



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Trails End Water District

For the period January 1, 2014 through December 31, 2017

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

February 7, 2019

Board of Directors
Trails End Water District
Belfair, Washington

Report on Accountability

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

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In those selected areas, District operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

About the audit

This report contains the results of our independent accountability audit of the Trails End Water District from January 1, 2014 through December 31, 2017.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the years ended December 31, 2017, 2016, 2015 and 2014, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Utility billing and cash receipting, including adjustments
- General disbursements
- Payroll, including gross wages and Commissioner compensation
- Open public meeting minutes
- Timeliness of financial report filing
- Financial condition and fiscal sustainability



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BOARD OF COMMISSIONERS
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Trails End Water District January 1, 2014 through December 31, 2017

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

Audit Period: January 1, 2013 to December 31, 2013	Report Ref. No.: 1013496	Finding Ref. No.: 1
Finding Caption: The District should continue to improve internal controls over District activities and compliance with state laws.		
Background: During the 2009-2012 audit, we identified internal control weaknesses over customer billings, cash receipting procedures, annual report filings and retention of public records, which resulted in two material weakness audit findings. During the 2013 audit, we noted the following control deficiencies continue to exist: <ul style="list-style-type: none"> • In 2014, the District started improvements to ensure all of its customers were correctly billed for services. In 2013, there was a much higher number of customers who were not making any payments. • There were no original invoices to support payment of 2013 expenses. Employee withholdings were not paid to the Internal Revenue Service and partial payments were made on District obligations for workers compensation and unemployment taxes. In 2014, the District paid the delinquent amounts. • The individuals in charge of governing the District did not adequately monitor operations to ensure the 2013 annual financial report was filed with our Office. 		
Status of Corrective Action: (check one)		
<input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <ul style="list-style-type: none"> • <i>In 2014, the District purchased updated software through RVS to aid accurate and complete billing. A thorough investigation of the system's meters was conducted to account for all meters in the system and to assure their correct operation and accuracy of readings. All hook-ups were reviewed to assure accuracy of owners, renters, billing</i> 		

and mailing addresses, telephone numbers and other contact information. All customer information and meter information, including reading data, was loaded into the RVS software. A complete rate study was completed. Rates and fees were set according to the study results by resolution of the Board of Commissioners. Prior to the rate study, a flat-fee rate was established as an interim means of income for the District during the rate study. A thorough review of what records were available. That review determined there were a number of customers had large credit balances. Those credits were entered into the RVS system. Since the RVS system became operational with accurate information, all meters have been read monthly, correct billings have been given to customers and payments are being collected in a timely manner. The rate study resolution provided for fees and conditions under which the District could proceed with collection for those accounts that became delinquent. The District has been following the requirements set out in the rate study resolution since it was passed.

- In 2014, the newly elected commissioners instituted a policy to provide documentation to support payment of all expenses. That policy has been in place and followed since its adoption. The new commissioners also learned that the District had not filed any payroll taxes since prior to 2010. Available records were reviewed and other research done to gather enough information to file back payroll taxes for 2010 through 2013. Those back taxes were paid in 2014. The district filed in accordance with IRS requirements for the 2014 tax year and each subsequent year.*
- Upon learning of the requirement to file annual reports with the State Auditor's Office by a statutory deadline, attempts have been made to comply. Upon taking office in January 2014 the commissioners found they did not receive records from the previous commissioners to file a complete report for 2013. They did file a report with what was available, but it remains incomplete. Since that time, the annual reports have been filed each year. The commissioner completing the report provides a report to the whole Board of Commissioners at a regularly scheduled open public meeting.*

INFORMATION ABOUT THE DISTRICT

A three-member Board governs the Trails End Water District. The District provides water and street lights to approximately 230 ratepayers.

Contact information related to this report	
Address:	Trails End Water District P.O. Box 850 Belfair, WA 98528
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Trails End Water District at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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