



Office of the Washington State Auditor  
Pat McCarthy

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

# **Snohomish Conservation District**

**For the period January 1, 2018 through December 31, 2019**

*Published March 28, 2022*

Report No. 1030219



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

March 28, 2022

Board of Supervisors  
Snohomish Conservation District  
Lake Stevens, Washington

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

Please find attached our report on the Snohomish 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).*

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Snohomish Conservation District January 1, 2019 through December 31, 2019**

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

The results of our audit of the Snohomish 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 identified 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 a qualified 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>
66.123	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program

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**

See Finding 2019-002.

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

See Finding 2019-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### **Snohomish Conservation District January 1, 2019 through December 31, 2019**

#### **2019-001    The District's internal controls were inadequate for ensuring compliance with federal requirements for subrecipient monitoring, procurement and suspension and debarment.**

**CFDA Number and Title:** 66.123 - Puget Sound Action Agenda:  
Technical Investigations and  
Implementation Assistance Program

**Federal Grantor Name:** Environmental Protection Agency

**Federal Award/Contract  
Number:** N/A

**Pass-through Entity Name:** Pierce County Conservation District,  
Washington Department Of Fish And  
Wildlife, Washington State  
Conservation Commission,  
Snohomish County, Washington  
Department Of Health, Washington  
State University, Department Of  
Ecology, Stillaguamish Tribe

**Pass-through Award/Contract  
Number:** 19-13047 , CC 19-07 NE1, CC 19-07-  
NE2, GVL23067, GVL24133, 134106  
SPC001589, SEANEP-2015-0013,  
WQNEP-2016-StillITI-00004, 17-  
09632, WQCEP2017-SCD-25,  
WQN2016-SnohCD-0006, WQNEP-  
2019-SnohCD-00032, WQNEP-2019-  
SnoCD-00035

**Questioned Cost Amount:** \$0

#### ***Background***

During fiscal year 2019, the District spent \$629,805 in Puget Sound Action Agenda program funds, which included \$172,105 passed through to six subrecipients to help fulfill components of the program's objectives. The purpose of the program is to protect and improve water quality and minimize the adverse effects of rapid development in the Puget Sound Basin.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding various grant requirements and monitoring the effectiveness of established program controls in areas like:

#### *Subrecipient Monitoring*

When the District passes on federal funds to subrecipients, federal regulations require the District to ensure every subaward agreement clearly identifies that it is a federal award and includes all applicable federal requirements. Further, the District must evaluate each subrecipient's risk of noncompliance with federal requirements to determine the appropriate amount and type of subrecipient monitoring. Subrecipient monitoring requirements include ensuring compliance with program requirements.

#### *Procurement*

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. For purchased services greater than \$10,000 but less than \$40,000, District policy requires price or rate quotations from an adequate number of qualified sources. For purchased services greater than \$40,000, District policy requires a formal competitive bid process that includes solicitation through an invitation for bid or a request for proposal/qualification, advertising, sealed bids, and a reasonable time for the vendor or contractor to prepare a bid. The District must keep records for all items procured to demonstrate compliance.

#### *Suspension and Debarment*

Federal regulations prohibit recipients from contracting with parties suspended or debarred from doing business with the federal government. Whenever the District makes subawards or contracts for goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal awards, it must verify the subrecipients (including governments) or contractors have not been suspended or debarred or otherwise excluded. The District can accomplish this by (1) checking the U.S. General Services Administration's Excluded Parties List system (EPLS), (2) collecting a written certification from the contractor or subrecipient, or (3) adding a clause or condition into the contract where the contractor or subrecipient states that is not suspended or debarred.

The District must perform this verification before awarding the contract or subaward, as well as keep records to show compliance with this requirement.

## *Description of Condition*

### *Subrecipient Monitoring*

The District entered into interlocal agreements with four local governments, one nonprofit organization, and one tribal government to administer several projects, including a land purchase, technical assistance, community events and trainings. Initially, the District had not considered the local governments, nonprofit organization or tribal government to be subrecipients when it formed the agreements. However, the District subsequently determined they were subrecipients, mainly because they were responsible for carrying out the program on the District's behalf and making programmatic decisions. Consequently, the District did follow the federal subrecipient monitoring requirements.

However, the interlocal agreements did not clearly identify that they were subawards and did not include other information required for federal awards. Additionally, the District did not perform risk assessments and did not monitor the subrecipients for program compliance.

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

### *Procurement*

The District did not have an effective process to demonstrate that it engaged in competitive procurement for purchased services. The District did not have any documentation demonstrating that staff solicited quotes for purchases, which District policy requires.

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

### *Suspension and Debarment*

The District did not have internal controls in place to ensure compliance with suspension and debarment requirements. The District did not obtain a written certification, include a clause in the contract, or review the EPLS to verify its contractors or subrecipients that were subject to this requirement during the audit period were not suspended or debarred from doing business with the federal government.

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

These issues were not reported as a finding in the prior audit.



## *Cause of Condition*

During the audit period, the District experienced significant turnover, which included grant management positions and the Business Operation Director. Federal compliance audits are new for the District, and it had a difficult time identifying and providing support to show it had adequate controls in place.

Additionally, the District has not previously used federal funds to pass funding through to subrecipients. As such, District employees lacked adequate experience and needed training to know what requirements the District must meet for subrecipient monitoring. Finally, though the District was aware of and had standard documentation protocols to demonstrate that it had met all procurement and suspension and debarment requirements, staff did not follow these protocols to demonstrate the District met these requirements.

## *Effect of Condition and Questioned Costs*

### *Subrecipient Monitoring*

When contracts do not indicate they are federal subawards and do not include the required information, subrecipients are at an increased risk of not knowing the award comes from a federal program. This also increases the risk subrecipients would not know they need to comply with specific program requirements, which could lead to spending funds for unallowable purposes.

The District passed a total of \$172,105 in program funds to six subrecipients. Without performing risk assessments and monitoring subrecipients, the District cannot ensure it is performing the proper level of monitoring and that its subrecipients are complying with program requirements. As a result, we are considering these costs to be unsupported payments.

### *Procurement*

Without adequate internal controls over procurement, the District cannot demonstrate that it complied with federal regulations for procuring services, or that it received the best possible price for the services. During the fiscal year, the District entered into five contracts with four vendors for consulting and public outreach, totaling \$215,220. Of those contracts, one contract added two amendments (one for \$110,350 and one for \$137,670) for items outside the original scope of services. These amendments were above the formal bidding threshold, per District policy, that would require them to be bid separately.

We determined the purchased services are allowable under the federal program. Therefore, we are not questioning these costs.

### Suspension and Debarment

Without adequate internal controls over suspension and debarment requirements, the District cannot ensure it paid federal funds only to parties that are eligible to participate in federal programs. Any payments the District made to an ineligible party would be unallowable, and the funding agency could potentially recovery them.

During fiscal year 2019, the District paid three contractors and six subrecipients \$367,278 for various items and services, such as consulting services, a land purchase, community events and trainings without verifying their suspension and debarment status. The District subsequently verified the contractors and subrecipients were not suspended or debarred. Therefore, we are not questioned these costs.

### **Recommendation**

We recommend the District provide adequate training to staff responsible for administering federal programs. We also recommend the District dedicate the necessary resources to ensure compliance with all program requirements. This includes:

- Ensuring all subaward agreements are clearly identified as federal awards and include all required elements
- Assessing subrecipients' risk and monitoring them accordingly to verify they are complying with the terms and conditions of their subawards
- Verifying that the District used all funding in accordance with procurement and suspension and debarment requirements

### **District's Response**

*The District appreciates the opportunity to respond to the Washington State Auditor's Office's (SAO) conclusions. We would like to thank the audit staff for their patience, guidance, and open communication throughout the audit. The District is committed to establishing and following effective internal controls for administering federal grants and ensuring compliance with all requirements.*

*We agree with the finding and recommendations. We began identifying aspects of these deficiencies in 2020 and at that time began implementing changes to strengthen internal controls. We appreciate the recommendations provided within this report and will continue improving our policies, processes, and practices to ensure that they are fully implemented.*

### *Auditor's Remarks*

We appreciate the District's commitment to resolve this finding and that the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular 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, Section 319 – Competition, establishes all procurement transactions are to be conducted in a manner providing full and open competition.

Title 2 CFR Part 200, Section 320 – Methods of procurement to be followed, describes each allowable procurement method.

Title 2 CFR Part 180, OMB Guidelines to Agencies on Government wide Department and Suspension (Nonprocurement) establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for pass-through entities, establishes subrecipient monitoring and management requirements for pass through entities.

Title 2 CFR Part 200, Uniform Guidance, section 331, Subrecipient and contractor determinations, establishes the requirements for pass through entities to make case-by-case determinations whether the agreement it makes for the disbursement of federal program funds casts the party receiving the funds in the role of a subrecipient or contractor and provides characteristics of the relationships.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Snohomish Conservation District January 1, 2018 through December 31, 2019**

#### **2019-002    The District's internal controls over preparing the Schedule of Expenditures of Federal Awards were inadequate for ensuring accurate reporting.**

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

State and federal agencies, the Board of Supervisors and the public rely on information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance the District's financial reporting is reliable and accurate.

Local governments that spend federal funds must prepare a Schedule of Expenditures of Federal Awards (SEFA) as part of their annual financial report. Federal regulations require grantees to identify on the SEFA all federal money they have spent.

Under Uniform Guidance, governments that spend \$750,000 or more in federal grant awards in a year are required to obtain a federal Single Audit. Further, governments must submit audit results to the Federal Audit Clearinghouse within 30 calendar days after issuance of the audit report or within nine months after the audit period, whichever is earlier.

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

The District's internal controls over preparing the SEFA were insufficient for ensuring accurate reporting. Following the completion of the fiscal year 2019 audit, the District self-discovered that their fiscal year 2019 SEFA incorrectly indicated the District did not exceed the \$750,000 threshold.

We consider this internal control deficiency to be significant deficiency that led to significant noncompliance.

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

### ***Cause of Condition***

The District experienced turnover in its Business Operations Director in December 2019. The District did not identify coding errors where federal expenditures were coded as state expenditures until staff started preparing the fiscal year 2020 report. As a part of correcting these entries, the new Business Operations Director determined the 2019 SEFA also required corrections. Additionally, the District did not have an effective review process in place to detect and correct errors on the SEFA before submitting it for audit.

### ***Effect of Condition***

The corrected SEFA for fiscal year ending December 31, 2019, includes a total of \$766,279 in federal funds, which exceeds the \$750,000 threshold requiring a federal Single Audit.

The District received a federal Single Audit after the federal deadline, and it submitted the corresponding reports to the Federal Audit Clearinghouse, as required.

### ***Recommendation***

We recommend the District strengthen internal controls over preparing the SEFA to ensure it prepares the schedule in accordance with the *Budgeting, Accounting and Reporting System* (BARS) manual and that the total federal awards spent is accurately presented.

### ***District's Response***

*We thank the State Auditor's Office (SAO) for their time and effort in reviewing the reporting and internal controls related to the Schedule of Expenditures of Federal Awards (SEFA) and appreciate the opportunity to respond. The District is committed to establishing and following effective internal controls for administering federal grants and ensuring compliance with all requirements.*

*We concur with the SAO's finding that District staff did not correctly code expenditures leading to the incorrect 2019 SEFA. We wish to note that our staff understood the applicable laws and regulations pertaining to accurately coding and reporting federal funds, as well as how to prepare and review the SEFA. The staff carried out their coding, reporting, and reviewing duties effectively and correctly based on the award documentation provided to the District by*

*pass-through entities. Unfortunately, in several cases, the award documentation received from other agencies did not conform to Uniform Guidance requirements for identification of funding type or subrecipient status.*

*Upon identifying this issue, the District began taking steps to change processes and strengthen capacity to correct this situation. Immediately the District began insisting that funders clarify the funding source and provide accurate and complete information about the funding's origin, prior to executing awards and commencing to incur expenditures. We have also added an additional staff position, ensured that our staff complete additional trainings relating to managing federal grants and completing annual reporting, and implemented a checklist for verification of funding source during the award execution process.*

*With these changes, the District feels that the appropriate control environment is in place and notes that the FY2020 SEFA was accurately prepared and reported.*

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

We appreciate the District's commitment to resolve this finding and that the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular 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 510 – Financial Statements, establishes criteria and requirements related to the preparation of the schedule of expenditures of Federal awards.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, 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.

Accounting Manual for Public School Districts in the State of Washington chapter 9 establishes reporting requirements related to the schedule of expenditures of Federal awards.

Title 2 CFR Part 200, Uniform Guidance, section 302 – Financial Management, requires grantees to identify, in their accounts, all Federal awards received and expended and the Federal programs under which the awards were received.

Title 2 CFR Part 200, Uniform Guidance, section 501 – Audit Requirements, requires non-Federal entities that expend Federal awards of \$750,000 or more during its fiscal year to have conducted a single audit.

Title 2 CFR Part 200, Uniform Guidance, section 514 – Scope of Audit, requires the audit be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and encompass the financial statements and schedule of expenditure of Federal awards (SEFA).

Title 2 CFR Part 200, Uniform Guidance, section 512 – Report submission, requires the audit be completed, the data collection form and reporting package submitted within the earlier of 30 calendar days after the auditor's report, or nine months after the end of the audit period.

## 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*

### **Snohomish Conservation District January 1, 2018 through December 31, 2019**

Board of Supervisors  
Snohomish Conservation District  
Lake Stevens, 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 Snohomish Conservation District, as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 20, 2020, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is March 22, 2022.

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 5 to the financial statements, during the year ended December 31, 2019, the District adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

As discussed in Note 6 to the 2019 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 audits 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-002 that we consider to be significant deficiencies.

## 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*.

## DISTRICT'S RESPONSE TO FINDINGS

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District'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 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

November 20, 2020 except for the matters discussed in Schedule of Audit Findings and Responses 2019-002, for which the date is March 22, 2022

## 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

#### **Snohomish Conservation District January 1, 2019 through December 31, 2019**

Board of Supervisors  
Snohomish Conservation District  
Lake Stevens, Washington

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

We have audited the compliance of the Snohomish 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, 2019. 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 qualified opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

### **Basis for Qualified Opinion on 66.123 Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program**

As described in Finding 2019-001 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the District did not comply with requirements regarding 66.123 Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program for Procurement and Suspension and Debarment and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

### **Qualified Opinion on 66.123 Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 66.123 Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program for the year ended December 31, 2019.

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

The District's response to the noncompliance 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.

## **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 2019-001 that we consider to be material weaknesses.

### **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 style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

March 22, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Snohomish Conservation District January 1, 2018 through December 31, 2019**

Board of Supervisors  
Snohomish Conservation District  
Lake Stevens, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Snohomish Conservation District, for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 27.

### **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 audits. We conducted our audits 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 Snohomish 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 Snohomish Conservation District, and its changes in cash and investments, for the years ended December 31, 2019 and 2018, 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 Snohomish Conservation District, as of December 31, 2019 and 2018, or the changes in financial position or cash flows thereof for the years 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 noted in Note 5 to the financial statements, in 2019, the District 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.

As discussed in Note 3 to the 2019 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 audits were conducted for the purpose of forming opinions 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 Schedules of Liabilities are 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 November 20, 2020, except for the matters discussed in Schedule of Audit Findings and Responses 2019-002, for which the date is March 22, 2022 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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

November 20, 2020 except for our report on the Schedule of Expenditures of Federal Awards, for which the date is March 22, 2022

## **FINANCIAL SECTION**

### **Snohomish Conservation District January 1, 2018 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
Fund Resources and Uses Arising from Cash Transactions – 2018  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018  
Notes to Financial Statements – 2019  
Notes to Financial Statements – 2018

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

Schedule of Liabilities – 2019  
Schedule of Liabilities – 2018  
Schedule of Expenditures of Federal Awards – 2019  
Notes to the Schedule of Expenditures of Federal Awards – 2019

**Snohomish Conservation District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

**Beginning Cash and Investments**

30810	Reserved	-
30880	Unreserved	2,176,862
388 / 588	Net Adjustments	-

**Revenues**

320	Licenses and Permits	-
330	Intergovernmental Revenues	2,265,080
340	Charges for Goods and Services	130,201
350	Fines and Penalties	-
360	Miscellaneous Revenues	1,675,055
Total Revenues:		4,070,336

**Expenditures**

550	Natural and Economic Environment	4,204,562
Total Expenditures:		4,204,562

Excess (Deficiency) Revenues over Expenditures:	(134,226)
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**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	6,424
381, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		6,424

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	27,500
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	6,866
581, 582	Other Uses	-
Total Other Decreases in Fund Resources:		34,366

<b>Increase (Decrease) in Cash and Investments:</b>	<b>(162,168)</b>
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**Ending Cash and Investments**

5081000	Reserved	-
5088000	Unreserved	2,014,692
<b>Total Ending Cash and Investments</b>		<b>2,014,692</b>

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

**Snohomish Conservation District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

**Beginning Cash and Investments**

30810	Reserved	-
30880	Unreserved	2,125,697
388 / 588	Net Adjustments	-

**Revenues**

320	Licenses and Permits	-
330	Intergovernmental Revenues	2,125,159
340	Charges for Goods and Services	159,475
350	Fines and Penalties	-
360	Miscellaneous Revenues	1,455,094
Total Revenues:		3,739,729

**Expenditures**

550	Natural and Economic Environment	3,675,011
Total Expenditures:		3,675,011
Excess (Deficiency) Revenues over Expenditures:		64,717

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	17,261
381, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		17,261

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	19,159
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	11,655
Total Other Decreases in Fund Resources:		30,814

**Increase (Decrease) in Cash and Investments:** **51,164**

**Ending Cash and Investments**

5081000	Reserved	-
5088000	Unreserved	2,176,862
<b>Total Ending Cash and Investments</b>		<b>2,176,862</b>

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

**Snohomish Conservation District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**REPORTING**

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

The Snohomish Conservation District was incorporated on August 28<sup>th</sup>, 1941 and operates under the laws of the state of Washington applicable to a conservation district. The Snohomish Conservation District is a special purpose local government and provides natural resources and conservation services.

The Snohomish 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 note 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 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.

**Snohomish Conservation District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**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 District 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 \$5000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 240 hours and is 100% payable upon separation or retirement. Sick leave may be accumulated indefinitely and is paid out upon separation at 25% of the value, it is deposited into a VEBA account for the employee. Payments are recognized as expenditures when paid.

<b>Exchange</b>	3,429
<b>Sick Leave</b>	31,299
<b>Vacation</b>	78,546
<b>Total</b>	113,274

**Note 2 – Budget Compliance**

**A. Budgets**

The Snohomish Conservation District adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level except the general (current expense) fund, where budget is adopted at the department 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.

**Snohomish Conservation District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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

<b>Fund</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
<b>General Fund 001</b>	4,573,000	4,232,067	340,933
<b>Total Funds</b>	4,573,000	4,232,067	340,933

Budgeted amounts are authorized to be transferred between departments within the General Fund; 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 District's legislative body.

**Note 3 – Debt Service Requirements**

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2019.

**Note 4 – Deposits and Investments**

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

<b>Type of Deposit and Investment</b>	<b>District's Own Deposits &amp; Investments</b>	<b>Total</b>
Bank Deposits	\$ 810,612	\$ 810,612
Local Government Investment Pool	1,204,080	1,204,080
<b>Total</b>	<b>\$ 2,014,692</b>	<b>\$ 2,014,692</b>

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is added to the general fund.

Local Government Investment Pool

The District 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 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.



**Snohomish Conservation District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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).

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District 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 District'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 District or its agent in the government's name.

**Note 5 – OPEB Plans**

During the year ended December 31st, 2019, the Snohomish Conservation District adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

The Snohomish Conservation District is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The Snohomish Conservation District had 23 active plan members and 3 retired plan members as of December 31, 2019. As of December 31, 2019, the Snohomish Conservation District's total OPEB liability was \$744,993, expense was \$170,797, as calculated using the OSA's alternative measurement method. The Snohomish Conservation District contributed \$9,911 to the plan for the year ended December 31, 2019.

**Note 6 - Other Disclosures**

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. The District is modifying operations on an ongoing basis in

**Snohomish Conservation District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

response to this changing situation. The length of time these measures will be in place, and the full extent of the financial impact on the Snohomish Conservation District is unknown at this time.

**Note 7 – Pension Plans**

**State Sponsored Pension Plans**

Substantially all District 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 PERS 1 and PERS 2/3.

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, 2019 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UUAL	68,549	.009560%	367,613
PERS 2/3	100,899	.012354%	119,999
		<b>Total</b>	<b>487,612</b>

**Note 8 - Property Tax**

The Snohomish County Treasurer and the Island County Treasurer act as an agent to collect assessment funds. Collections are distributed at month end by Island County and biannually by Snohomish County.

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

**Snohomish Conservation District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

The Snohomish Conservation District's regular assessment for Snohomish County for the year 2019 was \$7.00 per benefitted parcel/.07 acre. The District's regular assessment for Island County for the year 2019 was \$5.0 per benefitted parcel/.05 acre.

**Note 9 – Risk Management**

Snohomish 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, 2019, 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 \$1 billion 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.

**Snohomish Conservation District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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.

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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

The Snohomish Conservation District was incorporated on August 28<sup>th</sup>, 1941 and operates under the laws of the state of Washington applicable to a conservation District. The district is a special purpose local government and provides natural resources and conservation services.

The 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.
- 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.

**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 district also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

C. Cash and Investments

See Note 2, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is 100% payable upon separation or retirement. Sick leave may be accumulated indefinitely and is payable upon separation or retirement; employees receive payment at 25% of value for unused sick leave deposited into a VEBA account. Exchange time is paid out at 100% of value earned upon separation. Payments are recognized as expenditures when paid.

<b>Exchange</b>	7,351
<b>Sick Leave</b>	44,922
<b>Vacation</b>	81,528
<b>Total</b>	133,800

F. Long-Term Debt

See Note 4, *Debt Service Requirements*.

**Note 1 – Budget Compliance**

The district adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level except the general (current expense) fund, where budget is adopted at the department 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.

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

<b>Fund</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
<b>General Fund 001</b>	4,593,000	3,705,826	887,174
<b>Total Funds</b>	4,593,000	3,705,826	887,174

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

Budgeted amounts are authorized to be transferred between departments within the General fund; 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 district legislative body.

**Note 2 – Deposits and Investments**

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is deposited to the General Fund.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the district or its agent in the government's name.

Investments are reported at amortized cost. Investments by type at December 31, 2018 are as follows:

<b>Investment</b>	<b>SCD Investments</b>	<b>Total</b>
<b>LGIP</b>	1,176,657.20	1,176,657.20
<b>Total</b>	1,176,657.20	1,176,657.20

**Note 3 - Property Taxes**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after month end by Island County and biannually June 1<sup>st</sup> and December 1<sup>st</sup> by Snohomish County.

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

The district rates and charges for Snohomish County for the year 2018 was \$6.00 per parcel/\$.06 per acre. The district rates and charges for Island County for the year 2018 was \$5.00 per parcel/\$.05 per acre.

**Note 4 – Debt Service Requirements**

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the district and summarizes the district debt transactions for year ended December 31, 2018.

**Note 6 – OPEB Plans**

The Snohomish Conservation District is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The Snohomish Conservation District had 26 active plan members and 2 retired plan members as of December 31, 2018.

**Note 7 – Pension Plans**

State Sponsored Pension Plans

Substantially all district 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 including PERS 1 and PERS 2/3.

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, 2018 (the measurement date of the plans), the district proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Liability
PERS 1 UAAL	67,778	0.01013995%	452,854
PERS 2/3	99,941	0.01295226%	221,148
		<b>Totals</b>	<b>674,002</b>

**Note 8 – Risk Management**

Snohomish 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



**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) 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, 2018, there are 549 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 Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. 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 \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

The contract requires members to continue membership for a period of not less than one (1) 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 Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. 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 limits in the last three years.

**Snohomish Conservation District  
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>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		133,800	-	20,526	113,274
264.30	Pension Liability		674,002	-	186,390	487,612
264.40	OPEB		-	744,993	-	744,993
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>807,802</b>	<b>744,993</b>	<b>206,916</b>	<b>1,345,879</b>
<b>Total Liabilities:</b>			<b>807,802</b>	<b>744,993</b>	<b>206,916</b>	<b>1,345,879</b>

**Snohomish Conservation District  
Schedule of Liabilities  
For the Year Ended December 31, 2018**

<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>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		82,203	51,597	-	133,800
264.30	Pension Liability		893,754	-	219,752	674,002
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>975,957</b>	<b>51,597</b>	<b>219,752</b>	<b>807,802</b>
	<b>Total Liabilities:</b>		<b>975,957</b>	<b>51,597</b>	<b>219,752</b>	<b>807,802</b>

**Snohomish Conservation District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019**

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	
RURAL BUSINESS COOPERATIVE SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Energy for America Program	10.868	56-031- 607085175	-	31,969	31,969	25,347 1, 3
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Conservation Commission (WSCC))	Regional Conservation Partnership Program	10.932	CC 16-07-RC	21,687	-	21,687	- 1, 3
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Conservation Commission (WSCC))	Regional Conservation Partnership Program	10.932	CC 17-07-RC	8,220	-	8,220	- 1, 3
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via King Conservation District (KCD))	Regional Conservation Partnership Program	10.932	N/A	652	-	652	- 1, 3
NATURAL RESOURCES CONSERVATION SERVICE, AGRICULTURE, DEPARTMENT OF (via Pierce County Conservation District (PCD))	Regional Conservation Partnership Program	10.932	N/A	5,987	-	5,987	- 1, 2, 3
<b>Total CFDA 10.932:</b>						<b>36,546</b>	<b>-</b>
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via Pierce County Conservation District (PCD))	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	N/A	1,957	-	1,957	- 1, 2, 3

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

**Snohomish Conservation District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019**

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 Recreation & Conservation Funding Board)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	16-1608R	1,269	-	1,269	-	1, 3
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via Recreation & Conservation Funding Board)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	18-1509R	651	-	651	-	1, 2, 3
<b>Total CFDA 11.438:</b>				<b>3,877</b>	<b>-</b>	<b>3,877</b>	<b>-</b>	
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via Recreation & Conservation Funding Board)	Habitat Conservation	11.463	19-1126P	24,957	-	24,957	-	1, 2, 3
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via The Nature Conservancy)	Habitat Conservation	11.463	WA-S-161019- 007	6,446	-	6,446	-	1, 2, 3
<b>Total CFDA 11.463:</b>				<b>31,403</b>	<b>-</b>	<b>31,403</b>	<b>-</b>	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Pierce County Conservation District (PCD))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	N/A	2,346	-	2,346	-	1, 2, 3

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

**Snohomish Conservation District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019**

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		
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA Department Of Fish And Wildlife)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	19-13047	78,502	-	78,502	-	1, 2, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Conservation Commission (WSCC))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	CC 19-07 NE1	13,929	-	13,929	987	1, 2, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Conservation Commission (WSCC))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	CC 19-07-NE2	6,319	-	6,319	-	1, 2, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Snohomish County)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	GVL23067	37,716	-	37,716	-	1, 2, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Dept Of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	GVL24133	3,972	-	3,972	-	1, 2, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via State University (WSU))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	134106- G003949, 134106 SPC001589	7,335	-	7,335	-	1, 3

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

**Snohomish Conservation District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019**

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	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Pierce County Conservation District (PCD))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	N/A	382	-	382	1, 2, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department Of Ecology (DOE))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	SEANEP- SnohCD-2015- 0013	180,182	-	180,182	1, 2, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Stillaguamish Tribe)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	N/A	1,316	-	1,316	1, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA Department Of Fish And Wildlife)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	17-09632	69,329	-	69,329	1, 2, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department Of Ecology (DOE))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	WQCEP2017- SCD-00025	192,221	-	192,221	1, 2, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department Of Ecology (DOE))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	WQN2016- SnohCD-0006	29,054	-	29,054	1, 2, 3

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

**Snohomish Conservation District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019**

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		
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department Of Ecology (DOE))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	WQNEP-2019- SNOCD-00032	6,944	-	6,944	-	1, 2, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department Of Ecology (DOE))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	WQNEP-2019- SnohCD-00035	258	-	258	-	1, 2, 3
<b>Total CFDA 66.123:</b>				<b>629,805</b>	<b>-</b>	<b>629,805</b>	<b>172,105</b>	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department Of Ecology (DOE))	Nonpoint Source Implementation Grants	66.460	WQC-2019- SnohCD-00146	12,077	-	12,077	-	1, 2, 3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department Of Ecology (DOE))	Nonpoint Source Implementation Grants	66.460	WQC2016- SnohCD-0009	20,602	-	20,602	-	1, 2, 3
<b>Total CFDA 66.460:</b>				<b>32,679</b>	<b>-</b>	<b>32,679</b>	<b>-</b>	
<b>Total Federal Awards Expended:</b>				<b>734,310</b>	<b>31,969</b>	<b>766,279</b>	<b>197,452</b>	

The accompanying notes are an integral part of this schedule.



**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 Snohomish Conservation District's financial statements. The Snohomish Conservation District uses the cash basis accounting method.

**Note 2 – Federal Indirect Cost Rate**

Correction effective July 2021: The Snohomish Conservation District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The Snohomish Conservation District has negotiated indirect rates for some of our Federal awards with pass-through agencies. For some other awards we indicated to the funder that we would use the de minimis rate. We have recently been advised that it is not allowable to use both approaches simultaneously. We are in the process of working with the funding agencies of those projects using the de minimis rate to determine an appropriate rate and to correct prior billings.

The amount expended includes \$30,631 claimed as an indirect cost recovery using approved indirect cost rates ranging from 10-percent to 27.97-percent.

**Note 3 – Program Costs**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Snohomish Conservation 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.

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**Snohomish Conservation District**  
**January 1, 2019 through December 31, 2019**

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> 2019-001	<b>Finding caption:</b> The District's internal controls were inadequate for ensuring compliance with federal requirements for subrecipient monitoring, procurement and suspension and debarment.
<b>Name, address, and telephone of District contact person:</b> Sarah Jones, Business Operations Director 528 91st Avenue N.E. Suite C Lake Stevens, WA 98258 (360) 722-2679	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The District initially self-identified deficiencies in these areas in 2020 and began implementing corrective actions at that time, including:</i> <ul style="list-style-type: none"> <li>• <i>An updated District Purchasing policy, approved by the Board</i></li> <li>• <i>Centralized contract review and approval process, including routine debarment prior to contract execution</i></li> <li>• <i>Pre-procurement review to validate procurement methodology and compliance with requirements</i></li> <li>• <i>Processes and tools for subrecipient risk assessment and monitoring</i></li> <li>• <i>Training for Business Operations and Program staff</i></li> <li>• <i>Adding staff capacity to carry out internal controls by creating and hiring a new position on the Business Operations team, focused on Grants Administration, with specific responsibilities for contract review and compliance</i></li> </ul>	
<b>Anticipated date to complete the corrective action:</b> April 2022	

<b>Finding ref number:</b> 2019-002	<b>Finding caption:</b> The District's internal controls over preparing the Schedule of Expenditures of Federal Awards were inadequate for ensuring accurate reporting.
<b>Name, address, and telephone of District contact person:</b> Sarah Jones, Business Operations Director 528 91st Avenue N.E. Suite C Lake Stevens, WA 98258 (360) 722-2679	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The District self-identified this problem in 2021 and immediately implemented a practice of not executing incoming funding awards until the funding source was specified in writing and, when Federal, the necessary information about the source of funds has been provided by the funder.</i> <i>As an additional control over this process, we are implementing a practice of explicitly documenting the funding source and having a second staff person validate that determination at the time awards are initially executed. The documentation from that process will subsequently be used to facilitate review of the SEFA prior to submission of the annual report.</i>	
<b>Anticipated date to complete the corrective action:</b> April 2022	

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