



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Martin Hall Juvenile Detention Facility

For the period January 1, 2022 through December 31, 2023

Published February 20, 2025

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

February 20, 2025

Board of Directors
Martin Hall Juvenile Detention Facility
Davenport, Washington

Report on Financial Statements

Please find attached our report on the Martin Hall Juvenile Detention Facility's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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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*

Martin Hall Juvenile Detention Facility January 1, 2022 through December 31, 2023

Board of Directors
Martin Hall Juvenile Detention Facility
Davenport, 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 Martin Hall Juvenile Detention Facility, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Facility's financial statements, and have issued our report thereon dated February 4, 2025.

We issued an unmodified opinion on the fair presentation of the Facility'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 Facility 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 Facility'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 Facility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facility'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 Facility'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 Facility'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 Facility'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 Facility'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

February 4, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Martin Hall Juvenile Detention Facility January 1, 2022 through December 31, 2023

Board of Directors
Martin Hall Juvenile Detention Facility
Davenport, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Martin Hall Juvenile Detention Facility, as of and for the years ended December 31, 2023 and 2022, 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 Facility 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 Martin Hall Juvenile Detention Facility, and its changes in cash and investments, for the years ended December 31, 2023 and 2022, 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 Martin Hall Juvenile Detention Facility, as of December 31, 2023 and 2022, 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 Facility, 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 Facility 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 Facility'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 Facility'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 Facility'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.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2023, the District adopted new accounting guidance, for the presentation and disclosure of subscription based information technology arrangements (SBITA), as required by the BARS Manual. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2022, the District adopted new accounting guidance, for the presentation and disclosure of leases, as required by the BARS Manual. Our opinion is not modified with respect to this matter.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2025 on our consideration of the Facility'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 Facility'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 Facility's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

February 4, 2025

FINANCIAL SECTION

Martin Hall Juvenile Detention Facility January 1, 2022 through December 31, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023

Fund Resources and Uses Arising from Cash Transactions – 2022

Notes to Financial Statements – 2023

Notes to Financial Statements – 2022

Martin Hall Juvenile Detention Facility
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

Beginning Cash and Investments

308	Beginning Cash and Investments	672,272
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	37,951
340	Charges for Goods and Services	2,053,345
350	Fines and Penalties	-
360	Miscellaneous Revenues	100,355
Total Revenues:		2,191,651

Expenditures

510	General Government	-
520	Public Safety	2,352,157
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		2,352,157
Excess (Deficiency) Revenues over Expenditures:		(160,506)

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:		-

Other Decreases in Fund Resources

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

Increase (Decrease) in Cash and Investments: **(160,506)**

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	-
50891	Unassigned	511,763
Total Ending Cash and Investments		511,763

The accompanying notes are an integral part of this statement.

Martin Hall Juvenile Detention Facility
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

Beginning Cash and Investments

308	Beginning Cash and Investments	886,390
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	38,804
340	Charges for Goods and Services	2,007,287
350	Fines and Penalties	-
360	Miscellaneous Revenues	85,109
Total Revenues:		2,131,200

Expenditures

510	General Government	-
520	Public Safety	2,311,657
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		2,311,657
Excess (Deficiency) Revenues over Expenditures:		(180,457)

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:		-

Other Decreases in Fund Resources

594-595	Capital Expenditures	33,659
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		33,659

Increase (Decrease) in Cash and Investments: **(214,116)**

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	-
50891	Unassigned	672,272
Total Ending Cash and Investments		672,272

The accompanying notes are an integral part of this statement.

MARTIN HALL OPERATING
Notes to Financial Statements
January 1, 2023 through December 31, 2023

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Lincoln County entered into an Interlocal Agreement with Martin Hall Juvenile Detention Facility. Resolution 97-90 established the Martin Hall Operating fund and Lincoln County has agreed to act as the fiscal agent for the operations of Martin Hall. As fiscal agent, Lincoln County is the contracted custodian of funds and prepares the financial statements and notes for the facility.

The Martin Hall Juvenile Facility is a maximum-security juvenile detention center that houses offenders from various counties in eastern Washington and other contracted entities. The Facility is located in Medical Lake, Washington. The Facility began operation in November 1997 through an agreement among the Boards of County Commissioners in Adams, Asotin, Douglas, Ferry, Lincoln, Pend Oreille, Spokane, Stevens and Whitman counties.

The facility was renovated in 1997 and includes contact and non-contact visiting areas, booking and intake area, medical exam facility, food service area, outdoor and indoor recreation areas, as well as appropriate administrative and correctional programming space. It is a 63-bed capacity that includes single, double, and intensive management living areas suitable for both long- and short-term placement. The facility utilizes appropriate security equipment including observational cameras, staff radios, and internal communication system. It is ideally located for full utilization of emergency services as well as community support and treatment services.

Authority to operate the Facility including creation of programs for incarcerated juveniles and hiring of employees necessary to operate the Facility is based, in part, on the needs of the juvenile administrations of all the participating counties and RCW 39.34.030. The full education system includes 3 classrooms equipped with computers, 1 vocational education classroom, and has complete education staff including 3 teachers, a school coordinator, and Behavioral Health Specialist. Staffing includes juvenile correctional officers, administrative staff, registered nurse, contract physician, case manager, supervisory personnel, food service staff and maintenance/custodial personnel.

The agreement requires the Board of Directors to be composed of one Commissioner from each participating county. Each Director provides information to be used by the Board when making decisions. The Board is responsible for entering into all contracts necessary for the Facility. The funding policy is determined annually by the Board.

The Martin Hall Operating fund is a special purpose entity and provides for the day to day operations of the facility. User fees support this fund.

The following is a summary of the significant policies, including identification of those policies, which result in material departures from generally accepted accounting principles (GAAP).

The Martin Hall Operating fund 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. The Facility does not have liabilities that are required to be reported on the Schedule of Liabilities.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classifications in GAAP.

A. Fund Accounting

The accounts of Martin Hall are recorded and reported in one fund. The fund is accounted for with a set of single-entry accounts that comprises its cash, investments, revenues, and expenditures, as appropriate. Martin Hall's resources are allocated to and accounted for in this fund. The following is the fund type used by Martin Hall:

Governmental Fund Types

General Fund

This fund is the only operating fund of Martin Hall. It accounts for all financial resources and uses of Martin Hall.

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.

In accordance with state law, the facility also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3, Deposits and Investments

Martin Hall Operating fund does not currently have an investment policy for the Facility, but there is an Investment Officer. The actual cash amount is included on the statement of revenues and expenses.

D. Capital Assets

Capital assets, which include any construction costs and the machinery and equipment necessary for the operation of the facility are recorded as expenses when purchased. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

E. Leases

For the year ended December 31, 2022, Martin Hall adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in no lease liabilities to report on the Schedule of Liabilities.

Accounting and Reporting Changes

F. Subscription Based Information Technology (SBITA)

For the year ended December 31, 2023, Martin Hall adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement resulted in no subscription based technology arrangements to report.

Note 2 – Budget Compliance

The facility adopts annual appropriated budgets for all 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:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Martin Hall Operating	2,483,057	2,352,157	130,900

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; 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 for employment must be approved by the Martin Hall Board.

Note 3 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2023 are as follows:

<u>Type of Investment</u>	<u>Martin Hall Investments</u>	Total
Bank Deposits	\$111,763	\$111,763
L.G.I.P.	<u>\$400,000</u>	<u>\$400,000</u>
U.S. Government Securities		
Other: MMA		
Total	<u>\$511,763</u>	<u>\$511,763</u>

It is the Martin Hall policy to invest all temporary cash surpluses. The interest on these investments is posted to the Martin Hall fund.

Investments in the State Local Government Investment Pool (LGIP)

Martin Hall 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 the 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, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, Martin Hall would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. Martin Hall deposits and certificates of deposit are mostly 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).

All investments are insured, registered or held by Martin Hall or its agent in the government's name.

Note 4 - Risk Management

The Martin Hall Operating fund obtains general liability and public official's liability insurance through Martin-Morris Insurance, Inc., P O Box 1000, Ephrata, WA 98823. The contractor responsible for the operations provides their own insurance.

General Liability insurance covers \$1 million with \$2 million aggregate and no deductible. Director and Officer insurance covers \$1 million with \$2 million aggregate with \$15,000 deductible. There are no claims.

Note 5 - COMPLIANCE AND ACCOUNTABILITY

A. Pending Legal Matters.

On January 26, 2024, an employee of Community, Counseling and Correctional Services, Inc. (CCCS) was transporting a 15-year-old female inmate when it was alleged the employee sexually assaulted the juvenile in the back of the transportation van. CCCS is the contractor hired by the Martin Hall Consortium Board to operate Martin Hall Juvenile Detention Facility. The incident was disclosed by an anonymous email alleging that the CCCS employee had violated policy while transporting the juvenile. An immediate investigation was conducted by CCCS. After an investigation, CCCS terminated the employee. The incident was reported to law enforcement who took up the investigation and later charged the former CCCS employee with third-degree child molestation, first-degree custody misconduct with an incarcerated person and two counts of third-degree child rape.

B. Appropriation and Fund Balances.

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the facility.

Note 6 - OUTSTANDING ACCOUNTS RECEIVABLE

Douglas County continues to be held open as members of the Martin Hall Board but is not making their special assessment payments for the capital projects. Pending resolution.

Note 7 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

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

MARTIN HALL OPERATING
Notes to Financial Statements
January 1, 2022 through December 31, 2022

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Lincoln County entered into an Interlocal Agreement with Martin Hall Juvenile Detention Facility. Resolution 97-90 established the Martin Hall Operating fund and Lincoln County has agreed to act as the fiscal agent for the operations of Martin Hall. As fiscal agent, Lincoln County is the contracted custodian of funds and prepares the financial statements and notes for the facility.

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The facility was renovated in 1997 and includes contact and non-contact visiting areas, booking and intake area, medical exam facility, food service area, outdoor and indoor recreation areas, as well as appropriate administrative and correctional programming space. It is a 63-bed capacity that includes single, double, and intensive management living areas suitable for both long- and short-term placement. The facility utilizes appropriate security equipment including observational cameras, staff radios, and internal communication system. It is ideally located for full utilization of emergency services as well as community support and treatment services.

Authority to operate the Facility including creation of programs for incarcerated juveniles and hiring of employees necessary to operate the Facility is based, in part, on the needs of the juvenile administrations of all the participating counties and RCW 39.34.030. The full education system includes 3 classrooms equipped with computers, 1 vocational education classroom, and has complete education staff including 3 teachers, a school coordinator, and Behavioral Health Specialist. Staffing includes juvenile correctional officers, administrative staff, registered nurse, contract physician, case manager, supervisory personnel, food service staff and maintenance/custodial personnel.

The agreement requires the Board of Directors to be composed of one Commissioner from each participating county. Each Director provides information to be used by the Board when making decisions. The Board is responsible for entering into all contracts necessary for the Facility. The funding policy is determined annually by the Board.

The Martin Hall Operating fund is a special purpose entity and provides for the day to day operations of the facility. User fees support this fund.

The following is a summary of the significant policies, including identification of those policies, which result in material departures from generally accepted accounting principles (GAAP).

The Martin Hall Operating fund 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. The Facility does not have liabilities that are required to be reported on the Schedule of Liabilities.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classifications in GAAP.

A. Fund Accounting

The accounts of Martin Hall are recorded and reported in one fund. The fund is accounted for with a set of single-entry accounts that comprises its cash, investments, revenues, and expenditures, as appropriate. Martin Hall's resources are allocated to and accounted for in this fund. The following is the fund type used by Martin Hall:

Governmental Fund Types

General Fund

This fund is the only operating fund of Martin Hall. It accounts for all financial resources and uses of Martin Hall.

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.

In accordance with state law, the facility also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3, Deposits and Investments

Martin Hall Operating fund does not currently have an investment policy for the Facility, but there is an Investment Officer. The actual cash amount is included on the statement of revenues and expenses.

D. Capital Assets

Capital assets, which include any construction costs and the machinery and equipment necessary for the operation of the facility are recorded as expenses when purchased. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

Accounting and Reporting Changes

E. Leases

For the year ended December 31, 2022, Martin Hall adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in no lease liabilities to report on the Schedule of Liabilities.

Note 2 – Budget Compliance

The facility adopts annual appropriated budgets for all 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:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Martin Hall Operating	2,376,709	2,345,316	31,393

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; 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 for employment must be approved by the Martin Hall Board.

Note 3 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2022 are as follows:

<u>Type of Investment</u>	<u>Martin Hall Investments</u>	Total
Bank Deposits	\$272,272	\$272,272
L.G.I.P.	<u>\$400,000</u>	<u>\$400,000</u>
U.S. Government Securities		
Other: MMA		
Total	<u>\$672,272</u>	<u>\$672,272</u>

It is the Martin Hall policy to invest all temporary cash surpluses. The interest on these investments is posted to the Martin Hall fund.

Investments in the State Local Government Investment Pool (LGIP)

Martin Hall 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 the 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, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, Martin Hall would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. Martin Hall deposits and certificates of deposit are mostly 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).

All investments are insured, registered or held by Martin Hall or its again in the government's name.

Note 4 - Risk Management

The Martin Hall Operating fund obtains general liability and public official's liability insurance through Martin-Morris Insurance, Inc., P O Box 1000, Ephrata, WA 98823. The contractor responsible for the operations provides their own insurance.

General Liability insurance covers \$1 million with \$2 million aggregate and no deductible. Director and Officer insurance covers \$1 million with \$2 million aggregate with \$15,000 deductible. There are no claims.

Note 5 - COMPLIANCE AND ACCOUNTABILITY

- A. Pending Legal Matters. At this time, there are no pending legal matters.
- B. Appropriation and Fund Balances.

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the facility.

Note 6 - OUTSTANDING ACCOUNTS RECEIVABLE

Douglas County continues to be held open as members of the Martin Hall Board but is not making their special assessment payments for the capital projects. Pending resolution.

Note 7 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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