



## Assessment Audit Report

# Easton Water District

For the period January 1, 2017 through December 31, 2020

*Published June 30, 2022*

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

June 30, 2022

Board of Commissioners  
Easton Water District  
Easton, Washington

**Report on Assessment Audit**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

The attached report describes the procedures performed and conclusions for the areas we reviewed. We appreciate the opportunity to work with your staff, and value your cooperation during the assessment audit.

Sincerely,

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

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## AUDIT SUMMARY

### Results in brief

Based on the procedures performed, we identified areas where the District could make improvements. These recommendations are included with our report as a finding. In other areas we reviewed, nothing came to our attention that caused us to believe the District was not in substantial compliance with applicable state laws, regulations, and its own policies or had not provided adequate controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

We also noted certain matters related to safeguarding public funds across several control areas, including utility billing/receipting and disbursements/document retention. We communicated these matters to the District's management and Board of Commissioners in a letter dated June 21, 2022. We appreciate the District's commitment to resolving those matters.

### About the assessment audit

This report contains the results of our independent audit of the Easton Water District from January 1, 2017 through December 31, 2020.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives. State law (RCW 43.09.230) also requires local governments to prepare and submit certified annual reports to our Office summarizing such things as revenues received, collections made, amounts receivable or payable, expenditures made, and debt owed.

This assessment audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments at least once every three years. Assessment audits are risk-based, limited-scope reviews of small local governments, generally defined as local governments with less than \$300,000 in annual revenues. To help minimize audit costs, our work for this engagement was conducted off-site primarily using financial and other information provided by the District.

This assessment audit was limited to the following:

- Reviewing meeting minutes for compliance with the Open Public Meetings Act
- Inquiring as to internal controls over assets, revenues, and disbursements
- Verifying that annual reports submitted to our Office were complete and filed timely in compliance with state law
- Reviewing the District's annual revenues and expenditures for unusual transactions or trends
- Corroborating financial information reported by the District by comparing its annual revenues, expenditures, and cash and investment balances to third-party sources

- Reviewing expenditures for indications of unusual activities, excessive Board of Commissioners compensation, conflicts of interest, or procurement requirements. Based on that review, we compared selected expenditures with supporting invoices and voucher approvals to verify their validity and completeness. We further verified that selected expenditures complied with applicable procurement requirements.
- Evaluating the District's financial information for indications of financial distress

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Easton Water District January 1, 2017 through December 31, 2020

#### **2020-001 The District lacked adequate internal controls over financial reporting to ensure compliance with timely and accurate annual report submissions.**

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

Federal and state agencies, the Board of Commissioners and the public rely on the information included in financial statements and reports to make decisions. The District is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance its financial reporting is reliable.

State law (RCW 43.09.230) requires the District to submit an annual financial report to the State Auditor's Office within 150 days after the end of its fiscal year. The annual financial report includes summaries of financial information and supporting schedules. The *Budgeting, Accounting and Reporting System* (BARS) manual, section 4.1.6.50, requires local governments to correct errors and omissions in annual reports, including those identified during an audit.

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

The District did not submit the required annual reports to our Office within 150 days of fiscal year-end for 2017, 2018 and 2019. Additionally, the District's 2019 and 2020 annual reports omitted financial activity and contained material misstatements when reconciled to County reports and bank statements.

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

District leadership did not dedicate the necessary resources to establishing controls that would ensure accurate financial reporting. The District started the filing process online; however, information was incomplete and ultimately not submitted to our Office. Furthermore, the District did not respond to our Office's outreach efforts, which further delayed our Office providing filing assistance and conducting the subsequent audit.

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

The District filed its 2019 annual report 313 days late. The District provided its 2017 and 2018 financial data for audit 1,043 and 678 days late, respectively;

however, due to the delinquency of the data, this financial information cannot be included in compiled Local Government Comparative Statistics (LGCS).

The District's failure to respond impeded our Office's ability to audit the government in a timely manner, as state law requires. Furthermore, our Office engaged in additional research and outreach efforts at the District's expense. Because of our Office's additional efforts, the District provided records and filed delinquent annual reports, which allowed us to perform an audit over this period.

We identified reporting errors in the data submitted for 2019 and 2020. The District:

- Understated cash and investment balances by about \$34,000 in 2019 and 2020
- Understated expenditures by \$20,000 in 2019
- Failed to report outstanding debt of about \$108,000 on the Schedule 09 and annual debt service payments of about \$26,000 in 2020
- Misclassified revenue and expenditures, including the omission of capital expenditures, which distorted LGCS data

Filing inaccurate and late annual reports prevents District officials, the public, and other interested parties from obtaining financial information about the District. These delays and inaccuracies also hinder public transparency and our Office's efforts to compile statistical and financial information that the Legislature and others use.

### ***Recommendation***

We recommend the District establish internal controls to ensure timely financial reporting that accurately reports the District's financial activity in accordance with state law.

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

*In regards to the audit,*

- *The 2019 report was turned in but red flagged and the bookkeeper was unaware.*
- *2020 was done on time.*
- *2021 is completed.*
- *An error in reporting a bond payment resulted in the understated cash.*
- *Outstanding loan balances were reported on form line incorrectly.*
- *Historically and presently a commissioner always oversees the budget. All three commissioners vote on the budget for the year.*

*Going forward the bookkeeper will utilize the county reports being offered, double check work for accurate reporting, and ensure all reports are timely accepted by the Auditor's Office.*

*The bookkeeper will attend and/or utilize any classes or resources that are offered, as deemed necessary.*

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

We appreciate the District's commitment to resolve this finding and thank 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***

RCW 43.09.230, Local government accounting – Annual reports – Comparative statistics.

RCW 43.09.240, Local government accounting – Public officers and employees – Duty to account and report – Removal from office – Deposit of collections.

RCW 43.09.260, Local government accounting – Examination of local governments – Reports – Action by attorney general.

*Budgeting, Accounting and Reporting System (BARS) manual 3.1.3, Internal Controls*

BARS manual 4.1.6, Reporting Requirements and Filing Instructions for Special Purpose Districts

BARS manual 4.8.1, Revenues/Expenditures/Expenses (Schedule 01)

BARS manual 4.14.13, Liabilities (Schedule 09)

## INFORMATION ABOUT THE DISTRICT

The Easton Water District provides water services to the unincorporated community of Easton in Kittitas County.

An elected, three-member Board of Commissioners governs the District. The District received annual revenue of approximately \$151,000, \$160,000, \$159,500 and \$172,500 in 2017, 2018, 2019 and 2020, respectively. The District's primary source of revenue is water sales and services.

### Contact information related to this report

Address:	Easton Water District P.O. Box 68 Easton, WA 98925-0068
Contact:	Easton Water District, Bookkeeper
Telephone:	(509) 656-0284

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Easton Water District at <http://portal.sao.wa.gov/ReportSearch>.



## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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