
Washington State Auditor's Office

Exit Conference

Highland Water District

January 1, 2006 through December 31, 2007

Date of Conference



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Audit Information

Audit Scope

Our audit was planned and conducted using a risk-based approach covering the following general areas for the period beginning January 1, 2006 and ending December 31, 2007:

- Accountability for public resources and compliance with laws and regulations
- Financial statements
- Federal compliance

Accountability for Public Resources and Legal Compliance

We evaluated accountability for public resources and compliance with certain laws and regulations in the following areas:

- Safeguarding of assets
- Cash receipting
- Open public meetings
- Procurement

In keeping with general auditing practices, we did not examine every transaction, activity or area. Instead, our procedures focused on identifying and examining those transactions, activities or areas that posed the highest risk.

Financial Statements

We performed an audit of the financial statements in accordance with *Government Auditing Standards* to conclude whether the statements were presented fairly in all material respects. Our audit was conducted on a test basis and cannot be relied upon to identify every instance of misstatement, fraud or noncompliance in the financial statements.

As part of our audit of the financial statements, we obtained an understanding of internal controls over financial reporting. *Government Auditing Standards* also required us to test compliance with any provisions of laws, regulations, contracts and grant agreements that could materially affect financial statement amounts or data significant to the audit.

Federal Compliance

We tested compliance with material requirements for the major federal program listed below. We also tested internal controls over the major program to determine if they were adequate to detect or prevent noncompliance with material federal requirements.

- Water and Waste Disposal Systems for Rural Communities, CFDA 10.760

Audit Reports

Accountability Report

This report summarizes the results of the accountability audit. The report will not include any findings.

Financial Statement Report

This report includes our opinion on the financial statements. An unqualified opinion will be issued which means the financial statements are presented fairly, in all material respects. It also includes our report on internal control over financial reporting and on noncompliance and other matters as required by *Government Auditing Standards*. That report will not include any findings.

Single Audit Reports

This report discloses the results of our audit of the major federal program. The report will not include any findings.

These reports are expected to be issued prior to September 31, 2008. We now offer a free subscription service that allows you to be notified by email when audit reports are released or posted to our Web site. You can sign up for this convenient new service on our website at:

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Other Required Communications

In addition to our audit reports, we are required by professional auditing standards to communicate other significant issues to the Commissioners as follows:

- There were no significant difficulties encountered or disagreements with entity management during the audit.
- Uncorrected misstatements in the audited financial statements are summarized on the attached schedule. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements.

Audit Results

Audit Recommendations

We are pleased to report no findings or management letters. We will review the status of the following exit items in our next audit.

Exit Issues

Open Public Meetings

We noted several instances where the Commissioners went into executive session to discuss "personnel matters". Although there are personnel matters that may be addressed in an executive session, such as complaints or charges against an employee or an employee's performance, "personnel matters" is too broad a purpose and could include purposes not authorized by the statute. To comply with the Open Public Meetings act, the District should be more specific in stating the purpose for holding an executive session.

Amortization Schedules

The current portion of long-term debt was understated by approximately \$986 in the Statement of Net Assets. We recommend obtaining updated debt amortization schedules to monitor the outstanding loan balances and current year amount due.

SEFA

The original presentation of the Schedule of Expenditures of Federal Awards (SEFA) included only the amount of the federal funds received in 2007 in lieu of reporting the amount of federal funds expended during the audit period. We recommend the District report the SEFA in compliance with federal OMB requirements.

Inventory Small and Attractive Assets

Of the 15 items selected for testing, two items located in the store room were not entered into the asset system and one item was not found totaling approximately \$1,120. Further, the District did not retain documentation of the physical inventory count performed at year end. We recommend the District perform an independent review of the physical inventory count for accuracy, and maintain physical inventory records.