



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements Audit Report**

# **Cowlitz County Consolidated Diking Improvement District No. 1**

**For the period January 1, 2019 through December 31, 2021**

*Published February 6, 2023*

Report No. 1032030



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

February 6, 2023

Board of Supervisors  
Cowlitz County Consolidated Diking Improvement District No. 1  
Longview, Washington

**Report on Financial Statements**

Please find attached our report on Cowlitz County Consolidated Diking Improvement District No. 1's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Cowlitz County Consolidated Diking Improvement District No. 1 January 1, 2019 through December 31, 2021**

#### **2021-001    The District did not have adequate internal controls for ensuring accurate reporting of its financial statements.**

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

State and federal agencies, the District's Board of Supervisors, and the public rely on information included in the financial statements and reports to make decisions. District management is responsible for designing, implementing and maintaining internal controls that ensure the District's financial statements are fairly presented and provide reasonable assurance regarding their reliability. The District prepares its financial statements using the cash basis accounting method, as prescribed by the *Budgeting, Accounting and Reporting System (BARS) Manual*.

Our audit found a material weakness in the District's internal controls over financial reporting that affected its ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses, as defined in the Applicable Laws and Regulations section below, as a finding.

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

We identified the following internal control deficiencies that, when taken together, represent a material weakness. The District did not:

- Perform complete reconciliations of financial activity reported in its general ledger to the County Treasurer's statements.
- Utilize a financial statement preparation process that ensured its financial reporting was complete, accurate and in accordance with the BARS Manual.
- Identify and evaluate new accounting changes in the BARS Manual related to cash and investments classifications.
- Perform an effective review of its financial statements to detect significant errors in the annual report submitted for audit.

## *Cause of Condition*

This is the first time the District has received a financial statement audit. District staff misunderstood how to accurately apply BARS Manual guidance and how to correctly reconcile financial activity to ensure accurate reporting of the District's financial activity.

## *Effect of Condition*

We identified the following errors in the financial statements we received for audit:

- The District did not completely reconcile ending cash and investments to the County Treasurer's statements in any of the years under audit. We identified errors ranging between \$2,000 to \$26,000, depending on the year. Additionally, at the end of 2020 and 2021, the District had an unreconciled variance of \$1,145 and \$13,188, respectively.
- The BARS Manual requires expenditures to be recorded when paid. In 2019, 2020 and 2021, the District reported expenditures in the wrong fiscal year totaling \$25,974, \$25,153 and \$12,012, respectively.
- The District netted multiple revenue and expense transactions against each other instead of recording them at their gross value. The transactions should not have been netted, and this resulted in an understatement of revenues and expenses of about \$196,000 in 2019 and \$41,000 in 2021.
- The BARS Manual requires beginning and ending cash and investments balances to be classified using one of five categories, which indicate the extent of and any limitations placed on how the funds can be spent. In 2020 and 2021, the District reported about \$300,000 as restricted that should have been classified as assigned.
- The notes to the financial statements contained several errors, including missing disclosures and amounts that did not agree with the statements, schedules or support.

The District subsequently corrected these errors in the financial statements.

## *Recommendation*

We recommend the District strengthen internal controls over financial statement preparation to ensure its financial statements are accurate, complete and comply with BARS Manual requirements. Specifically, we recommend the District:

- Perform a complete reconciliation of activity between the general ledger and County Treasurer's statements for revenues, expenditures, and cash and investments
- Dedicate sufficient time and resources, including training, to understand and identify BARS Manual requirements
- Ensure a knowledgeable person performs an effective review to identify errors or omissions in the annual reports

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

*The District acknowledges financial statement errors and is working to remedy them by implementing additional internal processes to ensure future audits are accurate. When Cowlitz County discontinued BARS tracking for CDID #1 it was mutually understood that a 13<sup>th</sup> month was still allowable if the District tracked it internally. This has since been proven not possible and clarification has been provided on reconciling year end expenses and warrants outstanding. CDID #1 will discontinue its former reporting practices in order to report year end balances that are consistent with Cowlitz County. The District plans to participate in BARS Manual training classes, roundtables with the Washington State Auditor and other cash basis entities routinely and seek further training to sharpen knowledge of the BARS Manual. Moving forward, the District has also hired a Certified Public Accountant to review reconciliations bi-annually and review Annual Reports at year end to confirm accuracy before submitting to the State Auditor's Office.*

### ***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 43.09.200 Local government accounting – uniform system of accounting.

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

Audit and Accounting Guides (AICPA), State and Local Governments, Chapter 16 – Audit Reporting, paragraph 53

*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 laws, regulations, contracts, or grant agreements.

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

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

## 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*

#### **Cowlitz County Consolidated Diking Improvement District No. 1 January 1, 2019 through December 31, 2021**

Board of Supervisors  
Cowlitz County Consolidated Diking Improvement District No. 1  
Longview, 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 Cowlitz County Consolidated Diking Improvement District No. 1, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 31, 2023.

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.

### **REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.



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

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

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 that we consider to be material weaknesses.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

## **DISTRICT'S RESPONSE TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

January 31, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Cowlitz County Consolidated Diking Improvement District No. 1 January 1, 2019 through December 31, 2021**

Board of Supervisors  
Cowlitz County Consolidated Diking Improvement District No. 1  
Longview, Washington

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

### **Unmodified and Adverse Opinions**

We have audited the financial statements of Cowlitz County Consolidated Diking Improvement District No. 1, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, as listed in the financial section of our report.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of Cowlitz County Consolidated Diking Improvement District No. 1, and its changes in cash and investments, for the years ended December 31, 2021, 2020 and 2019, on the basis of accounting described in Note 1.

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

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Cowlitz County Consolidated Diking Improvement District No. 1, as of December 31, 2021, 2020 and 2019, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

*Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

## **Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the District's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

January 31, 2023

## **FINANCIAL SECTION**

### **Cowlitz County Consolidated Diking Improvement District No. 1 January 1, 2019 through December 31, 2021**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2021  
Fund Resources and Uses Arising from Cash Transactions – 2020  
Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to Financial Statements – 2021  
Notes to Financial Statements – 2020  
Notes to Financial Statements – 2019

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

Schedule of Liabilities – 2021  
Schedule of Liabilities – 2020  
Schedule of Liabilities – 2019

**Cowlitz County Consolidated Diking Improvement District No. 1**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	3,792,355
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	2,454,155
Total Revenues:		<u>2,454,155</u>

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	2,112,464
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>2,112,464</u>
Excess (Deficiency) Revenues over Expenditures:		341,691

**Other Increases in Fund Resources**

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

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	1,011,321
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<u>1,011,321</u>

**Increase (Decrease) in Cash and Investments: (669,630)**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	968,180
50891	Unassigned	2,154,543
<b>Total Ending Cash and Investments</b>		<u><b>3,122,723</b></u>



**Cowlitz County Consolidated Diking Improvement District No. 1**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	4,186,889
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	7,971
350	Fines and Penalties	-
360	Miscellaneous Revenues	2,036,160
Total Revenues:		<u>2,044,131</u>

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	1,829,193
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>1,829,193</u>
Excess (Deficiency) Revenues over Expenditures:		214,938

**Other Increases in Fund Resources**

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

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	609,472
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<u>609,472</u>

**Increase (Decrease) in Cash and Investments:** **(394,534)**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	867,317
50891	Unassigned	2,925,038
<b>Total Ending Cash and Investments</b>		<u><b>3,792,355</b></u>

**Cowlitz County Consolidated Diking Improvement District No. 1**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

**Beginning Cash and Investments**

30810	Reserved	215,881
30880	Unreserved	3,594,494
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	69,271
350	Fines and Penalties	-
360	Miscellaneous Revenues	2,164,790
Total Revenues:		<u>2,234,061</u>

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	1,682,233
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>1,682,233</u>
Excess (Deficiency) Revenues over Expenditures:		551,828

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	68,001
Total Other Increases in Fund Resources:		<u>68,001</u>

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	243,314
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581, 582	Other Uses	-
Total Other Decreases in Fund Resources:		<u>243,314</u>

**Increase (Decrease) in Cash and Investments: 376,515**

**Ending Cash and Investments**

5081000	Reserved	854,182
5088000	Unreserved	3,332,707
<b>Total Ending Cash and Investments</b>		<u><b>4,186,889</b></u>

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

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2021**

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

Consolidated Diking Improvement District No. 1 (District) of Cowlitz County was incorporated on November 20, 1922 and operates under the laws of the state of Washington applicable to a Diking Improvement District. The District is a special purpose local government and provides flood protection and stormwater management.

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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications 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. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 4 – *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Paid Time Off (PTO) leave may be accumulated up to 1,000 hours maximum and is payable upon separation or retirement. Floating holiday leave may be accumulated up to 40 hours, but cannot be cashed

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2021**

out upon separation or retirement. Compensation time may be accumulated up to 80 hours and is payable upon separation or retirement. There is no cash out option available for part time employees. Payments are recognized as expenditures when paid. The cost of each compensation absence is as follows:

Total Compensated Absences: \$110,468.80

**F. Risk Management**

See Note 7 – *Risk Management*

In 2001 the District began purchasing insurance from Cities Insurance Association of Washington – Special District Insurance Program brokered by Propel Insurance.

The District self-insures for unemployment compensation.

Claims for the reporting period are as follows:

<b>Risk Type</b>	<b>Claims Rc'd 2021</b>	<b>Claims Paid 2021</b>	<b>Total Claims</b>
Total General Fund	\$0.00	\$0.00	\$0.00

**Note 2 – Budget Compliance**

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

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

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

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
Total General Fund	\$3,254,478	\$3,123,785	\$130,693

Budgeted amounts are authorized to be transferred between any 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 – Property Tax**

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

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

The District's regular levy for the year 2021 was \$0.4684 per \$1,000 on an assessed valuation of \$5,089,132,872 for a total regular levy of \$2,383,823.

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2021**

**Note 4 – Deposits and Investments**

Investments are reported at original cost. Deposits and investments, per the BARS manual, by type at December 31, 2021 are as follows:

<b>Type of Deposit or Investment</b>	<b>District's own deposits &amp; investments</b>	<b>Deposits &amp; investments held by the District as custodian for other local governments, individuals, or private organizations</b>	<b>Combined</b>
Cowlitz County Investment Pool	2,052,485.70	-	2,052,485.70
Bank Deposits	1,070,237.30	-	1,070,237.30

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

Investments in the Cowlitz County Investment Pool

The District is a voluntary participant in the Cowlitz County's Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals.

**Note 5 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all the District's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees Retirement System (PERS) Plan 2 and Plan 3.

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

The DRS, 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, 2021 (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:

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2021**

<b>Plan Type</b>	<b>Allocation %</b>	<b>Liability (Asset)</b>
PERS 1 UAAL	0.004199%	\$51,280
PERS 2/3	0.005395%	(\$537,429)

**B. Local Government Pension Plans**

The District is not a participant of the Social Security (FICA) program of the United States Government. As an alternative to Social Security, the District, for full-time employees, pays an amount equal to an employer's contribution to Social Security, and divides among the following:

- Contributes a monthly amount to a deferred compensation program in employee's name;
- Provides for a disability insurance policy; and
- Pays the Medicare portion of Social Security contributions as required by law

The amounts contributed by the District to Deferred Compensation, long term disability insurance and Medicare may be changed from time-to-time, as determined by available programs, applicable legal requirements, and the District's policy, but in no event shall be collectively less than the employer's contribution to Social Security.

The deferred compensation investment program selected by the District may change from time-to-time as determined by the District.

The District's employees shall be required to contribute to the deferred compensation investment, as a minimum, a sum equal to the amount contributed by the District.

The District offers its employees a Deferred Compensation Plan (DCP) created in accordance with Internal Revenue Code Section 457. DCP, available to all employees, permits them to defer a portion of their salary until future years. DCP is not available to employees until termination, retirement, death or unforeseeable emergency.

Compensation deferred under the plan and all income attributable to the plan (until paid or made available to the participant or beneficiary) are solely the property of the District subject to the claims of the government's general creditors. Participants' rights under the plan are equal to those of general creditors of the government in an amount equal to the fair market value of the DCP account for each participant.

The District has no liability for losses under the plan but does have the duty of due care required of an ordinary prudent investor. The District believes it is highly unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**Note 6 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Effective March 16, 2020 regular full-time employees are eligible to receive 80 hours of COVID-19

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2021**

Supplemental leave and 40 hours of COVID-19 Pandemic leave. Part time employees are eligible to receive 32 hours of Supplemental leave and 16 hours of Pandemic leave. Unused Supplemental and Pandemic leave shall be forfeited and will not be paid out upon termination, or upon separation of employment.

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

**Note 7 – Risk Management**

The District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2021, there are 192 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim (can vary by member), while the program is responsible for the \$100,000 SIR. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$3,505,566, which is fully funded in its annual budget.

Property insurance is subject to a per-occurrence SIR of \$100,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$100,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence SIR of \$25,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Cyber liability insurance is subject to per-occurrence SIR of \$50,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$40,000 SIR.

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2021**

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2021, were \$2,772,986.77.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.



**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2020**

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

Consolidated Diking Improvement District No. 1 (District) of Cowlitz County was incorporated on November 20, 1922 and operates under the laws of the state of Washington applicable to a Diking Improvement District. The District is a special purpose local government and provides flood protection and stormwater management.

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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications 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. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 4 – *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Paid Time Off (PTO) leave may be accumulated up to 1,000 hours maximum and is payable upon separation or retirement. Floating holiday leave may be accumulated up to 40 hours, but cannot be cashed

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2020**

out upon separation or retirement. Compensation time may be accumulated up to 80 hours and is payable upon separation or retirement. There is no cash out option available for part time employees. Payments are recognized as expenditures when paid. The cost of each compensation absence is as follows:

Total Compensated Absences: \$85,562.67

**F. Risk Management**

See Note 7 – *Risk Management*

In 2001 the District began purchasing insurance from Cities Insurance Association of Washington – Special District Insurance Program brokered by Propel Insurance.

The District self-insures for unemployment compensation.

Claims for the reporting period are as follows:

<b>Risk Type</b>	<b>Claims Rc'd 2020</b>	<b>Claims Paid 2020</b>	<b>Total Claims</b>
Total General Fund	\$0.00	\$0.00	\$0.00

**Note 2 – Budget Compliance**

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

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

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

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
Total General Fund	\$2,826,081	\$2,438,664	\$357,417

Budgeted amounts are authorized to be transferred between any 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 – Property Tax**

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

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

The District's regular levy for the year 2020 was \$0.3926 per \$1,000 on an assessed valuation of \$5,089,132,872 for a total regular levy of \$1,998,052.

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2020**

**Note 4 – Deposits and Investments**

Investments are reported at original cost. Deposits and investments, per the BARS manual, by type at December 31, 2020 are as follows:

<b>Type of Deposit or Investment</b>	<b>District's own deposits &amp; investments</b>	<b>Deposits &amp; investments held by the District as custodian for other local governments, individuals, or private organizations</b>	<b>Combined</b>
Cowlitz County Investment Pool	2,824,973.96	-	2,824,973.96
Bank Deposits	967,381.04	-	967,381.04

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

Investments in the Cowlitz County Investment Pool

The District is a voluntary participant in the Cowlitz County's Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals.

**Note 5 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all the District's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees Retirement System (PERS) Plan 2 and Plan 3.

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

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

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

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

At June 30, 2020 (the measurement date of the plans), the District's proportionate share of the collective net

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2020**

pension liabilities, as reported on the Schedule 09, was as follows:

<b>Plan Type</b>	<b>Allocation %</b>	<b>Liability (Asset)</b>
PERS 1 UAAL	0.004186%	\$147,788
PERS 2/3	0.005461%	\$69,843

**B. Local Government Pension Plans**

The District is not a participant of the Social Security (FICA) program of the United States Government. As an alternative to Social Security, the District, for full-time employees, pays an amount equal to an employer's contribution to Social Security, and divides among the following:

- Contributes a monthly amount to a deferred compensation program in employee's name;
- Provides for a disability insurance policy; and
- Pays the Medicare portion of Social Security contributions as required by law

The amounts contributed by the District to Deferred Compensation, long term disability insurance and Medicare may be changed from time-to-time, as determined by available programs, applicable legal requirements, and the District's policy, but in no event shall be collectively less than the employer's contribution to Social Security.

The deferred compensation investment program selected by the District may change from time-to-time as determined by the District.

The District's employees shall be required to contribute to the deferred compensation investment, as a minimum, a sum equal to the amount contributed by the District.

The District offers its employees a Deferred Compensation Plan (DCP) created in accordance with Internal Revenue Code Section 457. DCP, available to all employees, permits them to defer a portion of their salary until future years. DCP is not available to employees until termination, retirement, death or unforeseeable emergency.

Compensation deferred under the plan and all income attributable to the plan (until paid or made available to the participant or beneficiary) are solely the property of the District subject to the claims of the government's general creditors. Participants' rights under the plan are equal to those of general creditors of the government in an amount equal to the fair market value of the DCP account for each participant.

The District has no liability for losses under the plan but does have the duty of due care required of an ordinary prudent investor. The District believes it is highly unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**Note 6 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2020**

Effective March 16, 2020 regular full-time employees are eligible to receive 80 hours of COVID-19 Supplemental leave and 40 hours of COVID-19 Pandemic leave. Part time employees are eligible to receive 32 hours of Supplemental leave and 16 hours of Pandemic leave. Unused Supplemental and Pandemic leave shall be forfeited and will not be paid out upon termination, or upon separation of employment.

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

**Note 7 – Risk Management**

The District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2020, there are 193 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$2,147,814.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible that is part of a \$25,000 self-insured retention. The CIAW is responsible for the \$15,000 balance.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminate participation the following December 1. The Interlocal Agreement is renewed automatically

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2020**

each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment and loss prevention for the third-party administrator under this arrangement for the year ending December 1, 2020, were \$2,651,954.

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2019**

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

Consolidated Diking Improvement District No. 1 (District) of Cowlitz County was incorporated on November 20, 1922 and operates under the laws of the state of Washington applicable to a Diking Improvement District. The District is a special purpose local government and provides flood protection and stormwater management.

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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications 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. The following fund types are used:

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

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

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

**C. Cash and Investments**

See Note 4 – *Deposits and Investments*.

**D. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 248 hours maximum and is payable upon separation or retirement. Floating holiday leave may be accumulated up to 16 hours, but cannot be cashed out upon

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2019**

separation or retirement. Sick leave may be accumulated up to 1,200 hours maximum. Upon separation or retirement employees do receive payment for unused sick leave up to a maximum of 800 hours. Compensation time may be accumulated up to 80 hours and is payable upon separation or retirement. There is no cash out option available for part time employees. Payments are recognized as expenditures when paid. The cost of each compensation absence is as follows:

Total Compensated Absences: \$80,154.26

**F. Risk Management**

See Note 6 – *Risk Management*

In 2001 the District began purchasing insurance from Cities Insurance Association of Washington – Special District Insurance Program brokered by Propel Insurance.

The District self-insures for unemployment compensation.

Claims for the reporting period are as follows:

<b>Risk Type</b>	<b>Claims Rc'd 2019</b>	<b>Claims Paid 2019</b>	<b>Total Claims</b>
Total General Fund	\$0.00	\$0.00	\$0.00

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

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the District's Board of Supervisors. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of \$854,181.70.

**Note 2 – Budget Compliance**

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

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

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

<b>Fund/Department</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
Total General Fund	\$2,302,062.45	\$1,925,547.60	\$376,514.85

Budgeted amounts are authorized to be transferred between any 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.



**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2019**

**Note 3 – Property Tax**

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

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

The District's regular levy for the year 2019 was \$0.4532 per \$1,000 on an assessed valuation of \$4,523,726,070 for a total regular levy of \$2,050,280.

**Note 4 – Deposits and Investments**

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

<b>Type of Deposit or Investment</b>	<b>District's own deposits &amp; investments</b>	<b>Deposits &amp; investments held by the District as custodian for other local governments, individuals, or private organizations</b>	<b>Combined</b>
Cowlitz County Investment Pool	3,202,094.97	-	3,202,094.97
Bank Deposits	984,494.03	-	984,494.03

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

**Investments in the Cowlitz County Investment Pool**

The District is a voluntary participant in the Cowlitz County's Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals.

**Note 5 – Pension Plans**

**A. State Sponsored Pension Plans**

Substantially all the District's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees Retirement System (PERS) Plan 2 and Plan 3.

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

The DRS, a department within the primary government of the State of Washington, issues a publicly available

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2019**

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:

<b>Plan Type</b>	<b>Allocation %</b>	<b>Liability (Asset)</b>
PERS 1 UAAL	0.004326%	\$166,350
PERS 2/3	0.005585%	\$54,249

**B. Local Government Pension Plans**

The District is not a participant of the Social Security (FICA) program of the United States Government. As an alternative to Social Security, the District, for full-time employees, pays an amount equal to an employer's contribution to Social Security, and divides among the following:

- Contributes a monthly amount to a deferred compensation program in employee's name;
- Provides for a disability insurance policy; and
- Pays the Medicare portion of Social Security contributions as required by law

The amounts contributed by the District to Deferred Compensation, long term disability insurance and Medicare may be changed from time-to-time, as determined by available programs, applicable legal requirements, and the District's policy, but in no event shall be collectively less than the employer's contribution to Social Security.

The deferred compensation investment program selected by the District may change from time-to-time as determined by the District.

The District's employees shall be required to contribute to the deferred compensation investment, as a minimum, a sum equal to the amount contributed by the District.

The District offers its employees a Deferred Compensation Plan (DCP) created in accordance with Internal Revenue Code Section 457. DCP, available to all employees, permits them to defer a portion of their salary until future years. DCP is not available to employees until termination, retirement, death or unforeseeable emergency.

Compensation deferred under the plan and all income attributable to the plan (until paid or made available to the participant or beneficiary) are solely the property of the District subject to the claims of the government's general creditors. Participants' rights under the plan are equal to those of general creditors of the government in an amount equal to the fair market value of the DCP account for each participant.

The District has no liability for losses under the plan but does have the duty of due care required of an ordinary

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2019**

prudent investor. The District believes it is highly unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**Note 6 – Risk Management**

The District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2019, there are 191 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,910,871.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has

**Consolidated Diking Improvement District No. 1**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2019**

been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2019, were \$2,687,104.78.

**Cowlitz County Consolidated Diking Improvement District No. 1**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2021**

<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	12/31/2021	85,563	24,906	-	110,469
264.30	Pension Liability	12/31/2021	217,631	-	166,351	51,280
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>303,194</b>	<b>24,906</b>	<b>166,351</b>	<b>161,749</b>
<b>Total Liabilities:</b>			<b>303,194</b>	<b>24,906</b>	<b>166,351</b>	<b>161,749</b>

**Cowlitz County Consolidated Diking Improvement District No. 1**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2020**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absenses	12/31/2020	80,154	5,409	-	85,563
264.30	Pension Liability	12/31/2020	220,599	-	2,968	217,631
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>300,753</b>	<b>5,409</b>	<b>2,968</b>	<b>303,194</b>
<b>Total Liabilities:</b>			<b>300,753</b>	<b>5,409</b>	<b>2,968</b>	<b>303,194</b>

**Cowlitz County Consolidated Diking Improvement District No. 1**  
**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 Absenses	12/31/2019	74,177	5,977	-	80,154
264.30	Pension Liability	12/31/2019	332,180	-	111,581	220,599
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>406,357</b>	<b>5,977</b>	<b>111,581</b>	<b>300,753</b>
<b>Total Liabilities:</b>			<b>406,357</b>	<b>5,977</b>	<b>111,581</b>	<b>300,753</b>

## 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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