

Washington State Auditor's Office

Audit Report

**Whatcom County Council of
Governments**

Audit Period
January 1, 1997 through December 31, 1998

Report No. 60732

Issue Date
December 3, 1999



Washington
State Auditor
Brian Sonntag

Audit Summary

Whatcom County Council of Governments January 1, 1997 through December 31, 1998

ABOUT THE AUDIT

This report contains the results of our biennial independent audit of the Whatcom County Council of Governments for the period January 1, 1997, through December 31, 1998.

We performed audit procedures to determine whether the Council complied with state laws and regulations and its own policies and procedures. We also audited the financial statements and evaluated the internal controls established by Council management. Our work focused on specific areas that had potential for abuse and misuse of public resources

RESULTS

The Council complied with state laws and its own policies and procedures in the areas we examined.

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Description of the Council

Whatcom County Council of Governments January 1, 1997 through December 31, 1998

ABOUT THE COUNCIL

The Whatcom County Council of Governments is an intergovernmental organization, that serves as a coordinator for projects that affect multiple levels of government, primarily endeavors relating to transportation issues. It had an operating budget of \$555,390 in 1997, \$705,989 in 1998, and \$1,135,868 in 1999. The Council employs five full-time staff and three hourly/temporary staff.

The governing officials of the Council consist of an Executive Board and a Full Council. Mayors, executives, commissioners and council members of local governments serve as Board Members. The Council receives its funding from local dues and state, federal and local grants.

ELECTED OFFICIALS

These officials served during the audit period:

Executive Board:

John Hobberlin, Chair, 1997-98	Mayor, Blaine City Council
Ken Roberts, Vice-Chair, 1997, Term exp, 1998	Mayor, City of Nooksack
Yvonne Goldsmith, Vice-Chair, 1998, Sec/Tres, 1997	Ferndale City Council
Bob Ryan, Sec/Tres, 1998, Member, 1997	Bellingham City Council
Pete Kremen	Whatcom County Executive
Mark Asmundson	Mayor, City of Bellingham
Joy Monjure, 1998	Everson City Council
Ginny Benton	Port of Bellingham
Kathy Sutter	Whatcom County Council

Full Council (the Full Council includes the Executive Board Members plus the following):

Pat Rowe	Bellingham City Council
Tome Brown	Whatcom County Council
Jim Ackerman, 1998	Mayor, City of Nooksack
Don Peterson	Mayor, City of Sumas
Daryl Brennick, 1998	Mayor, City of Lynden
Ken Thomas	Whatcom Conservation District
Don Montfort	Birch Bay Water and Sewer District
Tony Freeland	Water District No. 10
Gene Welch	Water District No. 12
Jim Kaemingk, 1997	Mayor, City of Lynden

Non-Voting Members:

Chic Murray	Sudden Valley Association
Kay Sardo	The Opportunity Council
Patrick Alesse	Birch Bay Chamber of Commerce

Executive Director
James Miller

ADDRESS

Whatcom County Council of Governments

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Bellingham, WA 98225-4043
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Audit Areas Examined

Whatcom County Council of Governments January 1, 1997 through December 31, 1998

In keeping with general auditing practices, we do not examine every portion of the Council's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years.

We did not audit how the Council is addressing year 2000 issues relating to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer systems and electronic equipment cannot recognize the difference between the years 1900 and 2000. Because of the unprecedented nature of the year 2000 issue, its effects will not be determinable until the year 2000 and thereafter. Accordingly, we do not provide assurance that the Council is or will be year 2000 ready.

The following areas of the Council were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Travel reimbursements
- Spending state grant funds for allowable purposes
- Open Public Meetings Act
- Legal and supported payments
- Ethics/conflict of interest laws

INTERNAL CONTROL

We evaluated the following areas of the Council's internal control structure:

- Payroll
- Expenditures/vouchers
- Property, plant and equipment
- Cash receipting

FINANCIAL AREAS

In addition to the financial-related work listed in other categories, we audited the following areas:

- Overall presentation of the financial statements
- Expenditures/expenses
- Revenues
- Budgets

Audit Overview

Whatcom County Council of Governments January 1, 1997 through December 31, 1998

AUDIT HISTORY

An audit of the Whatcom County Council of Governments is performed every two years. During the past five years, there have been three findings reported. Council officials have taken steps to correct all of the deficiencies noted in prior findings. This reflects the Council's commitment to maintain a strong financial system with sufficient internal controls

CONCLUSIONS

In the areas examined, we found the Council complied with state laws and regulations and its own policies and procedures; we also found the Council's financial statements were accurate and complete. We thank Council officials and personnel for their assistance and cooperation throughout the audit.

Independent Auditor's Report on Compliance with State Laws and Regulations

**Whatcom County Council of Governments
January 1, 1997 through December 31, 1998**

Executive Board
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 years ended December 31, 1998 and 1997, and have issued our report thereon dated August 31, 1999.

We also performed 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 State Auditor's Office.

Compliance with these requirements is the responsibility of the Council's management. Our responsibility is 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 overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the Council complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. 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 Executive Board and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



BRIAN SONNTAG, CGFM
STATE AUDITOR

August 31, 1999

Independent Auditor's Report on Financial Statements

Whatcom County Council of Governments January 1, 1997 through December 31, 1998

Executive Board
Whatcom County Council of Governments
Bellingham, Washington

We have audited the accompanying financial statements of the Whatcom County Council of Governments, Whatcom County, Washington, for the years ended December 31, 1998 and 1997. 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, the Council prepares its financial statements 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, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of the Whatcom County Council of Governments for the years ended December 31, 1998 and 1997, on the cash basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of State Financial Assistance are presented for purposes of additional analysis. These schedules 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 presented, in all material respects, in relation to the financial statements taken as a whole.



BRIAN SONNTAG, CGFM
STATE AUDITOR

August 31, 1999

Financial Statements

**Whatcom County Council of Governments
January 1, 1997 through December 31, 1998**

FINANCIAL STATEMENTS

Schedule of Cash Activity – 1998
Schedule of Cash Activity – 1997
Schedule of Investment Activity – 1998 and 1997
Notes to Financial Statements – 1998 and 1997

ADDITIONAL INFORMATION

Schedule of State Financial Assistance – 1998
Schedule of State Financial Assistance – 1997

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Schedule Of Cash Activity
For The Fiscal Year Ended December 31, 1998

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
2,975	496,777	171,000	542,935	1,213,687	(237,834)	(954,891)	0	0	(1,192,725)	20,962

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Schedule of Cash Activity
For The Fiscal Year Ended December 31, 1997

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
4,954	334,278	191,100	326,628	856,960	(219,674)	(634,311)	0	0	(853,986)	2,975

Whatcom County Council of Governments
Schedule of Investment Activity

For the Year Ended December 31, 1997

Beginning Investment Balance	Investments Acquired	Investments Liquidated	Ending Investments
0	219,674	191,100	28,574

For the Year Ended December 31, 1998

Beginning Investment Balance	Investments Acquired	Investments Liquidated	Ending Investments
28,574	237,834	171,000	95,408

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
Notes To Financial Statements
January 1, 1997 Through December 31, 1998

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

NOTE 1 - SUMMARY OF SIGNIFICANT 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, 1998, 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 & Sewer District
- Whatcom Water District #10
- Whatcom Water District #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 15, 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's investments are either insured, registered or held by Whatcom County or its agent in the council's name.

Investments by type at December 31, 1997 are as follows:

L.G.I.P. \$28,574.43

Investments by type at December 31, 1998 are as follows:

L.G.I.P. \$95,408.25

2. Fixed Assets

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

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 1997 and 1998.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The council overspent the 1996 budget by approximately \$6000.00 which represents approximately 2 percent of the total budgeted expenditures. This was due to the addition of one employee for the Commute Trip Reduction program.

NOTE 3 - PENSION PLAN

Substantially all council full-time and qualifying part-time employees participate in the statewide Public Employee's 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.

Historical trend information showing each system's progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's *Comprehensive Annual*

Financial Report. Please refer to said report for detailed information.

State of Washington
Office of Financial Management
300 Insurance Building
PO Box 3113
Olympia, WA 98504-0201

NOTE 4 - SHORT-TERM DEBT

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

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 STATE FINANCIAL ASSISTANCE
 For The Year Ended December 31, 1998

Grantor & Program Name	Federal CFDA No.	Other Ident. Number	Current Year Expenses	SUB-TOTALS BY PROGRAM
WSDOT RTPO		GCA0902/PL8616	15747	
		GCA0902/PL8616	22273	38020
DOE		TAX91088	42203	42203
WSDOT		GCA0887	50000	50000
TOTAL			130223	130223

WHATCOM COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For The Year Ended December 31, 1997

Grantor & Program Name	Federal CFDA No.	Other Ident. Number	Current Year Expenses	SUB-TOTALS BY PROGRAM
WSDOT RTPO		GC10539/PL6616	16071	
		GCA0902/PL8616	15747	31818
DOE		TAX91088	1656	1656
WSDOT		GCA0887	30000	30000
TOTAL			63474	63474