

Washington State Auditor's Office  
**Audit Report**

Audit Services

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Report No. 57062

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**

Whatcom County, Washington

January 1, 1993 Through December 31, 1994

Issue Date: December 1, 1995



Washington \_\_\_\_\_

***State Auditor***

\_\_\_\_\_  
Brian Sonntag



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Notice of Filing and Transmittal  
December 1, 1995

Notice is hereby given that the attached document is the official post audit report of the Whatcom County Council of Governments, Whatcom County, Washington, for the period January 1, 1993, through December 31, 1994.

The report was prepared and transmitted for filing by the State Auditor's Office pursuant to Chapter 43.09 RCW.

**Brian Sonntag**  
**State Auditor**

Copies transmitted to:

James Miller, Executive Director  
Bruce Ayers, Chair of the Board  
Shirley Forslof, County Auditor  
David S. McEachran, County Prosecuting Attorney  
Mary Riveland, Director, Department of Ecology  
Mike Partridge, Transportation Planning Office, Department of Transportation  
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Laurie Fortier, State Publication Distribution, State Library  
The Honorable Christine O. Gregoire, Attorney General, Office of the Attorney General  
Office of the State Auditor



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**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Whatcom County, Washington**  
**January 1, 1993 Through December 31, 1994**

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**Independent Auditor's Report On Compliance With Laws And Regulations  
At The Financial Statement Level (Plus Additional State Compliance  
Requirements Per RCW 43.09.260)**

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Chairman  
Whatcom County Council of Governments  
Bellingham, Washington

We have audited the financial statements, as listed in the table of contents, of the Whatcom County Council of Governments, Whatcom County, Washington, as of and for the fiscal years ended December 31, 1994 and 1993, and have issued our report thereon dated August 11, 1995.

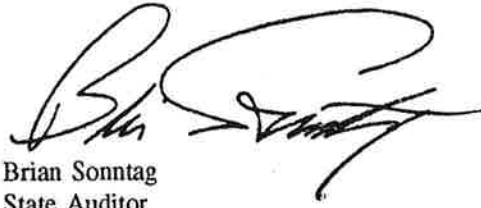
We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Whatcom County Council of Governments is the responsibility of the council's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the council's compliance with certain provisions of state laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington (RCW) 43.09.260*. This statute requires the State Auditor to inquire as to whether the council complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the Division of Municipal Corporations. Our responsibility is to examine, on a test basis, evidence about the council's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the council and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the council complied, in all material respects, with the provisions referred to in the preceding paragraphs. However, we noted instances of noncompliance with regulatory requirements immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the council had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the council. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Brian Sonntag', written in a cursive style.

Brian Sonntag  
State Auditor

August 11, 1995

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Whatcom County, Washington**  
**January 1, 1993 Through December 31, 1994**

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**Independent Auditor's Report On Internal Control Structure**  
**At The Financial Statement Level**

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Chairman  
Whatcom County Council of Governments  
Bellingham, Washington

We have audited the financial statements of the Whatcom County Council of Governments, Whatcom County, Washington, as of and for the fiscal years ended December 31, 1994 and 1993, and have issued our report thereon dated August 11, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the council, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the council is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures into the following categories:

- Cash receipts
- Accounts payable
- Payroll

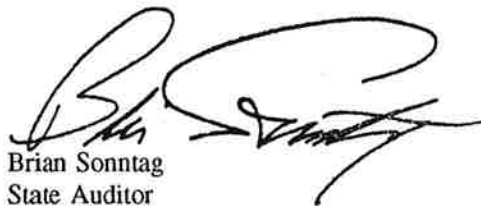
For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

This report is intended for the information of management and the council. However, this report is a matter of public record and its distribution is not limited.



Brian Sonntag  
State Auditor

August 11, 1995

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Whatcom County, Washington**  
**January 1, 1993 Through December 31, 1994**

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**Schedule Of Findings**

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1. Control Over Cash Receipts Should Be Improved

Our audit of the council's cash receipting procedures revealed the following internal control weaknesses:

- a. Receipts are not written for all checks received. Although receipts are written for the majority of payments received directly at the council's office, they are rarely written for checks received through the mail.
- b. Mode of payment, i.e., check or cash composition, is not indicated on all receipts written.
- c. Deposits are not always made timely with the county treasurer's office. We noted several instances in which a payment was deposited more than a month after receipt.

Article XI, Section 15 of the Washington State Constitution states:

DEPOSITS OF PUBLIC FUNDS. All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depository to the credit of such city, town, or other corporation respectively, for the benefit of the funds to which they belong.

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours. The treasurer may in his or her discretion grant an exception where such daily transfers would not be administratively practical or feasible.

RCW 43.09.200 states in part:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .



The internal control weaknesses over the cash receipting system increase the risk errors or irregularities may occur and not be detected in a timely manner, if at all. In addition, it hinders both management's and the State Auditor's Office's ability to test receipts to ensure all cash and checks received by the council have been receipted and deposited with the County Treasurer.

The specific conditions noted above in the cash receipting system appear to be attributable to oversight and errors. The entity was not aware of the importance of the controls necessary to correct these conditions.

We recommend the council ensure receipts are promptly written for all money received, mode of payment is noted on all receipts, and receipts are promptly deposited with the county treasurer.

Auditee's Response

- a. *Historically we have receipted all cash payments using Whatcom County Treasurer's receipts. We now will provide duplicate receipts using an interoffice cash receipt book.*
- b. *All payments received will be identified as to the mode of payment (i.e. cash or check compositions).*
- c. *All significant payments have, in the past, been immediately deposited with the County Treasurer's Office. We will now ensure that all smaller payments be deposited at a minimum on a weekly basis.*

2. Control Over Payroll Should Be Improved

Our audit of the council's payroll system revealed the following internal control weaknesses:

- a. Timesheets are not always signed by the employees.
- b. Time sheets are not always signed by the employees' supervisor.
- c. Some time sheets could not be located.
- d. Time sheets are often prepared in pencil.
- e. Time sheets are not always received from employees on a timely basis.
- f. Records for leave balances were found to be in error or incomplete in several instances.

RCW 43.09.200 states in part:

The accounts shall show . . . all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

Section 3.4 of the council's Personnel Manual states:

Each employee is responsible for completing his/her time record and submitting it by the last day of the pay period. The Executive Director shall review time records to verify hour, project numbers, work elements, appropriate signatures and thereafter sign approval.

The internal control weaknesses over the payroll system increase the risk errors or irregularities may occur and not be detected in a timely manner, if at all.

The specific conditions noted above in the payroll system appear to be attributable to oversight and errors. The entity was not aware of the importance of the controls necessary to correct these conditions.

We recommend the council ensure that time sheets are properly prepared in a timely and permanent manner, signed, and maintained. We further recommend that leave records be accurately maintained.

Auditee's Response

- a. *We concur with your recommendations and will endeavor to ensure that time sheets are properly prepared in a timely and permanent manner, signed and securely maintained.*
- b. *We will prepare and maintain accurate and complete leave balance records.*

3. The Council Should Improve Controls Over Financing Operations

We noted the council has continually had insufficient cash balances on hand to finance operations since mid 1990 and, as a result, has had to rely upon the issuance of registered, interest-bearing warrants to cover expenditures. The following is a summary of the council's balances over the past several years.

<u>Date</u>	<u>Cash</u>	<u>Investments</u>	<u>Registered Warrants</u>	<u>Net Balance</u>
12/31/90	\$ 10,513	\$0	\$ 45,516	\$(35,003)
12/31/91	12,056	0	69,998	(57,942)
12/31/92	22,183	0	117,643	(95,460)
12/31/93	(13,673)	0	78,654	(92,327)
12/31/94	27,864	0	113,208	(85,344)
07/31/95	46,303	0	140,017	(93,715)

The continued use of registered warrants in excess of current assets had resulted in the council's funding of operations from debt instruments. Such use also resulted in the council expending \$5,811 in 1993 and \$6,271 in 1994 for interest expense on registered warrants.

One factor in the council's utilization of registered warrants is that the grant funding they receive is on a reimbursement basis, that is, there is a delay between the time the expenditures are made by the council and the time the reimbursement from the grantor

is received. However, we noted that the amount of receivables at December 31, 1994, was approximately \$30,000, still an insufficient amount to cover the registered warrants at that point in time.

The council does not feel that the county records of registered warrants is accurate, however, differences have not been routinely identified, substantiated and resolved. Over the past several months the council has been researching this matter and has initiated discussions with county personnel to attempt to resolve this matter.

We recommend the council take immediate action to improve controls over the financing of operations by resolving any suspected discrepancies in financial records with the county. We also recommend council staff reconcile revenue, expenditure, and cash balances with the county records on a monthly basis and follow up and resolve any discrepancies in a timely manner. We further recommend the council implement controls to ensure general operating expenditures remain within the level of available resources.

#### Auditee's Response

*We essentially concur with your general comments regarding the Council of Governments use of registered warrants. I would, however, like to take this opportunity to point out that our staff has been diligently working with the office of the Whatcom County Treasurer and now feel that, with a few minor exceptions, we are in agreement with the Treasurer's position. We have in fact identified, substantiated, and resolved all major differences of opinion and fact.*

*Specifically regarding your recommendations relating to financial operations we have:*

- a. Taken immediate action to improve internal and external financial controls regarding any suspected discrepancies with the County. We welcome the opportunity to share our financial records with the County and appreciate their willingness to assist our office.*
- b. Established monthly meetings with the County Treasurer's office to reconcile revenue, expenditures, and cash balances.*
- c. Implemented financial controls to ensure that general operating expenditures remain within the levels of available funds.*

*Thank you again for the opportunity to comment on your audit finding. We sincerely appreciate the willingness you have shown to assist us as we work through the restructuring of WCCOG's finances.*

#### Auditor's Concluding Remarks

We would like to thank the executive director for his responses; the issues delineated in our report appear to have been addressed. We will review these areas in our subsequent audit.

We would also like to take this opportunity to express our appreciation for the assistance and cooperation we received throughout the audit.

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Whatcom County, Washington**  
**January 1, 1993 Through December 31, 1994**

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**Independent Auditor's Report On Financial Statements**

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Chairman  
Whatcom County Council of Governments  
Bellingham, Washington

We have audited the financial statements, as listed in the table of contents, of the Whatcom County Council of Governments, Whatcom County, Washington, as of and for the fiscal years ended December 31, 1994 and 1993. 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. 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 Note 1 to the financial statements, Whatcom County prepares financial statements on behalf of the council on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System (BARS)* manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effect, if any, of the matters discussed in the preceding paragraph, and except that 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 fiscal years ended December 31, 1994 and 1993, on the prescribed basis of accounting.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Schedules of State Financial Assistance and Schedules of Registered Warrants are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Brian Sonntag  
State Auditor

August 11, 1995

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Schedule Of Cash Activity**  
**For The Fiscal Year Ended December 31, 1994**

BEGINNING BALANCE	RECEIPTS	INVESTMENT SALES	TRANSFERS INTO CASH	TOTAL AVAILABLE	INVESTMENTS PURCHASED	TRANSFERS OUT TO CLAIMS/PAYROLL	OTHER TRANSFERS OUT	DISBURSEMENTS	TOTAL USED	ENDING BALANCE
(13,673)	118,990		279,831	385,148		(214,963)	(137,557)	(4,764)	(357,284)	27,864

*The Accompanying Notes Are An Integral Part Of This Statement.*

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Schedule Of Cash Activity**  
**For The Fiscal Year Ended December 31, 1993**

BEGINNING BALANCE	RECEIPTS	INVESTMENT SALES	TRANSFERS INTO CASH	TOTAL AVAILABLE	INVESTMENTS PURCHASED	TRANSFERS OUT TO CLAIMS/PAYROLL	OTHER TRANSFERS OUT	DISBURSEMENTS	TOTAL USED	ENDING BALANCE
22,183	174,396		25,292	221,871		(229,693)	(40)	(5,812)	(235,545)	(13,674)

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Notes To Financial Statements**  
**January 1, 1993 Through December 31, 1994**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Whatcom County Council of Governments was incorporated on March 26, 1970 and operates under the laws of the state of Washington applicable to a regional planning commission. The following is a summary of the more significant policies, including identification of those policies which result in material departures from generally accepted accounting principles:

**A. Reporting Entity**

The council is a voluntary interlocal cooperative consisting of local governments in Whatcom County. At December 31, 1994, the council consisted of representatives of the following local governments:

- City of Bellingham
- City of Blaine
- City of Everson
- City of Ferndale
- City of Lynden
- City of Nooksack
- City of Sumas
- Whatcom County
- Port of Bellingham
- Birch Bay Water and Sewer District
- Whatcom Water District No. 10
- Whatcom Water District No. 12
- Whatcom County Conservation District

**B. Basis of Presentation - Fund Accounting**

The accounts of the council are organized on the basis of funds, each of which is considered a separate accounting entity. The council uses only governmental funds as listed below. Each governmental fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures.

**GOVERNMENTAL FUND TYPES:**

**General Fund**

This fund is the general operating fund of the council. It is used to account for all financial resources and transactions except those required to be accounted for in another fund.

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

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

In governmental and fiduciary funds, revenues are recognized only when received in cash and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law. This is a departure from generally accepted accounting principles which require revenue and expenditure recognition on the modified-accrual basis of accounting (GAAP). Purchases of fixed assets are expensed during the year acquired.

D. Duties of Whatcom County

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

E. Budgets

1. Scope of Budget

An annual appropriated budget is adopted for the council at the level of the fund.

Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. Annual appropriations lapse at year end.

2. Procedures for Adopting the Original Budget

The council's budget procedures are mandated by its By Laws, Section 10. The steps in the budget process are as follows:

- a. By October 1 of each year a budget estimate for the ensuing year is mailed to each representative.
- b. Each member entity reviews the budget estimate, making additional recommendations it deems appropriate.
- c. The council, at its regular November meeting considers the preliminary budget, makes such additional changes as may be required, and approves it.
- d. The approved preliminary budget is transmitted by the chairperson to the governing bodies of the member agencies.
- e. At the annual meeting held in December, the council reviews the preliminary budget, makes such additional changes as may be necessary, and adopts the final budget.
- f. Two copies of the approved budget are forwarded to the Whatcom County Auditor by January 15th, and such other persons as the membership may direct.



3. Amending the Budget

The council may amend its budget, provided that copies of such changes shall be filed with the Whatcom County Auditor and, further provided that, at no time may the council's budget expenditures exceed funds reasonably expected to be available.

F. Assets and Liabilities

1. Investments

The council had no investments during the audit period.

2. Fixed Assets

Fixed assets are expensed when purchased. The council has not established a fixed assets account group.

3. Long-term Debt

The council had no long-term debt during the audit period.

4. Compensated Absences

Vacation pay may be accumulated up to thirty days and is payable upon resignation, retirement, or death. The liability for accumulated unused vacation has not been calculated and is not included in the financial statements.

Sick leave may be accumulated indefinitely.

G. Revenues and Expenditures

1. Governmental and fiduciary funds use the cash basis of accounting where revenues are recognized when received in cash and expenditures are recognized when paid, including those properly chargeable against the report year's budget appropriations as required by state law. This is a departure from generally accepted accounting principles (GAAP) which require revenue and expenditure recognition on the modified-accrual basis of accounting.

2. The accompanying Schedules of Financial Assistance provides a listing of all federal and state assistance programs in which the council participates and summarizes the council's grant transactions for 1993 and 1994.

NOTE 2 -- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the council.

NOTE 3 - PENSION PLAN

Substantially all council full-time and qualifying part-time employees participate in the statewide Public Employees' Retirement System (PERS) administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the council's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

The council's contributions, ranging between 7.46 percent and 7.58 percent of covered payroll for the year ending December 31, 1993 of \$10,816.18 and 7.58 percent of covered payroll for the year ending December 31, 1994 of \$8,635.77, represent its full liability under the system, except that future rates may be adjusted to meet the system needs.

NOTE 4 -- SHORT-TERM DEBT

The accompanying Schedule of Registered Warrants provides a listing of the outstanding registered warrants of the council and summarizes the council's debt transactions for 1993 and 1994.

NOTE 5 -- RISK MANAGEMENT, CONTINGENCIES AND LITIGATION

The council maintains insurance against most normal hazards. In the opinion of management, the council's insurance policies are adequate to pay all known or pending claims.

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Schedule Of Registered Warrants**  
**For The Fiscal Year Ended December 31, 1994**

BEGINNING BALANCE	ISSUED	REDEEMED	ENDING BALANCE
78,654	138,717	(104,163)	113,208

*Additional Information*

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Schedule Of Registered Warrants**  
**For The Fiscal Year Ended December 31, 1993**

<b>BEGINNING BALANCE</b>	<b>ISSUED</b>	<b>REDEEMED</b>	<b>ENDING BALANCE</b>
117,643	78,654	(117,643)	78,654

*Additional Information*

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Schedule Of State Financial Assistance**  
**Governmental Assistance Received From State Agencies Or Local Government**  
**For The Fiscal Year Ended December 31, 1994**

Grantor Agency	Revenue Account No.	Program Name	Other Ident. No.	Total Award Amount	Balance at Beginning of Current Year	Current Year Revenues	Current Year Expenditures	Balance at Year End
DOE	334.03.10	Watershed Planning	TAX80200	208948	15659	7700	7700	7859
DOE	334.03.10	Watershed Planning	TAX91088	188850	84851	18703	18703	68148
WSDOT	334.03.60	Regional Tran. Ping.	GC8881/PL4616	73888	35458	6163	6163	28286
WSDOT	334.03.60	Regional Tran. Ping.	GC8881/PL4616	28286	-0-	28488	28488	788
<b>TOTALS</b>						<b>58064</b>	<b>58064</b>	

*Additional Information*  
*The Accompanying Notes To Schedule Of Federal Financial Assistance Are An Integral Part Of This Statement. See Page S-4.*

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Schedule Of State Financial Assistance**  
**Governmental Assistance Received From State Agencies Or Local Government**  
**For The Fiscal Year Ended December 31, 1993**

Grantor Agency	Revenue Account No.	Program Name	Other Ident. No.	Total Award Amount	Balance at Beginning of Current Year	Current Year Revenues	Current Year Expenditures	Balance at Year End
DOE	334.03.10	Watershed Planning	TAX80200	209848	56127	38468	38468	15659
DOE	334.03.10	Watershed Planning	TAX81088	188850	127551	42700	42700	84851
WSDOT	334.03.80	Regional Tran. PIng.	GC8246/PL3618	110372	-0-	36484	36484	73888
WSDOT	334.03.80	Regional Tran. PIng.	GC8881/PL4618	73888	-0-	38430	38430	36468
<b>TOTALS</b>						<b>157082</b>	<b>157082</b>	

*Additional Information*  
*The Accompanying Notes To Schedule Of Federal Financial Assistance Are An Integral Part Of This Statement. See Page S-4.*

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**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Whatcom County, Washington**  
**January 1, 1993 Through December 31, 1994**

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**Independent Auditor's Report On Supplementary Information**  
**Schedule Of Federal Financial Assistance**

---

Chairman  
Whatcom County Council of Governments  
Bellingham, Washington

We have audited the financial statements of the Whatcom County Council of Governments, Whatcom County, Washington, as of and for the fiscal years ended December 31, 1994 and 1993, and have issued our report thereon dated August 11, 1995. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

Our audit was made for the purpose of forming an opinion on the financial statements of the Whatcom County Council of Governments taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Brian Sonntag  
State Auditor

August 11, 1995



**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Schedule Of Federal Financial Assistance**  
**Federal Assistance Received Directly From A Federal Agency Or Indirectly Through A State Agency**  
**Or Other Local Government**  
**For The Fiscal Year Ended December 31, 1994**

Grantor Agency	Revenue Account No.	Program Name	Federal CFDA No.	Other Ident. No.	Total Award Amount	Balance at Beginning of Current Year	Current Year		Balance at Year End	
							Revenues	Expenditures		
WSDOT	333.20.60	FTA Sec.8 (FY94)	20.606	GC98B1	20760	12622	13064	13084	-0-	
WSDOT	333.20.60	FTA Sec.8 (FY86)	20.606	GC98B1	21611	-0-	7889	7889	13628	
WSDOT	333.20.20	FHWA PL (FY94)	20.205	GC98B1/PL606	46229	33223	29313	29313	3910	
WSDOT	333.20.20	FHWA PL (FY86)	20.205	GC98B1/PL606	70574	-0-	18849	18849	50725	
<b>TOTALS</b>								<b>70216</b>	<b>70216</b>	

(1) This ending balance indicates that there is a carryover that may be obligated for the coming fiscal year if the work program is amended to obligate the carryover and if the WSDOT approves the amendment.

(2) This is money that lapses due to grant allocation not being spend during fiscal year.

*The Accompanying Notes To The Schedule Of Federal Financial Assistance Are An Integral Part Of This Schedule.*

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Schedule Of Federal Financial Assistance**  
**Federal Assistance Received Directly From A Federal Agency Or Indirectly Through A State Agency**  
**Or Other Local Government**  
**For The Fiscal Year Ended December 31, 1993**

Grantor Agency	Revenue Account No.	Program Name	Federal CFDA No.	Other Ident. No.	Total Award Amount	Balance at Beginning of Current Year	Current Year Revenues	Current Year Expenditures	Balance at Year End	
WSDOT	333.20.60	FTA Sec.B (FY'93)	20.505	GC9246	21585	7517	5805	5805	1712	
WSDOT	333.20.60	FTA Sec.B (FY'94)	20.505	GC9246	22462	-0-	8128	8128	14334	
WSDOT	333.20.20	FHWA PL (FY'93)	20.205	GC9246	52548	44448	18881	18881	25568	
WSDOT	333.20.20	FHWA PL (FY'94)	20.205	GC9246	48228	-0-	13006	13006	33223	
<b>TOTALS</b>							<b>46820</b>	<b>46820</b>	<b>46820</b>	

(1) This ending balance indicates that there is a carryover that may be obligated for the coming fiscal year if the work program is amended to obligate the carryover and if the WSDOT approves the amendment. The carryforward is shown in FY'94 award amount.  
(2) An amendment to increase the PL Work Program by \$23887 was approved by WSDOT.

*The Accompanying Notes To The Schedule Of Federal Financial Assistance Are An Integral Part Of This Schedule.*

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS  
Notes To Schedule Of Federal Financial Assistance  
January 1, 1993 Through December 31, 1994**

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Federal Financial Assistance is prepared on the modified accrual basis of accounting. Revenues have been accrued to match expenditures paid.

NOTE 2 - MAJOR PROGRAMS

The asterisk (\*) to the right of a CFDA number identifies the grant as a major federal program as defined by OMB Circular A-128. Whatcom County Council of Governments, for the fiscal years 1993 and 1994, did not have any major federal programs.

NOTE 3 - NOT AVAILABLE

The award balance at the end of the year is shown as "N/A" when, even though all funds were not spent, the grant period has elapsed with no provision to carryover the grant into the next fiscal period. Since the grant has terminated, there is no award balance available.

NOTE 4 - PROGRAM COSTS

The amounts shown as current year expenditures represent only federal portions of the program costs. Actual program costs, including the council's portion, may be more than shown.

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Whatcom County, Washington**  
**January 1, 1993 Through December 31, 1994**

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**Independent Auditor's Report On Compliance With The General Requirements  
Applicable To Federal Financial Assistance Programs**

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Chairman  
Whatcom County Council of Governments  
Bellingham, Washington

We have audited the financial statements of the Whatcom County Council of Governments, Whatcom County, Washington, as of and for the fiscal years ended December 31, 1994 and 1993, and have issued our report thereon dated August 11, 1995.

We have applied procedures to test the council's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedules of Federal Financial Assistance, for the fiscal years ended December 31, 1994 and 1993:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements, including subrecipient monitoring

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Davis-Bacon Act
- Relocation assistance and real property acquisition

Our procedures were limited to the applicable procedures described in the Office of Management and Budget (OMB) *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the council's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the council had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the council. However, this report is a matter of public record and its distribution is not limited.



Brian Sonntag  
State Auditor

August 11, 1995

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Whatcom County, Washington**  
**January 1, 1993 Through December 31, 1994**

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**Independent Auditor's Report On Compliance With Specific Requirements**  
**Applicable To Nonmajor Federal Financial Assistance Program Transactions**

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Chairman  
Whatcom County Council of Governments  
Bellingham, Washington


We have audited the financial statements of the Whatcom County Council of Governments, Whatcom County, Washington, as of and for the fiscal years ended December 31, 1994 and 1993, and have issued our report thereon dated August 11, 1995.

In connection with our audit of the financial statements of the council and with our consideration of the council's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the fiscal years ended December 31, 1994 and 1993.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures and vouchers that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the council's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that the Whatcom County Council of Governments had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the council. However, this report is a matter of public record and its distribution is not limited.



Brian Sonntag  
State Auditor

August 11, 1995

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Whatcom County, Washington**  
**January 1, 1993 Through December 31, 1994**

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**Independent Auditor's Single Audit Report On Internal Control Structure  
Used In Administering Federal Financial Assistance Programs**

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Chairman  
Whatcom County Council of Governments  
Bellingham, Washington

We have audited the financial statements of the Whatcom County Council of Governments, Whatcom County, Washington, as of and for the fiscal years ended December 31, 1994 and 1993, and have issued our report thereon dated August 11, 1995.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the council's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated August 11, 1995.

The management of the council is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation

of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
  - Cash receipts
  - Accounts payable
  - Payroll
  
- **General Requirements**
  - Political activity
  - Civil rights
  - Cash management
  - Federal financial reports
  - Allowable costs/cost principles
  - Drug-Free Workplace Act
  - Administrative requirements, including subrecipient monitoring
  
- **Specific Requirements**
  - Types of services
  - Matching, level of effort, earmarking
  - Reporting
  - Special requirements
  
- **Claims For Advances And Reimbursements**
  
- **Amounts Claimed Or Used For Matching**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
  - Cash disbursements
  - Receivables
  - Purchasing and receiving
  - Inventory control
  - Property, plant, and equipment
  - General ledger
  
- **General Requirements**
  - Davis-Bacon Act
  - Relocation assistance and real property acquisition
  
- **Specific Requirements**
  - Eligibility




During the fiscal years ended December 31, 1994 and 1993, the council had no major federal financial assistance programs and expended 70 percent of its total federal financial assistance under the following nonmajor federal financial assistance program: Highway Planning and Construction (CFDA 20.205).

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the aforementioned nonmajor program. Our procedures were less in scope than would be necessary to render an opinion on these internal control structures policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the council. However, this report is a matter of public record and its distribution is not limited.



Brian Sonntag  
State Auditor

August 11, 1995

**WHATCOM COUNTY COUNCIL OF GOVERNMENTS**  
**Whatcom County, Washington**  
**January 1, 1991 Through December 31, 1992**

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**Directory Of Officials**

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**Executive Board**

Bruce Ayers, Chair  
John Hobberlin, Vice Chair  
Yvonne Goldsmith, Sec/Treas.  
Jim Ackerman  
Tim Douglas  
Ken Hendersen  
Doug Smith  
Shirley VanZanten

Bellingham City Council  
Blaine City Council  
Ferndale City Council  
Nooksack City Council  
Mayor, City of Bellingham  
Whatcom County Council  
Port of Bellingham  
Whatcom County Executive

**Voting Members**

Mike Quinn  
Gerald Digerness  
Alvin Starkenburg  
Tony Freeland  
Pat Sizemore  
Gena Welch  
Fred Bovenkamp  
Louis Bjornson  
Gena Tolle

Councilmember, Sumas  
Whatcom County Conservation District  
Whatcom County Council  
Water District No. 10  
Birch Bay Water and Sewer District  
Water District No. 12  
Councilmember, Lynden  
Councilmember, Bellingham  
Councilmember, Everson

**Associate Members**

Rob Felix  
Michael Karp  
Pat Alesse

Sudden Valley Association  
Whatcom County Opportunity Council  
Birch Bay Chamber of Commerce

**Executive Director**

Mark Challender  
(Resigned 6/95)  
James Miller  
(Appointed 7/95)

**Mailing Address**

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Council

2011 Young St  
Bellingham WA 98225