



Examination No. 52284

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
WHATCOM COUNTY, WASHINGTON

Eighth Examination

January 1, 1987 Thru December 31, 1988

Robert V. Graham

REPORT OF EXAMINATION
DIVISION OF MUNICIPAL CORPORATIONS

Robert V. Graham
State Auditor



Office of State Auditor

ROBERT V. GRAHAM
STATE AUDITOR

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Notice of Filing and Transmittal
January 12, 1990

Notice is hereby given that the attached document is the official post audit examination report of the Whatcom County Council of Governments, Whatcom County, Washington, for the period January 1, 1987 through December 31, 1988.

The report was prepared and transmitted for filing by the State Auditor's Division of Municipal Corporations pursuant to RCW 43.09.260.

ROBERT V. GRAHAM
STATE AUDITOR

Copies transmitted to:

Tim Douglas, Chairman of the Executive Board
Mark Challender, Executive Director
Shirley Van Zanten, County Executive
Shirley Forslof, County Auditor
David S. McEachran, County Prosecuting Attorney
C. Howard, Planning, Research and Public Transportation
Washington State Department of Transportation
U.S. Department of Housing and Urban Development
Economic Development Administration, U.S. Department of Commerce
Single Audit Clearinghouse, Data Preparation Division
Bureau of Census
Honorable Ken Eikenberry, Attorney General
Office of State Auditor

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WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Whatcom County, Washington
Eighth Examination
January 1, 1987 Thru December 31, 1988

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have audited the basic financial statements as listed in the table of contents of the Whatcom County Council of Governments, Whatcom County, Washington, for the period January 1, 1987 through December 31, 1988, and our opinion on those financial statements is presented in our report on financial statements which accompanies this report. Our audit was made in accordance with generally accepted auditing standards and the following federal auditing standards:

- Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office (GAO)
- The Single Audit Act of 1984 (P.L. 98-502)
- Circular A-128, Audits of State and Local Governments, issued by the U.S. Office of Management and Budget (OMB)

Accordingly, our audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The executive board has the responsibility to ensure that the council complies with all applicable laws and regulations. OMB Circular A-128 provides guidelines for classifying federal programs as either major programs or nonmajor programs. The council had no programs which met the definition of a major federal program. In connection with our audit of the financial statements and our evaluation of internal controls, we selected and tested transactions and records from nonmajor federal programs. For nonmajor programs, the purpose of our testing was only to obtain reasonable assurance that the council complied with the laws and regulations which could have a material effect on the allowability of the specific transactions tested.

In addition to our testing of the council's compliance with laws and regulations that could affect the allowability of program expenditures for the federal programs tested, we selected and tested transactions and records to determine the council's compliance with state and local laws and regulations that could affect its financial condition as required by RCW 43.09.260.

The results of our testing of transactions and records selected from nonmajor federal programs indicate that, for the transactions and records tested, the council complied with the laws and regulations related to

those transactions. Our testing was more limited than would be necessary to express an opinion on whether the council administered its nonmajor federal programs in compliance in all material respects with those laws and regulations which we believe could have a material effect on the allowability of program expenditures. However, nothing came to our attention to indicate that the Whatcom County Council of Governments had not complied with applicable laws and regulations for transactions which were not tested.

The results of our tests indicate that for the items tested, the council complied with those laws and regulations which could have a material effect on the financial statements referred to above. Nothing came to our attention that caused us to believe that for the items not tested the council was not in compliance with those laws and regulations which could have a material effect on those financial statements. The results of our testing also indicate that the council complied in all material respects with those additional laws and regulations we tested pursuant to our responsibilities under RCW 43.09.260.



ROBERT V. GRAHAM
STATE AUDITOR

October 4, 1989

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Whatcom County, Washington
Eighth Examination
January 1, 1987 Thru December 31, 1988

REPORT ON INTERNAL CONTROL

We have audited the basic financial statements as listed in the table of contents of the the Whatcom County Council of Governments, Whatcom County, Washington, for the period January 1, 1987 through December 31, 1988, and our opinion on those financial statements is presented in our report on financial statements which accompanies this report. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal programs. Our study and evaluation was made to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards and standards for financial and compliance audits contained in the following:

- Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office (GAO)
- The Single Audit Act of 1984 (P.L. 98-502)
- Circular A-128, Audits of State and Local Governments, issued by the U.S. Office of Management and Budget (OMB)

For the purposes of this report, we have classified the significant internal controls used in administering federal programs into accounting controls and administrative controls. The internal accounting controls are centralized and consist of the following categories: cash receipts, billings and receivables, cash disbursements, accounts payable, purchasing and receiving, and payroll.

Administrative controls consist of those procedures established to ensure compliance with laws and regulations and to ensure that program requirements are met. Administrative controls have been classified into general controls and specific controls. General controls are applicable to all federal programs and include the Davis-Bacon Act, political activity, civil rights, cash management, relocation assistance and real property acquisition, and federal financial reporting. Specific controls apply only to specific federal programs and include types of services, eligibility, matching level of effort, reporting, cost allocation, and any other specific requirement, if any.

The executive board of the council is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Expenditures of federal funds are consistent with laws, regulations, and policies.
- Resources supplied by federal agencies or acquired with federal funds are safeguarded against waste, loss, or misuse.
- Transactions are executed in accordance with management's authorization.
- Reliable and complete information on the use of federal funds is maintained and fairly reported to federal grantors.

Because of inherent limitations in any system of internal accounting and administrative controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1988, the council had no major federal financial assistance programs and expended 84 percent of its total federal financial assistance under the following nonmajor federal financial assistance program: Federal Highway Administration - Highway Research, Planning and Construction (CFDA 20.205).

With respect to internal control systems used in administering the nonmajor federal program listed above, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the remaining nonmajor federal programs, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering these nonmajor federal programs did not extend beyond this preliminary review phase.

Our study and evaluation as described above was more limited than would be necessary to express an opinion on the internal control systems used in administering federal programs. Nor would our preliminary review nec-

essarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal programs. Accordingly, we do not express an opinion on the internal control systems used in administering the federal programs of the Whatcom County Council of Governments.

Our study and evaluation of internal controls, our audit of financial statements, and our audit of compliance with laws and regulations disclosed no conditions that we believe to be a material weakness in relation to a federal financial assistance program.

This report is intended solely for the use of the management of the council and those federal and state agencies who provided financial assistance. This report should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the council, is a matter of public record.



ROBERT V. GRAHAM
STATE AUDITOR

October 4, 1989

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Whatcom County, Washington
Eighth Examination
January 1, 1987 Thru December 31, 1988

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the schedules of cash activity, Exhibit A, of the Whatcom County Council of Governments, Whatcom County, Washington, for the period January 1, 1987 through December 31, 1988. These financial statements are the responsibility of the council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the notes to financial statements, Whatcom County prepares financial statements on the basis of accounting prescribed by Washington State statutes and the Budgeting, Accounting and Reporting System (BARS) manual prescribed by the State Auditor. The required financial statements do not present the financial position of the council and they are not intended to present results of operations in conformity with generally accepted accounting principles.

In our opinion, except for the effect, if any, of the matters discussed in the preceding paragraph, and except that the omitted disclosures might influence a user's conclusions about the council's transactions, the accompanying financial statements present fairly the cash transactions of the council for the period January 1, 1986 through December 31, 1988, on the prescribed basis of accounting.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as the schedule of financial assistance has been subjected to the auditing procedures applied in the audit of the

financial statement and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Robert V. Graham".

ROBERT V. GRAHAM
STATE AUDITOR

October 4, 1989

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF CASH ACTIVITY
FOR THE YEAR ENDING DECEMBER 31, 1988

EXHIBIT A-1

1-1-88 BEGINNING BALANCE	RECEIPTS	TOTAL AVAILABLE	DISBURSEMENTS	12-31-88 ENDING BALANCE
\$1,998	\$198,232	\$200,230	\$191,270	\$8,960

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF CASH ACTIVITY
FOR THE YEAR ENDING DECEMBER 31, 1987

EXHIBIT A-2

1-1-87 BEGINNING BALANCE	RECEIPTS	TOTAL AVAILABLE	DISBURSEMENTS	12-31-87 ENDING BALANCE
\$10,441	\$96,461	\$106,902	\$104,904	\$1,998

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
January 1, 1987 Through December 31, 1988

The following notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The council is a voluntary interlocal cooperative formed on March 26, 1970 consisting of local governments in Whatcom County. At October 1, 1989, the council consisted of representatives of local governments as listed in Addendum A.

B. BASIS OF ACCOUNTING

Accounting records for the council are maintained by Whatcom County in accordance with methods prescribed by the State Auditor under the authority of Washington State law, Chapter 43.09 RCW. The county and the city use the revenue and expenditure classifications contained in the Budgeting, Accounting and Reporting System (BARS) prescribed by the State Auditor.

The council's financial statements are presented using the cash basis of accounting where revenues are recognized when received and expenses are recognized when paid.

NOTE 2 - DUTIES OF WHATCOM COUNTY

As required by statute, Whatcom County serves as the Council's treasurer, issues warrants, and prepares cash receipt and disbursement reports of the council's financial activity.

NOTE 3 - SCOPE OF REVIEW

PROGRAMS SUBJECT TO THE SINGLE AUDIT

All significant federal and state awards received by the council have been included in the schedule of financial assistance. Although not specifically required by OMB Circular A-128, state award programs have been included in the single audit scope because many of these programs contain federal pass-through funds and because the purpose of the single audit is to fulfill the needs of all potential government users to the maximum extent practicable.

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
 SCHEDULE OF FINANCIAL ASSISTANCE
 For The Year Ending December 31, 1988

Schedule 1-A

Federal Assistance Received Indirectly Through a State Agency

Grantor Agency	Revenue Account No.	Program Name	Federal CFDA No.	Other Ident. No.	Total Award Amount	Balance at Beginning of Current Year	Current Year Receipts	Current Year Disburs.	Balance at Year End
WSDOT	333.20.50	UMTA Section 8	20.505	Y3163/PS8805	18,000.00	7,034.49	8,625.26	7,034.49	0.00
WSDOT	333.20.50	UMTA Section 8	20.505	Y3163/PS9805	18,000.00	18,000.00	2,681.50	3,212.78	14,787.22
WSDOT	333.20.20	FHWA PL	20.205	Y3163/PS9606	31,666.00	9,244.00	24,233.26	9,243.99	0.01
WSDOT	333.20.20	FHWA PL	20.205	6E8713/PL0606	37,295.00	37,295.00	14,635.08	17,870.94	19,424.06
WSDOT	333.20.20	FHWA PL	20.205	6C8437/PL9606	26,700.00	26,700.00	26,700.00	26,700.00	0.00

Governmental Assistance Received From State Agencies

Grantor Agency	Revenue Account No.	Program Name	Federal CFDA No.	Other Ident. No.	Total Award Amount	Balance at Beginning of Current Year	Current Year Receipts	Current Year Disburs.	Balance at Year End
DOE	334.03.10	Watershed Planning		TAX88010	205,000.00	200,371.78	79,874.98	84,431.83	115,939.95

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
 SCHEDULE OF FINANCIAL ASSISTANCE
 For The Year Ending December 31, 1987

Schedule 1-B

Federal Assistance Received Directly From a Federal Agency

Grantor Agency	Revenue Account No.	Program Name	Federal CFDA No.	Other Ident. No.	Total Award Amount	Balance at Beginning of Current Year	Current Year Receipts	Current Year Disburs.	Balance at Year End
EDA	331.11.30	Technical Assistance	11.303	07-05-02798	40,000.00	2,219.60	2,219.60	2,219.60	0.00

Federal Assistance Received Indirectly Through a State Agency

Grantor Agency	Revenue Account No.	Program Name	Federal CFDA No.	Other Ident. No.	Total Award Amount	Balance at Beginning of Current Year	Current Year Receipts	Current Year Disburs.	Balance at Year End
WSDOT	333.20.50	UMTA Section 8	20.505	Y3163/PS0603	18,000.00	15,462.51	17,386.43	15,462.20	0.31
WSDOT	333.20.50	UMTA Section 8	20.505	Y3163/PS8805	18,000.00	18,000.00	9,374.74	10,965.51	7,034.45
WSDOT	333.20.20	FHWA PL	20.205	Y3163/PS1166	29,413.00	21,691.64	13,835.35	10,810.68	10,880.95
WSDOT	333.20.20	FHWA PL	20.205	Y3163/PL9606	31,666.00	31,666.00	7,432.73	22,422.00	9,244.00

Governmental Assistance Received From State Agencies

Grantor Agency	Revenue Account No.	Program Name	Federal CFDA No.	Other Ident. No.	Total Award Amount	Balance at Beginning of Current Year	Current Year Receipts	Current Year Disburs.	Balance at Year End
DOE	334.03.10	Watershed Planning		TAX88010	205,000.00	205,000.00	0.00	4,628.22	200,371.78

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
DIRECTORY OF OFFICIALS

Addendum A

Executive Board

Mayor, Bellingham	Tim Douglas, Chair
Councilperson, Bellingham	Foster Rose, ViceChair
Councilperson, Lynden	Leonard Vandervelden
Executive, Whatcom County	Shirley Van Zanten
Councilperson, Whatcom County	Dan Warner
Councilperson, Ferndale	Gary Gibbons
Councilperson, Nooksack	Ken Roberts
Commissioner, Port of Bellingham	Peter Zuanich

Voting Members

Councilperson, Whatcom County	Emily Jackson
Councilperson, Bellingham	Louise Bjornson
Councilperson, Sumas	George Bos
Councilperson, Blaine	Alma Wagner
General Mgr., Lummi Business Council	G.I. James
Water Dist. 10 and Sudden Valley	Robert Westerheid
Water Dist. 12	Dave Johnson
Water Dist. 4	Sid Wallace
Water Dist. 8	Pat Sizemore
Whatcom County Cons. District	Gerald Digerness
Mayor, Everson	Matt Lagerwey

Associate Members

Sudden Valley Community Association
Executive Director, Whatcom Opportunity Council, Don Keenan

Executive Director

Madeline Clemann	(Resigned 7/30/88)
JoAnne Harrison	(Appointed Acting Ex. Dir. 7/31/88)
	(Resigned 12/31/88)
Mark Johnson	(Appointed Acting Ex. Dir. 1/1/89)
	(Resigned 3/17/89)
Mark Challenger	(Appointed 3/20/89)

Mailing Address

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