



Office of the Washington State Auditor
Pat McCarthy

Assessment Audit Report

Four Lakes Water District No. 10

For the period January 1, 2021 through December 31, 2023

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**Office the Washington State Auditor
Pat McCarthy**

March 6, 2025

Board of Commissioners
Four Lakes Water District No. 10
Four Lakes, Washington

Report on Assessment Audit

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

The attached report describes the procedures performed and conclusions for the areas we reviewed. We appreciate the opportunity to work with your staff, and value your cooperation during the assessment audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT SUMMARY

Results in brief

Based on the procedures performed, we identified areas where the District could make improvements. These recommendations are included with our report as a finding. In other areas we reviewed, nothing came to our attention that caused us to believe the District was not in substantial compliance with applicable state laws, regulations, and its own policies or had not provided adequate controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

About the assessment audit

This report contains the results of our independent audit of Four Lakes Water District No. 10 from January 1, 2021 through December 31, 2023.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives. State law (RCW 43.09.230) also requires local governments to prepare and submit certified annual reports to our Office summarizing such things as revenues received, collections made, amounts receivable or payable, expenditures made, and debt owed.

This assessment audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments at least once every three years. Assessment audits are risk-based, limited-scope reviews of small local governments, generally defined as local governments with less than \$300,000 in annual revenues. To help minimize audit costs, our work for this engagement was conducted off-site primarily using financial and other information provided by the District.

This assessment audit was limited to the following:

- Reviewing meeting minutes for compliance with the Open Public Meetings Act
- Inquiring as to internal controls over assets, revenues, and disbursements
- Verifying that annual reports submitted to our Office were complete and filed timely in compliance with state law
- Reviewing the District's annual revenues and expenditures for unusual transactions or trends
- Corroborating financial information reported by the District by comparing reported revenues, expenditures, and cash and investment balances to third-party sources
- Reviewing expenditures for indications of unusual activities, excessive Board of Commissioners compensation, conflicts of interest, or procurement requirements. Based on that review, we compared selected expenditures with supporting invoices and voucher approvals to verify their validity and completeness.
- Evaluating the District's financial information for indications of financial distress
- Accounts receivable – utility billing, receipting/deposits, adjustments and collections

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Four Lakes Water District No. 10 January 1, 2021 through December 31, 2023

2023-001 The District lacked adequate internal controls over financial reporting to ensure compliance with state law requiring timely annual report submissions.

Background

Federal and state agencies, the Board of Commissioners and the public rely on the information included in financial statements and reports to make decisions. The District is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance its financial reporting is reliable.

State law (RCW 43.09.230) requires the District to submit an annual report with accurate, summarized financial information and supporting schedules to the State Auditor's Office within 150 days after the end of its fiscal year.

Description of Condition

The District did not submit the required annual reports to our Office within 150 days of fiscal year-end. The District filed its 2021, 2022 and 2023 annual reports 886, 545 and 181 days late, respectively.

Cause of Condition

Due to staff turnover, District leadership did not dedicate the necessary resources to submit the annual report on time and did not respond to our Office's outreach efforts, which limited their access to support and training.

Effect of Condition

Delays in the availability of complete financial reports prevent District officials, the public and other interested parties from obtaining timely information. Such delays and inaccuracies also hinder public transparency and our Office's efforts to compile statistical and financial information that the Legislature and other parties use. Further, the District's failure to respond impeded our Office's ability to audit the government in a timely manner, as state law requires.

Recommendation

We recommend the District establish internal controls to ensure timely financial reporting in accordance with state law.

District's Response

The District Commissioners of Four Lakes Water District #10 have added additional measures to see to the completion of the annual reports on a timely manner. One being adding it to the calendar for review by the meeting in March on a yearly basis for submission in May.

Auditor's Remarks

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

RCW 43.09.230, Local government accounting – Annual reports – Comparative statistics.

INFORMATION ABOUT THE DISTRICT

Four Lakes Water District No. 10 provides water service to customers in the Four Lakes area southwest of Spokane. An elected, three-member Board of Commissioners governs the District. The District operated on annual revenue of about \$91,000 in 2021, \$117,000 in 2022, and \$119,000 in 2023, primarily from water sales and services.

Contact information related to this report

Contact:	Lee F. Williams, Secretary
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Website:	http://fourlakeswd10.ourlocalview.com//HomeTown/

Information current as of report publish date.

Audit history

You can find current and past audit reports for Four Lakes Water District No. 10 at <https://portal.sao.wa.gov//ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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