supervisors  
Kittitas County Conservation District  
Ellensburg, Washington

## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the compliance of the Kittitas County Conservation District, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2020. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District 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, 2020.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001 that we consider to be a material weakness.

## **District's Response to Findings**

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the 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 that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 21, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Kittitas County Conservation District January 1, 2020 through December 31, 2020**

Board of Supervisors  
Kittitas County Conservation District  
Ellensburg, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Kittitas County Conservation District, for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 19.

### **Management's Responsibility 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 *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1, the Kittitas County Conservation District has prepared these financial statements to meet the financial reporting requirements of state law using 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 financial statements referred to above present fairly, in all material respects, the cash and investments of the Kittitas County Conservation District, and its changes in cash and investments, for the year ended December 31, 2020, on the basis of accounting described in Note 1.

### **Basis for 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. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### **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 Kittitas County Conservation District, as of December 31, 2020, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.



## **Matters of Emphasis**

As discussed in Note 2 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The 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 taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

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Pat McCarthy, State Auditor

Olympia, WA

September 21 2021

## **FINANCIAL SECTION**

### **Kittitas County Conservation District January 1, 2020 through December 31, 2020**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2020  
Notes to Financial Statements – 2020

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

Schedule of Liabilities – 2020  
Schedule of Expenditures of Federal Awards – 2020  
Notes to the Schedule of Expenditures of Federal Awards – 2020

**Kittitas County Conservation District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	239,356
388 / 588	Net Adjustments	-

**Revenues**

320	Licenses and Permits	-
330	Intergovernmental Revenues	2,668,270
340	Charges for Goods and Services	35,080
350	Fines and Penalties	-
360	Miscellaneous Revenues	219,984
Total Revenues:		2,923,334

**Expenditures**

550	Natural/Economic Environment	2,781,288
Total Expenditures:		2,781,288
Excess (Deficiency) Revenues over Expenditures:		142,046

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	8,051
591-593, 599	Debt Service	50,139
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		58,190

**Increase (Decrease) in Cash and Investments: 83,856**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	29,561
50841	Committed	-
50851	Assigned	293,600
50891	Unassigned	50
<b>Total Ending Cash and Investments</b>		<b>323,211</b>

**Kittitas County Conservation District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2020**

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

The Kittitas County Conservation District was incorporated on May 26, 1942 and operates under the laws of the state of Washington applicable to a political subdivision of the state. The district is a special purpose local government and provides technical and financial assistance to the public to conserve natural resources.

The Kittitas County Conservation District 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 (see *Notes to 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 presented using classifications that are similar to the ending balance classification 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.

**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.

#### C. Cash and Investments

See Note 3 - *Deposits and Investments*.

#### D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. Capital assets and inventory are recorded as capital expenditures when purchased.

#### E. Compensated Absences

Kittitas County Conservation District vacation pay (annual leave) is accumulated based on years of employment beginning at 8 hours per month and increasing regularly during continuous employment to a maximum of 14.6 hours per month. This benefit is prorated for part time employees based on their full-time equivalency. Leave is payable upon separation or retirement. The maximum number of accrued annual leave hours cannot be more than 240 hours at the close of each calendar year. Employees can accrue more than 240 hours during any given year, but the excess over 240 hours must be used prior to the end of each calendar year or the excess will be forfeited without compensation.

Annual leave cannot be cashed out while the employee is in continuous employment of the District. Once per year, employees may elect to have their accrued annual leave balance that exceeds 240 hours cashed out and deposited into a deferred compensation account set up through the District.

Medical/family leave may accumulate indefinitely at 8 hours per month. This benefit is prorated for part time employees based on their full-time equivalency. In the event of termination for whatever reason, the employee shall not receive compensation for any accrued medical/family leave.

Payments are recognized as expenditures when paid.

#### F. Long-Term Debt

See Note 4 – *Long Term Debt*

#### G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution by the District. When expenditures that meet restrictions are incurred, the Kittitas County Conservation District intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of advance payments that are restricted for a specific purpose of the grant. The advance payments received during 2020 include an indirect federal grant from the National Association of Conservation Districts for Urban Agriculture Conservation (NACD Urban Ag) to assist the Thorp School District in pursuing a Farm to School initiative, and two indirect federal grants from the National Association of Conservation Districts (NACD TA 2, NACD TA 3) to fund a full time technical assistance staff position at the district to increase the technical assistance available to the community to improve the conditions of natural resources and the society that depend on them.

The following table shows the beginning, and ending restricted balances of these grants and the revenue and expense totals related to the grant:

Grant/Contribution	Restricted Beginning 1/1/20	Revenue	Expense	Restricted Ending 12/31/20
NACD Urban Ag	\$0	\$34,184.94	(\$20,403.43)	\$13,781.51
NACD TA 2	\$3,833.85	\$40,192.62	(\$44,026.47)	\$0
NACD TA 3	\$0	\$31,674.34	(\$15,895.06)	\$15,779.28
<b>Total</b>	<b>\$3,833.85</b>	<b>\$116,051.90</b>	<b>(\$90,324.96)</b>	<b>\$29,560.79</b>

## Note 2 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

There are potential financial impacts to the Kittitas County Conservation District due to the COVID-19 epidemic and the Governor's Stay Home Stay Healthy order. This includes providing up to 80 hours or an equivalent two weeks of District-paid leave to regular employees (pro-rated for benefited part-time and shift work employees) qualifying under Families First Coronavirus Response Act. An Impacted Employee who has not been directed to telework, or who has requested but not received approval to enter into a telework arrangement, will be eligible to receive up to 80 hours of leave (or up to two weeks of the employee's shifts) without utilizing their personal leave accruals.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the district is unknown at this time.

## Note 3 – Deposits and Investments

It is the Kittitas County Conservation District's practice to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as net cash and investments.

The Kittitas County Conservation District deposits are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

The Kittitas County Conservation District's investments are either insured, registered, or held by the Kittitas County Conservation District or its agent in the Kittitas County Conservation District's name.

Investments are reported at fair value. Deposits and investments by type at December 31, 2020 are as follows:

Type of deposit or investment	Total
Checking Account	\$247,990.61
Building Checking Account	\$1,186.37
Savings Account	\$41,101.83
Long Term CD	\$32,882.19
Petty Cash	\$50.00
<b>Total</b>	<b>\$ 323,211.00</b>

#### Note 4 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Kittitas County Conservation District and summarizes the Kittitas County Conservation District's debt transactions for year ended December 31, 2020.

On March 4, 2014, the Board of Supervisors of the Kittitas County Conservation District approved the purchase of real property and improvements at 2211 W Dolarway Road through a purchase and sales agreement. The 4024 square foot building on one acre was purchased to provide office space for the District and included existing private tenants and leases assumed on purchase of the property. The purchase price was \$750,000 and the agreement included a down payment of \$150,000, an interest rate of 5.25% and monthly payments amortized over 25 years with a balloon payment in 12 years.

The debt service requirements for the building loan are as follows:

Year	Principal	Interest	Total
2020 Amerititle	\$23,240.00	\$24,820.00	\$48,000.00
2021 Amerititle	\$8,168.04	\$7,831.96	\$16,000.00
2021 Amerititle Payoff	\$453,399.95		\$453,399.95
<b>Total</b>	<b>\$484,807.99</b>	<b>\$32,651.96</b>	<b>\$517,399.95</b>

#### Note 5 – Other Disclosures

##### Subsequent Events

The building was refinanced in early 2021 as part of a remodel related to a long-term lease with the United States Department of Agriculture (USDA). The future payments noted in the table below reflect the payoff of the original transaction and the terms of the new loan with Cashmere Valley Bank. That loan term is 10 years, with an interest rate of 4.5% (with one rate adjustment at 5 years), and monthly payments amortized over 20 years.



Year	Principal	Interest	Total
2021 <i>Cashmere Valley Bank</i>	\$12,052.57	\$15,936.69	\$27,989.26
2022	\$17,992.46	\$23,991.44	\$41,983.89
2023	\$18,819.02	\$23,164.87	\$41,983.89
2024	\$19,682.01	\$22,301.88	\$41,983.89
2025	\$20,587.75	\$21,396.14	\$41,983.89
2026-2031	\$124,257.44	\$96,157.99	\$220,415.43
<b>Total</b>	<b>\$202,949.00</b>	<b>\$213,391.25</b>	<b>\$416,340.25</b>

## Note 6 – Pension Plans

### A. State Sponsored Pension Plans

Substantially all Kittitas County Conservation District’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), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

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).

At June 30, 2020 (the measurement date of the plans), the Kittitas County Conservation District’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
------	------------------------	--------------	-------------------

PERS 1	\$22,073	0.00304600%	\$107,540
PERS 2/3	\$36,353	0.00394600%	\$50,467

## Note 7 – Rates & Charges

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

Rates and Charges are authorized by RCW 89.08.405 to be imposed for conservation districts. Activities and programs to conserve natural resources, including soil and water, are of special benefit to lands and may be used as the basis upon which special assessments are imposed.

A system of rates and charges to finance programs that implement the Kittitas County Conservation District's long range plan was approved by the Kittitas Board of County Commissioners and is available at [www.kccd.net](http://www.kccd.net). The system of rates and charges of the Kittitas County Conservation District has been imposed for the period of 10 years with collection beginning in 2017. The system of rates and charges is as follows:

Land Classification	Non-Irrigated Lands		Irrigated Lands	
	Per Parcel	Per Acre	Per Parcel	Per Acre
1 Residential	\$4.9100	\$0.0300	\$4.9900	\$0.1000
2 Commercial	\$4.9100	\$0.0300	\$4.9900	\$0.1000
3 Transportation	\$4.9100	\$0.0300	\$4.9900	\$0.1000
4 Trade	\$4.9100	\$0.0300	\$4.9900	\$0.1000
5 Services	\$4.9100	\$0.0300	\$4.9900	\$0.1000
6 Recreational	\$4.9100	\$0.0300	\$4.9900	\$0.1000
7 Resources AG	\$4.9200	\$0.0300	\$5.0000	\$0.1000
8 Resources	\$4.9100	\$0.0300	\$4.9900	\$0.1000
9 Resource Designated Forest Land	\$3.0000 (per landowner)			
11 Undeveloped/Open Space	\$4.9200	\$0.0300	\$5.0000	\$0.1000

The fees are paid by the landowners within the Kittitas County Conservation District's boundaries and appear on the same bill as their property tax.

## Note 8 – Risk Management

### *Financial Note to Enduris Member Financial Statements*

Kittitas County Conservation District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative

services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2020, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool’s members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

**Kittitas County Conservation District  
Schedule of Liabilities  
For the Year Ended December 31, 2020**

<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>						
263.61	Escrow Account - Building	3/3/2026	483,423	-	23,240	460,183
263.51	Copy Machine Lease	2/12/2024	9,591	-	2,079	7,512
<b>Total General Obligation Debt/Liabilities:</b>			<b>493,014</b>	<b>-</b>	<b>25,319</b>	<b>467,695</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Annual Leave - Anna Lael		10,855	12	-	10,867
259.12	Annual Leave - Mark Crowley		6,361	-	510	5,851
259.12	Annual Leave - Ryan Roberts		1,248	3,185	-	4,433
259.12	Annual Leave - Sherry Swanson		8,004	-	382	7,622
259.12	Annual Leave - Miranda Nash		1,891	-	194	1,697
259.12	Annual Leave - Wendy Mee		1,387	867	-	2,254
259.12	Annual Leave -Brent Dixon		1,242	1,509	-	2,751
259.12	Annual Leave - Nathan Longoria		278	118	-	396
264.30	Net Pension Liability		148,480	9,527	-	158,007
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>179,746</b>	<b>15,218</b>	<b>1,086</b>	<b>193,878</b>
<b>Total Liabilities:</b>			<b>672,760</b>	<b>15,218</b>	<b>26,405</b>	<b>661,573</b>

**Kittitas County Conservation District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington Resource Conservation & Development)	Cooperative Forestry Assistance	10.664	16-CA- 11132543-087	677	-	677	-	Note 4
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via National Association of Conservation Districts)	Soil and Water Conservation	10.902	UAC4-WA	19,736	-	19,736	-	Note 4
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via National Resource Conservation Service)	Soil and Water Conservation	10.902	20-28-TP2	3,491	-	3,491	-	Note 4
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via National Association of Conservation Districts)	Soil and Water Conservation	10.902	TA-2 WA	17,611	-	17,611	-	Note 4
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via National Association of Conservation Districts)	Soil and Water Conservation	10.902	TA-3 WA	9,537	-	9,537	-	Note 4
<b>Total CFDA 10.902:</b>				<b>50,375</b>	<b>-</b>	<b>50,375</b>	<b>-</b>	
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via Natural Resource Conservation Service)	Environmental Quality Incentives Program	10.912	20-28-TP1	8,980	-	8,980	-	Note 4

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

**Kittitas County Conservation District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via National Association of Conservation Districts)	Environmental Quality Incentives Program	10.912	TA-2 WA	13,208	-	13,208	-	Note 4
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via National Association of Conservation Districts)	Environmental Quality Incentives Program	10.912	TA-3 WA	3,497	-	3,497	-	Note 4
			<b>Total CFDA 10.912:</b>	<b>25,685</b>	<b>-</b>	<b>25,685</b>	<b>-</b>	
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via National Association of Conservation Districts)	Conservation Stewardship Program	10.924	TA-2 WA	13,208	-	13,208	-	Note 4
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via National Association of Conservation Districts)	Conservation Stewardship Program	10.924	TA-3 WA	2,861	-	2,861	-	Note 4
			<b>Total CFDA 10.924:</b>	<b>16,069</b>	<b>-</b>	<b>16,069</b>	<b>-</b>	
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via WA Recreation & Conservation Office)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	Federal Award ID: NA18NMF4380 271	308,674	-	308,674	-	Note 4

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

**Kittitas County Conservation District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via WA Recreation and Conservation Office)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	19-1427R	77	-	77	-	Note 4
			<b>Total CFDA 11.438:</b>	<b>308,751</b>	<b>-</b>	<b>308,751</b>	<b>-</b>	
BUREAU OF LAND MANAGEMENT, INTERIOR, DEPARTMENT OF THE (via Washington Resource Conservation & Development)	BLM Fuels Management and Community Fire Assistance Program Activities	15.228	WAFACLN- 3102-2019- S021	1,023	-	1,023	-	Note 4
BUREAU OF LAND MANAGEMENT, INTERIOR, DEPARTMENT OF THE (via Washington Resource Conservation & Development)	BLM Fuels Management and Community Fire Assistance Program Activities	15.228	WAFACLN- 3102-2020- S038	3,255	-	3,255	-	Note 4
			<b>Total CFDA 15.228:</b>	<b>4,278</b>	<b>-</b>	<b>4,278</b>	<b>-</b>	
Department of Energy/Bonneville Power Administration (via Washington Resource Conservation & Development)	Yakima Tributary Access & Habitat Program	81.U01	Project #2007- 398-00 Expense Contract 81849	192,849	-	192,849	-	Note 4
Department of Energy/Bonneville Power Administration (via Washington Resource Conservation & Development)	Yakima Tributary Access & Habitat Program	81.U01	Project #2007- 398-00 Expense Contract 84929	191,255	-	191,255	-	Note 4
			<b>Total CFDA 81.U01:</b>	<b>384,104</b>	<b>-</b>	<b>384,104</b>	<b>-</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	Hazard Mitigation Grant	97.039	D20-019	38,894	-	38,894	-	Note 4

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

**Kittitas County Conservation District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
		Total Federal Awards Expended:			-	828,833	-



Kittitas County Conservation District  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Kittitas County Conservation District's financial statements. The district uses the single-entry and cash-basis reporting procedures which do not conform with GAAP.

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the district's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2 – Federal De Minimis Indirect Cost Rate

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

Note 3 – Federal Indirect Cost Rate(s)

The amount expended includes \$41,242.39 claimed as an indirect cost recovery using an approved indirect cost rate of 25.25 percent.

Note 4 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the district's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



**Kittitas County Conservation District**  
2211 W. Dolarway Rd, Suite 4 – Ellensburg, WA 98926 – Phone (509) 925-3352

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

**Kittitas County Conservation District**  
**January 1, 2020 through December 31, 2020**

This schedule presents the corrective action planned by the District 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> 2020-001	<b>Finding caption:</b> The District lacked adequate internal controls for ensuring compliance with federal procurement requirements.
<b>Name, address, and telephone of Kittitas County Conservation District contact person:</b> Miranda Nash 2211 W. Dolarway Road Ellensburg, WA 98926 (509)925-3352	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The corrective action was taken in November 2020. The Kittitas County Conservation District will continue to monitor and update federal procurement policies as needed.</i>	
<b>Anticipated date to complete the corrective action:</b> November 2020	

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