



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Aeneas Lake Irrigation District

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

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

May 4, 2023

Board of Directors
Aeneas Lake Irrigation District
Tonasket, 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 District 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 District'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 most of the areas we examined, District operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the District could make improvements. These recommendations are included with our report as a finding.

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 Aeneas Lake Irrigation District from January 1, 2019 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 District'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, 2020 and 2019, 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
- Financial condition – reviewing for indications of financial distress
- Open public meetings – compliance with minutes, meetings and executive session requirements

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Aeneas Lake Irrigation District January 1, 2019 through December 31, 2021

2021-001 The District has not effectively monitored utility rates and other financial information, resulting in a continued decline in its financial condition.

Background

The Aeneas Lake Irrigation District supplies water to more than 1,300 acres and about 80 property owners in an area west of Tonasket, located in Okanogan County. A five-member Board of Directors governs the District, which has two seasonal employees who monitor its water lines and ponds while providing minor repair and maintenance. All major repair and maintenance projects are contracted out. District revenues and expenditures averaged about \$334,600 and \$397,000, respectively, for the audit period.

Description of Condition

The District's cash and investments balance has declined significantly over the past five years, and through December 31, 2022. The District has also experienced operating losses and, starting in 2021, had to rely on registered warrants from the Okanogan County Treasurer to pay for operations and address cash-flow shortages. Registered warrants are short-term funding available through the County Treasurer's Office to pay daily operating expenses and long-term debt obligations when a local government has a cash shortfall.

The table below shows the District's year-end cash and investments, operating losses, and total registered warrants outstanding during the past five years.

Fiscal Year Ending	Ending Cash and Investments	Operating (Loss)/Gain	Registered Warrants with County Treasurer
2018	\$ 8,462	\$ (48,023)	\$ -
2019	\$ 77,168	\$ 19,374	\$ -
2020	\$ 8,759	\$ (68,409)	\$ -
2021	\$ 50,483	\$ (137,710)	\$ 189,940
2022	\$ 23,175	\$ 57,235	\$ 137,527

We also identified the following concerns that have affected the District's financial position:

- The District's balance for nine past due accounts was \$78,344 as of December 31, 2022. Of this past due balance, \$68,162 is owed by one Director, who is about three years delinquent.
- District policy states no water shall be delivered while a water assessment remains delinquent; however, the District's practice is not to shut off a water provision.
- The District does not have a formal registered warrants repayment plan in place.
- The District relies heavily on equipment and infrastructure to provide water to its members, and it undertook a large equipment replacement project, totaling about \$132,000 in 2021. Further, the District does not have a capital replacement plan for aging equipment or infrastructure.

Cause of Condition

The District's Board lacks experience and training for monitoring financial information. Further, the Board did not prioritize resolving the District's declining financial situation to ensure it had sufficient funds to cover expenses for equipment replacement.

Effect of Condition

The District's financial condition puts it at risk of not being able to meet operating demands and existing debt service requirements while continuing to provide the same level of basic service. Further, to finance immediate needs, the District might need to raise water rates significantly.

Recommendation

We recommend the District:

- Develop a comprehensive plan to address its financial condition, including reviewing assessment roll rates and developing a capital replacement plan for equipment. The District should revise the plan as necessary if it does not achieve the expected financial improvements
- Attempt to collect past due accounts, including the significant balance owed by the Director

- Shut off water provision for delinquent water assessments, as policy requires
- Establish a formal repayment plan for all outstanding registered warrants

District's Response

Currently there is only 4 delinquent water users. The director who is behind as well has paid up significantly and balance is much lower than what is stated.

All of us board members are volunteer. Coming into our positions there is no training offered, nor would any of us have experience as we all have full time jobs we manage while keeping the district running. We are managing the district to the best of our ability given the position. We are working actively to collect overdue assessments and have gained ground on this since the audit has started. Water will be shut off to water users by middle of May if they are not paid in full. The water users have been notified with multiple letters as well as phone call from President.

We are working hard at finding ways to cut costs and do things more efficiently to save money. These steps won't correct the issues overnight, but over years to come we see us becoming stronger as we implement the positive steps forward.

Auditor's Remarks

We appreciate the steps the District is taking to resolve these issues. We will follow up on these issues during the next audit.

Applicable Laws and Regulations

RCW 43.09.200 – Local government accounting – Uniform system of accounting.

RCW 87.03.270 – Assessments, when delinquent – Assessment book, purposes – Statement of assessments due – Collection – Additional fee for delinquency, states in part, “. . . All delinquent assessments shall bear interest at the rate of twelve percent per annum, computed on a monthly basis and without compounding, from the date of delinquency until paid”

INFORMATION ABOUT THE DISTRICT

The Aeneas Lake Irrigation District provides irrigation to an area west of Tonasket, located in Okanogan County. The District supplies water to more than 1,300 acres.

The five-member board governs the District. The District has two seasonal employees who monitor the District's water lines and ponds while providing minor repair and maintenance. All major repair and maintenance projects are contracted out. District revenues were \$325,900, \$295,300 and \$382,600 for the 2019 through 2021 years, respectively.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Aeneas Lake Irrigation 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.

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