



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

City of Waitsburg

For the period January 1, 2020 through December 31, 2021

Published January 23, 2023

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

January 23, 2023

Mayor and City Council
City of Waitsburg
Waitsburg, Washington

Report on Accountability

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.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the City's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, City operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

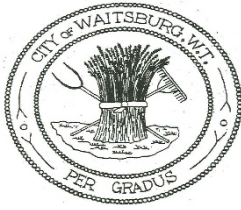
This report contains the results of our independent accountability audit of the City of Waitsburg from January 1, 2020 through December 31, 2021.

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.

This 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. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2021 and 2020, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts payable – general disbursements and electronic funds transfers
- Cost allocation plans – equitable distribution of indirect costs
- Compliance with Federal Emergency Management Agency grants
- Self-insurance unemployment
- Selected IT Security policies, procedures, practices and controls protecting financial systems – patch management, and user access
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress



CITY OF WAITSBURG

P.O. Box 35 106 Main Street
Waitsburg, Washington 99361-0035
(509) 337-6371 Fax (509) 337-8089

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Waitsburg January 1, 2020 through December 31, 2021

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

Audit Period: 1/1/2017 – 12/31/2019	Report Ref. No.: 1027456	Finding Ref. No.: 2019-001
Finding Caption: The City did not effectively plan for necessary repairs and replacement of Water/Sewer fund assets, resulting in a continued decline in its financial condition.		
Background: The City of Waitsburg is governed by an elected five-member Council and Mayor. The City provides water and sewer services. In the past two years, the City's Water/Sewer infrastructure required a significant amount of unexpected repairs. The City incurred large increases in capital outlay in 2018 and 2019 that caused the Water/Sewer Fund cash balance to go negative. The fund was subsidized by other funds.		
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		

Corrective Action Taken:

In the fall of 2019, City Staff informed the City Council at that time of the current and looming issues associated with the City's water and sewer system and recommended solutions to counteract the costs and provide funding to establish a reserve fund balance in the 2020 budget to help cover unforeseen expenses. City Council did not agree with the staff recommendations; leading to the City's negative fund balance in the water and sewer fund that ended up being subsidized by other funds leading to the City's finding.

In 2020 and 2021, the City was successful in obtaining state and federal funding for various infrastructure projects, helping to reduce pressure on City operating funds to fix water and sewer problems. Utility rates were also increased to provide additional revenue for water and sewer operations.

Though primarily done to help cover flooding expenses stemming from the February 2020 flood, the City Council that was elected in April of 2020 approved a utility tax to help fund future flood control efforts as well as interfund loan that was distributed to various funds to cover shortfalls with the City's intent to repay the loan with funding received from the Federal Government for flood expense backfilling, which was not received until 2021.

RELATED REPORTS

Financial

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE CITY

The City of Waitsburg, located in Walla Walla County, was incorporated in 1865 and currently serves 1,300 citizens.

It operates under a council-mayor form of government with a five-member Council and Mayor. The City has six full-time employees who provide services including parks and recreation, street maintenance and repair, water and sewer utilities, a cemetery, fairgrounds along with other administrative functions. For fiscal years 2021 and 2020, the City's annual revenues for all funds was about \$2.6 and \$2.3 million, respectively. For fiscal years 2021 and 2020, the City's annual expenditures for all funds was about \$2.4 and \$2.4 million, respectively.

Contact information related to this report

Address:	City of Waitsburg P.O. Box 35 Waitsburg, WA 99361-0035
Contact:	Randy Hinchliffe, Acting Chairman
Telephone:	(509) 337-6371
Website:	www.cityofwaitsburg.com

Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Waitsburg 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. 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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webmaster@sao.wa.gov