
Washington State Auditor's Office

Exit Conference

Highland Water District
January 1, 2008 through December 31, 2008

August 31, 2009



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, 2008 and ending December 31, 2008:

- Financial statements
- Federal compliance

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

- Water and Waste Disposal
Systems for Rural
Communities, 10.760

Audit Reports

Financial Statement Reports

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 on or before September 28, 2009. 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:

www.sao.wa.gov/EN/News/Subscriptions

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.
- There were no material misstatements corrected by management during the audit.
- There were no uncorrected misstatements in the audited financial statements.

Audit Results

Audit Recommendations

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

Schedule of Expenditures of Federal Awards:

The District spent \$117,089.09 in federal funds that was not reported on the original Schedule of Expenditures of Federal Awards (SEFA). We also noted that no one other than the preparer reviews the SEFA before submitting it for audit. We recommend the District implement adequate controls over preparation of the SEFA to ensure that the schedule accurate and complete.

Status of Prior Audit Recommendations

<i>Prior Audit Exit Items</i>	<i>Resolved</i>	<i>Unresolved</i>
Executive sessions being held for personnel matters.	X	
Statement of Net Assets did not show the correct amount of current debt	X	
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.	X	

Concluding Remarks

We would like to thank officials and employees for their helpfulness and timely response to our audit requests. We will be sending an e-mail to Susan Forbes, Administrative Assistant regarding an on-line customer service survey. This email will be from "State Auditor's Office <WA-StateAuditor@sao.wa.gov>". Please take a few minutes to complete this survey. Your feedback is important to our on-going commitment to continually develop and improve our audit process.

Your next audit is scheduled to be conducted in 2010 and will cover the following general areas:

- Accountability for Public Resources (January 1, 2008 through December 31, 2009)
- Financial Statement (January 1, 2009 through December 31, 2009)
- Federal Programs (January 1, 2009 through December 31, 2009)