



Office of the Washington State Auditor
Pat McCarthy

Assessment Audit Report

Alpine Water District

For the period January 1, 2021 through December 31, 2024

Published April 21, 2025

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

April 21, 2025

Board of Commissioners
Alpine Water District
Leavenworth, 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 the Alpine Water District from January 1, 2021 through December 31, 2024.

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

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Alpine Water District January 1, 2021 through December 31, 2024

2024-001 The District did not retain records to support payroll and mileage reimbursements to commissioners.

Background

Alpine Water District provides water services to about 65 connections in Chelan County and is governed by a three-member Board of Commissioners, two of which are District employees. The two Commissioners serve as the bookkeeper and water manager and the District has no other employees. The District operates on annual average expenses of \$70,000.

The District is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance public resources are safeguarded in compliance with applicable state laws and the *Budgeting, Accounting and Reporting System* (BARS) Manual. State law (Chapter 40.14 RCW) and the BARS Manual require the District to preserve documents necessary to isolate and prove the validity of every transaction relating to the receipt, use, and disposition of all public funds and property.

State law (Chapter 42.23 RCW) prohibits municipal officers from having a beneficial interest in contracts. The law defines beneficial interest as a financial interest in a contract to which the government or agency is a party, if the officers participate in awarding the contract or are responsible for the agreement by virtue of the office they hold.

Furthermore, Commissioners can be employees of the District; however, their monthly compensation cannot exceed limits established by state law (RCW 42.23.030).

Description of Condition

The District lacked effective internal controls for ensuring it safeguarded public resources and complied with state law. While the District uses timecards to track hours worked and prepare monthly payroll reports, it did not retain the original timecards. Payroll expenses were \$24,000, \$28,000, \$37,000 and \$33,000 in 2021, 2022, 2023 and 2024, respectively. Additionally, commissioners did not monitor compensation to ensure monthly thresholds set by state law were not exceeded, and recusals were not documented in open public meetings when wages were adjusted.

Furthermore, the District regularly reimbursed mileage of more than 350 miles per month, which lacked documentation for dates and trips. We estimated at least \$2,350 in annual mileage reimbursements.

Cause of Condition

The District lacks knowledge of applicable state laws governing the retention of original supporting documentation and commissioner compensation limits.

Effect of Condition

The District's lack of internal controls and oversight of its finances and operations increases the risk that it may not prevent or detect errors, misappropriation, or misuse of public resources quickly, if at all. Without supporting records, the validity of payroll and mileage reimbursements cannot be supported. Lastly, commissioners are at risk of continued non-compliance with ethics requirements of their office.

Recommendation

We recommend the District improve its internal controls over payroll and reimbursements to ensure it retains supporting documentation for all disbursements.

The District should also establish internal controls and monitoring to ensure commissioners do not exceed compensation limits and recuse themselves from changes to beneficial contracts. The District should evaluate the bookkeeper and water manager positions to determine statutory compensation limits.

Water District's Response

The District will keep its hours and mileage logs instead of discarding it when payments are made and monthly totals are summarized. The Board has been made aware of compensation limits in state law and will be working to review and monitor these payments.

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

Chapter 40.14 RCW, Preservation and Destruction of Public Records

Chapter 42.23 RCW, Code of ethics for municipal officers—Contract interests.

BARS Manual, Section 3.1.3, Internal Control

BARS Manual, 3.1.4, Original Supporting Documentation

BARS Manual, 3.8.5, Voucher Certification and Approval

INFORMATION ABOUT THE DISTRICT

The District was formed in November 1999 by approval of area voters for the purpose of taking over water operations previously provided by Public Utility District No. 1 of Chelan County. The District assumed the Utility Local Improvement District assessment debt that was initially financed through the Public Utility District for the construction of the new water system in the area. The District is operated by a three-member Board of Commissioners that was appointed by the Chelan County Commissioners. The Board is responsible for the oversight of the District's two part-time employees.

The District received annual revenue of \$68,000 in 2021, \$70,000 in 2022, \$82,000 in 2023, and \$67,000 in 2024, primarily from water sales and services, supplemented by significant investment interest.

Contact information related to this report	
Contact:	Annette Mueller, Bookkeeper
Telephone:	(425) 238-3935

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Alpine Water District 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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