

**Special Meeting Agenda**  
**PUD Board of Commissioners**  
Wed, Feb 10, 2021 2:00 PM  
<https://zoom.us/my/jeffcopud>  
Port Townsend, WA 98368



To join online go to:<https://zoom.us/my/jeffcopud>. Follow the instructions to login. Meetings will open 5 minutes before they begin. TOLL FREE CALL IN #: 833-548-0282, Meeting ID# 4359992575#

**1. Call to Order**

Per the Governor's Extended Proclamation 20-28 and in response to the COVID-19 Pandemic, Jefferson County PUD is no longer providing an in-person room for meetings of the BOC. All meetings will be held remotely via Webex until otherwise informed by the Governor. Participant audio will be muted upon entry. Please unmute at the appropriate time to speak. If you are calling in, use \*6 to mute and unmute.

**2. Agenda Review**

**3. Presentation**

2 - 25

State Auditor Exit Review for 2019 Accountability Audit

[Exit Conference Powerpoint JPUD1.pdf](#) 

[Jefferson County PUD No. 1 Audit Exit Packet FY2019.pdf](#) 

**4. Adjourn**

# Exit Conference

Jefferson County Public Utility District No. 1

Carol Ehlinger  
*Program Manager*

Megan McFarlane  
*Audit Supervisor*

Clay Trushinsky  
*Audit Lead*



Office of the  
Washington  
State Auditor  
Pat McCarthy

Jefferson County  
Public Utility District

February 10, 2021

Page 2 of 25

Disclaimer: This presentation is intended to be viewed in conjunction with the complete packet of exit materials provided. A copy of those materials may be requested by contacting the presenters listed or by emailing [PublicRecords@sao.wa.gov](mailto:PublicRecords@sao.wa.gov).

# Results that Matter



Increased trust in government



Independent, transparent examinations



Improved efficiency and effectiveness of government



Pat McCarthy  
State Auditor

# Accountability Audit Results

January 1, 2019 through December 31, 2019



## Results in Brief

This report describes the overall results and conclusions for the areas we examined.

In the areas selected for fiscal year 2019, District operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

# Accountability Audit Results



Using a risk-based audit approach, for the District, we examined the following areas during the period:

- Financial condition
- Accounts payable – general disbursements, credit cards, travel expenditures, electronic funds transfers and employee reimbursements
- Cash receipting – timeliness and completeness of deposits
- Payroll – compensation of public officials and double time

# Work of Other Auditors

- A financial statement audit was performed by Jackson Thornton CPA & Consultants of the Jefferson County Public Utility District No. 1.
- We did not find anything about their work that caused concern about its quality.
- No limitations restricted our analysis of the other audit
- Did not notice any instance in which a material misstatement of the financial statements has or may have resulted from fraud or suspected fraud.



# Tracker: A clear path to all your audit information



## Using tracker, your government can:

- Get up to speed more quickly when turnover occurs
- Better and more quickly prepare for upcoming audits
- More easily identify and resolve issues
- Enter a status update at the time of the change
- Show quickly that it resolved an issue – and get the credit for that expedient resolution



# Closing Remarks

- Audit costs are in alignment with our original estimate
- Next audit: Fall 2021
  - Accountability for public resources
  - Review of financial statement audit performed by the outside CPA firm

An estimated cost for the next audit has been provided in our exit packet





# Report Publication

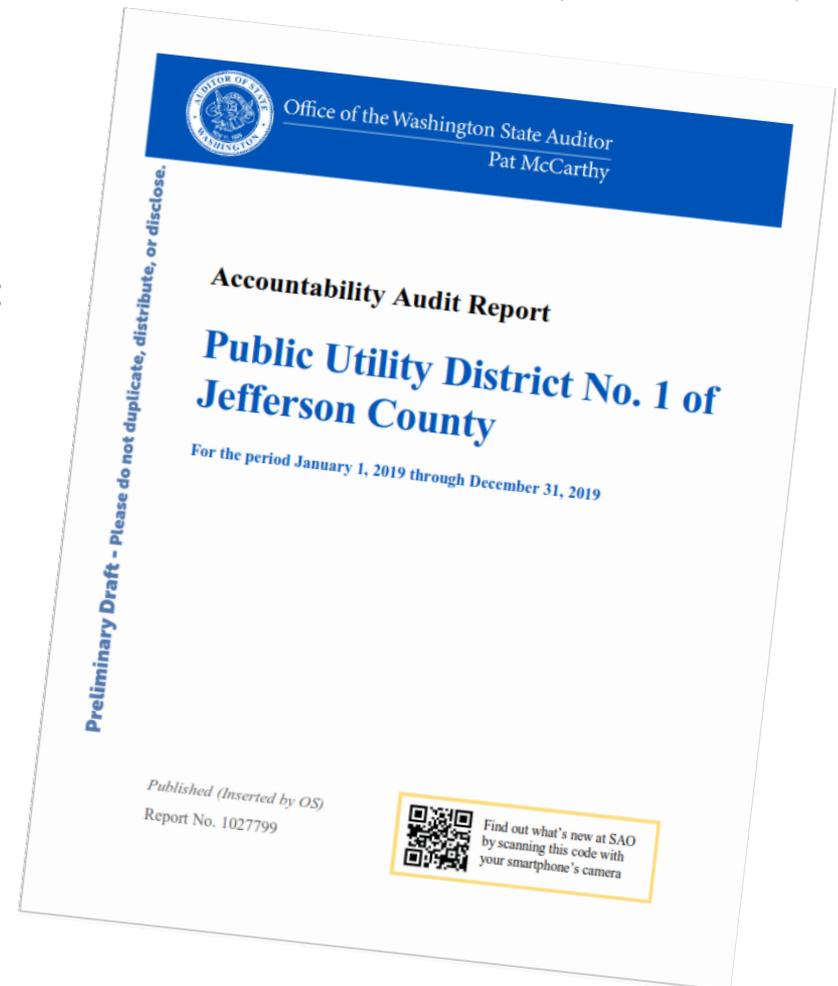
- ✓ Audit reports are published on our website.
- ✓ Sign up to be notified by email when audit reports are posted to our website:

<https://sao.wa.gov/about-sao/sign-up-for-news-alerts/>

## Audit Survey

When your report is released, you will receive an audit survey from us.

We value your opinions on our audit services and hope you provide feedback.



# Working Together to Improve Government



## Local Government Support Team

- BARS & Annual Online Filing
- Accounting and Reporting Training
- Client portal, including helpdesk

## The Center for Government Innovation

- Process improvement facilitations
- Resources, tools and best practices
- Financial Intelligence Tool (FIT)
- [Center@sao.wa.gov](mailto:Center@sao.wa.gov)



# Thank You!



- We would like to thank Mike Bailey, Finance Director and District Staff for their cooperation and timely response to our requests during the audit; especially since the audit was performed in a remote environment during COVID-19.
- We thank the District for its ongoing commitment to build the relationship with the Office of the Washington State Auditor.

# Questions?



Contact Carol Ehlinger, Program Manager

[Carol.Ehlinger@sao.wa.gov](mailto:Carol.Ehlinger@sao.wa.gov)

(360) 790-6848



## **Exit Conference: Jefferson County Public Utility District No. 1**

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

### **Audit Reports**

We will publish the following reports:

- Accountability audit for January 1, 2019 through December 31, 2019 - see draft report.
- CPA report for financial statement audit for January 1, 2019 through December 31, 2019 – see report.

### **Audit Highlights**

- We would like to thank Mike Bailey, Finance Director and District Staff for their cooperation and timely response to our requests during the audit; especially since the audit was performed in a remote environment during COVID-19.
- We thank the District for its ongoing commitment to build the relationship with the Office of the Washington State Auditor.

### **Recommendations not included in the Audit Reports**

#### **Exit Items**

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

### **Work of Other Auditors**

A financial statement audit was performed by Jackson Thornton Certified Public Accountants & Consultants of Jefferson County Public Utility District No. 1. Professional audit standards require us to evaluate relevant work done by other auditors and communicate certain matters to the governing body.

- We performed procedures to ensure we could rely on the work of the external auditors and reference their audit in our audit report. These procedures included consideration of attendance at key meetings, evaluation of the firm's last peer review report, review of the other auditor's work, review of the other auditor's results and communications with the other auditor.
- We did not become aware of any instance in which the work of the other auditors gave rise to concern about the quality of their work.

- There were no limitations that restricted our analysis of the other audit(s).
- We did not become aware of any instance in which a material misstatement of the financial statements has or may have resulted from fraud or suspected fraud.

## **Finalizing Your Audit**

### **Report Publication**

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal/>

### **Management Representation Letter**

We have included a copy of representations requested of from management.

### **Audit Cost**

At the entrance conference, we estimated the cost of the audit to be \$23,500 and actual audit costs will approximate that amount.

### **Your Next Scheduled Audit**

Your next audit is scheduled to be conducted in Fall 2021 and will cover the following general areas:

- Accountability for Public Resources
- Review of CPA Financial Statement audit for fiscal year 2020

The estimated cost for the next audits based on current rates is \$24,600 for the accountability audit and \$2,900 for the review of the financial statement audit performed by the CPA firm. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

If expenditures of federal awards are \$750,000 or more in any fiscal year, notify our Office so we can schedule your audit to meet federal single audit requirements. Federal awards can include grants, loans, and non-cash assistance such as equipment and supplies.

## **Working Together to Improve Government**

### **Audit Survey**

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

### **Local Government Support Team**

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally this team assists with the online filing of your financial statements.

### **The Center for Government Innovation**

The Center for Government Innovation of the Office of the Washington State Auditor is designed to offer services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean, peer-to-peer networking and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

### Questions?

Please contact us with any questions about information in this document or related audit reports.

**Kelly Collins, CPA, Director of Local Audit, (564) 999-0807, [Kelly.Collins@sao.wa.gov](mailto:Kelly.Collins@sao.wa.gov)**

**Tina Watkins, CPA, Assistant Director of Local Audit, (360) 260-6411, [Tina.Watkins@sao.wa.gov](mailto:Tina.Watkins@sao.wa.gov)**

**Carol Ehlinger, MEd, Program Manager, (360) 790-6848, [Carol.Ehlinger@sao.wa.gov](mailto:Carol.Ehlinger@sao.wa.gov)**

**Megan McFarlane, Assistant Audit Manager, (360) 790-6275, [Megan.McFarlane@sao.wa.gov](mailto:Megan.McFarlane@sao.wa.gov)**

**Clay Trushinsky, Audit Lead, (425) 679- 6245, [Clay.Trushinsky@sao.wa.gov](mailto:Clay.Trushinsky@sao.wa.gov)**



**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

# Accountability Audit Report

## Public Utility District No. 1 of Jefferson County

For the period January 1, 2019 through December 31, 2019

*Published (Inserted by OS)*

Report No. 1027799



Find out what's new at SAO  
by scanning this code with  
your smartphone's camera



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

Issue Date – (Inserted by OS)

Board of Commissioners  
Public Utility District No. 1 of Jefferson County  
Port Townsend, Washington

**Report on Accountability**

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.

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.

Attached is 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 value your cooperation during the audit.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## AUDIT RESULTS

### Results in brief

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

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

### About the audit

This report contains the results of our independent accountability audit of Public Utility District No. 1 of Jefferson County from January 1, 2019 through December 31, 2019.

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 Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts payable – general disbursements, credit cards, travel expenditures, electronic funds transfers and employee reimbursements
- Cash receipting – timeliness and completeness of deposits
- Payroll – compensation of public officials and overtime
- Financial condition

## RELATED REPORTS

### Financial

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

## INFORMATION ABOUT THE DISTRICT

Public Utility District No. 1 of Jefferson County supplies water to approximately 4,500 customers on water systems throughout Jefferson County. The District also operates community septic systems and monitors alternative drain fields. The District also supplies electricity to approximately 19,950 customers throughout Jefferson County.

An elected, three-member Board of Commissioners governs the District. The Board appoints a Manager to oversee the District’s daily business operations as well as its approximately 53 employees. The District operated on an annual budget of approximately \$40 million for fiscal year 2019.

Contact information related to this report	
Address:	Public Utility District No. 1 of Jefferson County 310 Four Corners Road Port Townsend, WA 98368
Contact:	Mike Bailey, Finance Director
Telephone:	(360) 385-5800
Website:	jeffpud.org

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for Public Utility District No. 1 of Jefferson County at <http://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](http://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.

### Stay connected at [sao.wa.gov](http://sao.wa.gov)

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

### Other ways to stay in touch

- Main telephone:  
(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)



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

September 10, 2020

Board of Commissioners  
Public Utility District No. 1 of Jefferson County  
Port Townsend, Washington

**Contracted CPA Firm's Audit Report on Financial Statements**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of Public Utility District No. 1 of Jefferson County for the fiscal year ended December 31, 2019. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

**LETTER OF REPRESENTATION TO BE TYPED ON CLIENT LETTERHEAD**  
*(USE THIS TEMPLATE FOR GAAP AUDITS)*

February 10, 2021

Clay Trushinsky  
600 Kitsap St, Suite 201  
Port Orchard, WA 98366

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of Jefferson County Public Utility District No. 1 for the period from January 1, 2019 through December 31, 2019. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

**General Representations:**

1. We have provided you with unrestricted access to people you wished to speak with and made available requested and relevant information of which we are aware, including:
  - a. Financial records and related data.
  - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
  - d. Communications from regulatory agencies, government representatives or others concerning possible material noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
  - e. Related party relationships and transactions.
  - f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.

2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.
3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.
6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
7. We have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.

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[Name and Title]  
(Executive Officer ⑧)

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[Name and Title]  
(Finance Executive)