



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements and Federal Single Audit Report

# Kittitas Reclamation District

For the period January 1, 2023 through December 31, 2023

*Published September 30, 2024*

Report No. 1035645



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

September 30, 2024

Board of Directors  
Kittitas Reclamation District  
Ellensburg, Washington

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

Please find attached our report on the Kittitas Reclamation District's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Kittitas Reclamation District January 1, 2023 through December 31, 2023

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

The results of our audit of the Kittitas Reclamation District are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the District’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## **Identification of Major Federal Programs**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
15.517	Fish and Wildlife Coordination Act

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

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

None reported.



Kittitas Reclamation District  
P.O. Box 276  
Ellensburg, WA 98926  
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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Kittitas Reclamation District January 1, 2023 through December 31, 2023

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

<b>Audit Period:</b> 1/1/2022-12/31/2022	<b>Report Reference No.:</b> 1033286	<b>Finding Ref. No.:</b> 2022-001	<b>ALN(s):</b> 15.517
<b>Federal Program Name and Granting Agency:</b> Fish and Wildlife Coordination Act, U.S. Department of the Interior, Bureau of Reclamation		<b>Pass-Through Agency Name:</b> N/A	
<b>Finding Caption:</b> The District’s internal controls were inadequate for ensuring it complied with federal procurement requirements.			
<b>Background:</b> The purpose of the Fish and Wildlife Coordination Act program is to provide financial assistance, through grants or cooperative agreements, to public or private organizations for the improvement of fish and wildlife habitat associated with water systems or water supplies affected by Bureau of Reclamation projects. During fiscal year 2022, the District spent \$7,097,974 in federal Fish and Wildlife Coordination Act funds, which were awarded by the Bureau of Reclamation at the U.S. Department of the Interior. The District used program funding on four projects in Kittitas County. The District has a written policy that conforms to federal regulations that require a qualifications-based selection of architectural and engineering services. However, when it procured its engineer for the four projects, the District selected from an engineering roster, which is not in compliance with its own policy and the Uniform Guidance (2 CFR 200.320(b)(2)). We consider this control deficiency to be a significant deficiency. The District paid one engineer \$462,617 with federal funds during the audit period. Without effective internal controls, the District cannot ensure it allowed for full and open competition, selected the most qualified engineer, and complied with federal procurement requirements.			

**Status of Corrective Action: (check one)**☐ Fully  
Corrected☒ Partially  
Corrected☐ Not Corrected☐ Finding is considered no  
longer valid**Corrective Action Taken:**

*The District has been continuously working with the United States Bureau of Reclamation (Reclamation) since the audit finding. The Reclamation is aware of how the District is handling the RFQ process and has verbally approved the process. The District continues to be awarded federal funds from the Reclamation and is continuing to get a formal policy in place as it works through the various channels of the system. It is an ongoing process that will take time to work through. Both agencies will continue to work through the necessary processes to get a policy approved through the appropriate channels.*

## 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*

#### **Kittitas Reclamation District January 1, 2023 through December 31, 2023**

Board of Directors  
Kittitas Reclamation District  
Ellensburg, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Kittitas Reclamation District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 20, 2024.

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 audit 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control 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*.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

September 20, 2024

## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

#### **Kittitas Reclamation District January 1, 2023 through December 31, 2023**

Board of Directors  
Kittitas Reclamation District  
Ellensburg, Washington

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

#### **Opinion on Each Major Federal Program**

We have audited the compliance of the Kittitas Reclamation District, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2023. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance 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 opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

September 20, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Kittitas Reclamation District January 1, 2023 through December 31, 2023**

Board of Directors  
Kittitas Reclamation District  
Ellensburg, Washington

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

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Kittitas Reclamation District, as of and for the year ended December 31, 2023, 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 the Kittitas Reclamation District, and its changes in cash and investments, for the year ended December 31, 2023, 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 the Kittitas Reclamation District, as of December 31, 2023, or the changes in financial position or cash flows thereof for the year 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2024 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

September 20, 2024

## **FINANCIAL SECTION**

### **Kittitas Reclamation District January 1, 2023 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2023  
Notes to Financial Statements – 2023

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

Schedule of Liabilities – 2023  
Schedule of Expenditures of Federal Awards – 2023  
Notes to the Schedule of Expenditures of Federal Awards – 2023

**Kittitas Reclamation District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	4,514,396
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	5,931,616
340	Charges for Goods and Services	4,505,985
350	Fines and Penalties	-
360	Miscellaneous Revenues	48,778
Total Revenues:		10,486,379

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	11,139,649
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		11,139,649
Excess (Deficiency) Revenues over Expenditures:		(653,270)

**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	994,842
Total Other Increases in Fund Resources:		994,842

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	1,289,844
591-593, 599	Debt Service	214,316
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		1,504,160

**Increase (Decrease) in Cash and Investments:** **(1,162,588)**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	175,000
50841	Committed	-
50851	Assigned	3,176,808
50891	Unassigned	-
Total Ending Cash and Investments		3,351,808

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

# KITTITAS RECLAMATION DISTRICT

For the Year Ended December 31, 2023

These notes are an integral part of the accompanying financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kittitas Reclamation District (District) is a municipal corporation governed by an elected five-member board. It was incorporated on September 25, 1911 and operates under the laws of the state of Washington applicable to a quasi-municipal entity.

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; the District does not use component units.
- 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.
- Ending balances are not presented using the classifications defined in GAAP.

### A. Fund Accounting

#### GOVERNMENTAL FUND TYPES:

##### General Funds

The District has no governmental funds.

#### PROPRIETARY FUND TYPES:

##### Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. The proprietary fund financial statements are reported using the economic resources measurement focus and the cash basis of accounting. Revenues are recorded when received and expenses are recorded when the expense is paid.

### B. Basis of Accounting and Measurement Focus

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

#### C. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the Kittitas Reclamation District as assets with an initial, individual cost of more than \$5,000.00 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense incurred by the Kittitas Reclamation District during the current fiscal year.

#### D. Cash and Investments

It is the District's policy to invest all temporary cash surpluses. As December 31, 2023, the treasurer was holding \$200 respectively in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents. The interest on these investments is not material enough to prorate.

See Note 4 – Deposits and Investments

#### E. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The District records unpaid leave for compensated absences as an expense and liability when accrued.

Vacation Pay, which may be accumulated up to a maximum of 160 hours during the current year, provided no more than 160 hours may be carried beyond March 1 of each year. Accrued vacation leave is payable upon resignation, retirement or death. Sick leave may accumulate up to 880 hours. Upon resignation, retirement or death any outstanding sick leave balance is lost.

#### F. Long-Term Debt

See Note 6 – Debt Service Requirements

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

Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the board of directors. 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 the reserved fund balance.

#### H. Reserved Assets and Liabilities

The reserved assets of the enterprise funds are composed of the following:

Reserved Assets and Liabilities	
	2023
Special Assessments – Current	\$0
Special Assessments – Delinquent	\$0
Cash and Investments – Debt Service	\$175,000
Cash and Investments – Construction	\$0
Total	\$175,000

### **NOTE 2 – ASSESSMENTS**

#### A. Assessments

The District Treasurer acts as agent to collect assessments levied for the District. Assessments are levied annually on January 1<sup>st</sup> based on irrigable acres. Irrigable acres are determined by soil classifications as established by the U.S. Bureau of Reclamation. Assessment rates are adopted annually by the Kittitas Reclamation District Board of Directors.

Assessments are due in two equal installments on April 30<sup>th</sup> and October 31<sup>st</sup>.

The District is permitted by law (RCW 87.03.260) to levy an assessment.

### **NOTE 3 – CONTINGENT LIABILITIES AND LITIGATION**

#### A. Contingent Liabilities and Litigation

In the opinion of management, the Districts insurance policies are adequate to pay all known or pending claims.

The District participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives.

Such audits could result in requests for reimbursement for grantor agencies for expenditures disallowed under the terms of the grants. Other than the instances above, the District Management believes that such disallowances, if any, will be immaterial.

The District is a party in the case of KRD v. TetraTech, Kittitas County Superior Court under Cause No. 19-2-00289-19. This is an action of the District commenced in 2019 by the District against TetraTech, Inc., an engineering firm that provided engineering and construction management services to the District in a recent canal lining project. No counterclaim has been filed against the District in the case and the District anticipates the case will be resolved through settlement discussions or litigation. Jim Perkins of Larson, Griffie & Pickett in Yakima, Washington is the District's counsel of record. It does not appear there is a risk of monetary loss to the District as a result of an adverse decision in this case.

#### **NOTE 4 – DEPOSITS AND INVESTMENTS**

##### **A. Deposits**

Cash on hand at December 31, 2023 was \$200. The carrying amount of the District's deposits as of December 31, 2023 was \$200 and the balance of the General Checking Account was \$48,881 with the District's total deposits equaling \$3,302,927.

The District's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). There is no material difference between the book value and the fair value of deposits.

##### **B. Investments**

As required by state law, all investments of the District funds (except noted below) are obligations of the U.S. Government, U.S. agency issues, Washington State, or general obligations of Washington State banks, savings and loan institutions. All temporary investments are stated on the statement of net position. All investments are presented at their book value, which equals fair value.

All investments are presented at their book value, which equals fair value. Deposits and investments by type at December 31, 2023 are as follows:

Type of Deposit or Investment	District's own deposits and investments	Total
Bank Deposits	\$3,351,223	\$3,351,223
Certificates of Deposit	\$0	\$0
Local Government Investment Pool	\$585	\$585
US Government Securities	\$0	\$0
Total	\$3,351,808	\$3,351,808



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

The District's General Checking account with US Bank has an associated Sweep Account that accrues interest on a monthly basis.

**D. Investments in the State Local Government Investment Pool (LGIP)**

The District is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with SEC. Rather; oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA, 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

**NOTE 5 – LEASES**

**A. Radio Tower**

The District entered into a lease contract for the use of a radio tower. The lease begins on September 1, 2019, and is in effect for 25 years. The lease can be terminated at any time without any penalties with a written termination request received with a 90-day notice. Once the lease has been exhausted, a continuation or new lease will need to be negotiated between all parties.

The annual payment is \$100 is to be paid on or before June 1<sup>st</sup> of the ensuing year. Any late payment of rents or other payments due under this lease shall be subject to an additional charge of the highest rate permitted by RCW 19.52.020 per month on the unpaid balance.

Date	Beg Balance	Principal Paid	Total Payment	Year-End Principal Balance
12/31/2023	\$2,100	\$100	\$100	\$2,000
12/31/2024-12/31/25	\$2,000	\$200	\$200	\$1,800
12/31/2026-12/31/2030	\$1,800	\$500	\$500	\$1,300
12/31/2031-12/31/35	\$1,300	\$500	\$500	\$800
12/31/2036-12/31/2040	\$800	\$500	\$500	\$300
12/31/2041-12/31/2044	\$300	\$300	\$300	\$0

## **NOTE 6 – LONG-TERM DEBT**

### **A. Long-Term Debt Schedule 9**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for the year ending December 31, 2023.

The District does not hold any bonds.

### **B. Long Term Debt**

The Bureau of Reclamation requires that the District reserve \$175,000.

1. The District entered into a no-interest contract with the U.S. Bureau of Reclamation for the construction of the canal system. The 2023 beginning balance was \$1,212,453, with estimated semi-annual payments of \$53,345. The semi-annual payments may decrease due to landowner payouts of the construction debt remaining on their lands as permitted under the contract with the U.S. Bureau of Reclamation. Should the District default in any manner in the performance of this contract and should it fail to correct the default within sixty (60) days after request in writing by the Secretary so to do, the United States may take over the operation and maintenance of all or any part of the transferred works.

2. At December 31, 2023 the District reported a net pension liability of \$181,295 for its proportionate share of the net pension liabilities.

3. The District entered into a Contract Purchase Agreement for a John Deere 210 GLC Excavator on July 29, 2021. The Excavator is secured by a contract payable to John Deere Financial with a 3.25% interest rate for 48 payments.

	Principal	Interest	Total
2023	\$1,333,902	\$2,898	\$1,336,800
2024	\$1,113,287	\$1,502	\$1,114,789
2025	\$944,358	213	\$944,571
2027	\$841,552	\$0	\$841,552
2028	\$738,746	\$0	\$738,746
2029-2033	\$224,716	\$0	\$224,716
2034-2036	\$0	\$0	\$0

## **NOTE 7 – OTHER POST EMPLOYMENT BENEFITS**

### **A. Other Post-Employment Benefits**

The District offers retirees the option to continue their health care plan as a postemployment benefit. The retirees have the ability to choose from Kaiser Permanente, Uniform Medical or United Health Care as the three medical plans that the district offers through Washington State Health Care Authority. No assets are accumulated in trust

authority under which to pay OPEB Benefits as they come due. The actuarial valuation date and measurement date were as of June 30, 2023. This is a pay as you go plan. As of December 31, 2023, the District's total OPEB liability was \$952,695 as calculated using the alternative measurement method. The District contributed \$397,369 to the plan for the year ended December 31, 2023.

Employees covered by benefit terms: At December 31, 2023, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	0
Active employees	27
Total	31

## **NOTE 8 – PENSION PLANS**

### **A. State Sponsored Pension Plans**

Substantially all the District's full-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 define benefit and defined contribution retirement plans PERS 1, 2 and 3.

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

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

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

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

#### **1. Public Employee's Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is defined benefit plan with a defined contribution component.

#### a. PERS Plan 1

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrant on September 30, 1977.

##### 1. Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at .18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates.

#### b. PERS Plan 2/3

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2 percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty

disability payments, a cost-of-living allowance (based on the CPI), capped at 3 percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if 12 months of that service was earned after age 44.

c. PERS Plan 3

PERS Plan 3 defined contribution, benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

1. Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

The District's actual PERS plan contributions were \$54,175 to PERS Plan 1 and \$102,075 to PERS Plan 2/3 for the year ended December 31, 2023.

At June 30, 2023, the District's proportionate share of the collective net pension assets and liabilities, as reported on the Schedule 09 was as follows:

	Employer Contributions	Allocation %	Liability
PERS 1	\$54,175	.007942%	\$181,295

	Employer Contributions	Allocation %	Asset
PERS 2/3	\$102,075	.010242%	(\$419,787)

**NOTE 9 – RISK MANAGEMENT**

#### A. Risk Management

The Kittitas Reclamation 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 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, 2023, there are 196 members of 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, Wrongful Acts, and Cyber which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to a group aggregate limit of \$50,000,000 with a self-insured retention (SIR) of \$750,000. Members are responsible for a \$1,000 to \$50,000 deductible for each claim (can vary by member), while the program is responsible for the \$750,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the \$750,000 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 \$8,347,047, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of \$750,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$750,000 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. 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, 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 CIAW.

Cyber liability insurance is subject to a 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.

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, 2023, were \$3,172,936.78.

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.

#### **NOTE 10 – SUBSEQUENT EVENTS**

##### **A. USBR Operations & Maintenance Annual Billing**

The District was issued the final Operations and Maintenance CY 2023 billing from the United States Bureau of Reclamation. As of the dated letter of March 5, 2024, the District had a surplus of \$123,642.43 for the 2023 Operations and Maintenance Costs. This credit will be offset on the 2024 Operations and Maintenance Billing.

#### **NOTE 11 – KITTITAS COUNTY JOINT CONTROL BOARD NUMBER 1**

##### **A. Kittitas County Joint Control Board #1 (KCJB)**

The KCJB operated in 2023 as a joint control board between the District and Westside Irrigating Company primarily handling operation and maintenance of the system as well as any repair work that was needed. The KCJB is actively working collaboratively with multiple agencies on water enhancement projects that would be impactful to the system. The entity is considered a stand-alone government entity and is subject to an accountability audit by the SAO.

#### **NOTE 12 – SHOP FIRE INSURANCE SETTLEMENT**

##### **A. Shop Fire**

On September 13, 2021 there was a fire inside the District's Maintenance Shop. The District worked with the insurance company to accommodate the repairs and replacement of equipment. After the final payment in January 2023 the claim has been closed. For the year ended 12/31/2023 the District has received reimbursed funds of \$729,145.42 for replacement of various equipment and property that was itemized by the insurance company.

**Kittitas Reclamation District  
Schedule of Liabilities  
For the Year Ended December 31, 2023**

<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>General Obligation Debt/Liabilities</b>						
263.51	John Deer Financial		113,060	-	46,937	66,123
263.56	Radio Tower Lease	7/31/2044	2,100	-	100	2,000
263.81	Contract Liability	10/31/2042	1,212,453	-	165,289	1,047,164
263.56	Rope Facility	10/31/2023	13,000	-	13,000	-
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,340,613</b>	<b>-</b>	<b>225,326</b>	<b>1,115,287</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
264.30	Pension		248,171	-	66,876	181,295
264.40	OPEB		1,317,949	-	365,254	952,695
259.12	Compensated Absences		112,841	-	1,901	110,940
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,678,961</b>	<b>-</b>	<b>434,031</b>	<b>1,244,930</b>
<b>Total Liabilities:</b>			<b>3,019,574</b>	<b>-</b>	<b>659,357</b>	<b>2,360,217</b>



**Kittitas Reclamation District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	WaterSMART (Sustain and Manage America?s Resources for Tomorrow)	15.507		-	14,957	14,957	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	WaterSMART (Sustain and Manage America?s Resources for Tomorrow)	15.507		-	27,184	27,184	-	
			Total ALN 15.507:	-	42,141	42,141	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Fish and Wildlife Coordination Act	15.517		-	4,837,356	4,837,356	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Fish and Wildlife Coordination Act	15.517		-	4,073	4,073	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Fish and Wildlife Coordination Act	15.517		-	5,126	5,126	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Fish and Wildlife Coordination Act	15.517		-	222,540	222,540	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Fish and Wildlife Coordination Act	15.517		-	702	702	-	
			Total ALN 15.517:	-	5,069,797	5,069,797	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Water Storage Enhancement	15.574		-	589,514	589,514	-	

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

**Kittitas Reclamation District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
				-	5,701,452	5,701,452		
Total Federal Awards Expended:							-	

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

Kittitas Reclamation District

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2023

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the cash basis of accounting as applied to governmental units.

Note 2 – Federal Indirect Cost Rate

The District has elected to use the 10-percent de minimus indirect cost rate under the Uniformed Guidance.

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the District's portion, are more than shown.

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