

Washington State Auditor's Office

Audit Report

Columbia River Gorge Commission

Washington State Agency No. 460

Oregon State Agency No. 350

Audit Period

July 1, 1997 through June 30, 1998

Report No. 6022

Issue Date
April 2, 1999



Washington _____

State Auditor

Brian Sonntag

Audit Summary

**Columbia River Gorge Commission
Washington State Agency No. 460
Oregon State Agency No. 350
July 1, 1997 through June 30, 1998**

ABOUT THE AUDIT

This report contains the results of our annual independent audit of Columbia River Gorge Commission for the period July 1, 1997, through June 30, 1998.

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

RESULTS

The Commission complied with state laws and regulations and its own policies and procedures. No conditions were identified which we consider to be significant enough to be reported as a finding. In addition, the Commission did not have any findings in the prior audit.

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Oregon State Agency No. 350
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Audit Areas Examined

**Columbia River Gorge Commission
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In keeping with general auditing practices, we do not examine every portion of the Commission'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. The following areas of the Commission were examined during this audit period:

LEGAL COMPLIANCE

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

- Open public meetings
- Personal service contracts
- State grants
- Board officials
- Internet usage
- Travel

INTERNAL CONTROL

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

- Cash receipts
- Payroll
- Inventory of fixed assets
- Disbursements

FINANCIAL AREAS

We did not audit how the Commission 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 Commission is or will be year 2000 ready.

The Columbia River Gorge Commission is included in the 1998 *State of Washington Comprehensive Annual Financial Report*. The Office of Financial Management and the Commission also prepare a separate set of financial statements upon which we issue an opinion. In connection with our audit of the Commission's financial statements, we examined the following areas:

- Revenues
- Expenditures

Audit Overview

**Columbia River Gorge Commission
Washington State Agency No. 460
Oregon State Agency No. 350
July 1, 1997 through June 30, 1998**

AUDIT HISTORY

We audit the Columbia River Gorge Commission annually. During the past four audits, we reported no findings. We believe this is due to the positive attitude and diligence of Commission staff in working with the Washington State Auditor's Office and the Oregon Audits Division.

The Commission has been proactive in making improvements and correcting minor issues noted in past audit exit conferences. It has been responsive to our recommendations. We believe this reflects the Commission's commitment to maintaining a strong financial system with sufficient internal controls. We appreciate the Commission's prompt attention to resolving audit issues and its commitment to establishing public accountability.

CONCLUSIONS

In the areas reviewed, we found the Commission complied with state laws and regulations and its own policies and procedures. During the audit, we noted the following internal control strengths that facilitated compliance with laws.

The Commission prepares quarterly reconciliations between the Agency Financial Reporting System reports and internal records to ensure accuracy in reporting program expenditures.

The Commission reviews state payroll warrant registers, disbursement vouchers and invoices for approval of payment.

Commission policies and procedures are well written and appropriately applied.

We would like to thank Commission officials and personnel for their assistance and cooperation during the audit.

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

**Columbia River Gorge Commission
Washington State Agency No. 460
Oregon State Agency No. 350
July 1, 1997 through June 30, 1998**

Chairman of the Board
Columbia River Gorge Commission
White Salmon, Washington

We have audited the financial statements of the Columbia River Gorge Commission, as of and for the year ended June 30, 1998, and have issued our report thereon dated March 16, 1999.

We also performed tests of compliance with state laws and regulations as required by RCW 43.88.160(6). This statute requires the State Auditor to inquire as to whether the state complied with the laws, regulations and *Constitution of the State of Washington*.

Compliance with these requirements is the responsibility of the state 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 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 indicate that, with respect to the items tested, the Commission 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 Commission had not complied, in all material respects, with those provisions.

This report is intended for the information of the management 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

March 16, 1999

Independent Auditor's Report on Financial Statements

**Columbia River Gorge Commission
Washington State Agency No. 460
Oregon State Agency No. 350
July 1, 1997 through June 30, 1998**

Chairman of the Board
Columbia River Gorge Commission
White Salmon, Washington

We have audited the financial statements of the Columbia River Gorge Commission, as of and for the year ended June 30, 1998. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 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.

A Statement of Revenues and Expenditures, Budget vs. Actual, as required by generally accepted accounting principles, was not included as part of the financial statements.

In addition, Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Commission has included such disclosures in Note 3. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Commission's disclosures with respect to the year 2000 issue made in Note 3. Further, we do not provide assurance that the Commission is or will be year 2000 ready, that the Commission's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Commission does business will be year 2000 ready.

In our opinion, except for the effects, if any, of not including all required financial statements as discussed above and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the financial statements referred to above present fairly, in all material respects, the financial position of the Columbia River Gorge Commission as of June 30, 1998, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Statement of Expenditures – Budget (Non-GAAP Basis) and Actual – General Fund is presented for the purposes of additional analysis and is 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.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 16, 1999

Financial Statements

**Columbia River Gorge Commission
Washington State Agency No. 460
Oregon State Agency No. 350
July 1, 1997 through June 30, 1998**

FINANCIAL STATEMENTS

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Columbia River Gorge Commission
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Balance Sheet – Governmental Funds and Account Groups
As of June 30, 1998

	Govt'l Funds		Account Groups	
	General Fund	Savings Incentive	General Long Term Debt	General Fixed Assets
<u>Assets</u>				
Due from Savings Incentive Fund	\$ 4,769			
Due from Washington State	31,341	\$ -	-	-
Due from Federal Government	85,988	-	-	-
Due from State Treasurer		4,769		
Fixed Assets (Net)	-	-	-	
Amount to be Provided for Long Term Obligations	-		43,404	\$ -
Total Assets	\$ 122,098	\$ 4,769	\$43,404	\$ -
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts Payable	\$ 10,107	\$ -	\$ -	\$ -
Salaries & Benefits Payable	17,665	-	-	-
Other Liabilities	425	-	-	-
Due to Other Agencies	1,277	-	-	-
Due to Oregon State	5,347	-	-	-
Due to Other Government	1,289	-	-	-
Due to General Fund	-	4,769	-	-
Due to Washington State	85,988	-	-	-
Compensated Absences Payable	-	-	43,404	-
Total Liabilities	\$ 122,098	\$ 4,769	\$ 43,404	\$ -
Fund Equity:				
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -
Fund Balance:				
Unreserved	-	\$ -		-
Total Fund Equity Balance	\$ -	\$ -	\$ -	\$ -
Total Liabilities & Fund Bal.	\$ 122,098	\$ 4,769	\$ 43,404	\$ -

The Accompanying Notes Are An Integral Part of This Statement.

Columbia River Gorge Commission
Washington State Agency No. 460
Oregon State Agency No. 350
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance
All Governmental Fund Types
For The Fiscal Year Ended June 30, 1998

	General Fund	Special Revenue
<u>Revenues</u>		
Revenues From All Other Sources		
Environmental Protection Agency	\$ 96,738	\$ -
USDA Forest Service	81,752	-
Total Revenues	\$ 178,490	\$ -
<u>Expenditures</u>		
Washington	\$ 480,231	\$ 4,769
Oregon	240,933	-
Total Expenditures	\$ 721,164	\$ 4,769
Excess of Revenues Over (Under) Expenditures	\$ (542,674)	\$ (4,769)
<u>Other Financing Sources/(Uses)</u>		
General Fund Appropriations:		
Washington – Joint Appropriation	\$ 72,963	\$ -
Washington – Commissioners	14,778	-
Washington – County Grants	120,000	-
Washington – Governor's Emergency Fund	94,000	-
Oregon – Joint Appropriation	187,962	-
Oregon – Commissioners	2,971	-
Oregon – County Grants	50,000	-
Other Sources – Savings Incentive	-	4,769
Total Other Financing Sources/(Uses)	\$ 542,674	\$ 4,769
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	\$ -	\$ -
Beginning Fund Balance	\$ -	\$ -
Ending Fund Balance	\$ -	\$ -

The Accompanying Notes Are An Integral Part of This Statement

**Columbia River Gorge Commission
Washington State Agency No. 460
Oregon State Agency No. 350
Statement of Expenditures - Budget (Non-GAAP Basis) and Actual
General Fund
For The Fiscal Year Ended June 30, 1998**

	1997-1999 Budget (Appropriated)	First Year Actual Exp. June 30, 1998	Second Year Budget Remaining June 30, 1999
General Fund:			
Federal Expenditures:			
Environmental Protection Agency	\$ 96,738	\$ 96,738	\$ 0
USDA Forest Service	255,255	81,752	173,503
	<u> </u>	<u> </u>	<u> </u>
Total Federal	\$ 351,993	\$ 178,490	\$ 173,503
Washington Expenditures:			
Joint Operating	\$ 155,000	\$ 72,963	\$ 76,779*
Commissioners	40,000	14,778	25,222
County Grants	240,000	120,000	120,000
Governor's Emergency Fund	94,000	94,000	0
	<u> </u>	<u> </u>	<u> </u>
Total Washington	\$ 529,000	\$ 301,741	\$ 227,259
Oregon Expenditures:			
Joint Operating	\$ 309,493	\$ 187,962	\$ 121,531
Commissioners	32,000	2,971	29,029
County Grants	100,000	50,000	50,000
Governor's Emergency Fund	19,000	19,000	0
	<u> </u>	<u> </u>	<u> </u>
Total Oregon	\$ 460,493	\$ 240,933	\$ 200,560
	<u> </u>	<u> </u>	<u> </u>
Total Washington and Oregon	\$989,493	\$542,674	\$427,819

* \$5,258 lapsed at the end of FY 98 in Washington Appropriations due to Initiative 601.

The Accompanying Notes Are An Integral Part of This Statement.

Columbia River Gorge Commission

Washington State Agency No. 460

Oregon State Agency No. 350

Notes To the Financial Statements

For The Fiscal Year Ended June 30, 1998

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of Columbia River Gorge Commission (Commission) have been prepared in conformity with generally accepted accounting principles (GAAP). The more significant of the state's accounting policies are as follows:

A. Reporting Entity

The Commission is a regional agency authorized by Congress through the Columbia River Gorge National Scenic Area Act (PL 99-663) and created by the states of Washington and Oregon by interstate compact. The Commission is comprised of twelve members from the two states and one member appointed by the US Secretary of Agriculture. Its primary role involves planning, consulting and oversight in the implementation of the federal legislation. The Commission has a staff of six, all of whom are Washington State employees.

B. Basis of Presentation - Fund Accounting

The Commission uses two funds and two account groups. The Commission uses the fund and account groups to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The Commission uses two fund types. The general fund is used to account for all of Columbia River Gorge Commission's general activities. The special revenue fund is used for the savings incentive account.

Account Groups

The General Fixed Assets Account Group accounts for all fixed assets of the Commission. The General Long-Term Debt account Group accounts for the Commission's accrued compensated absences (accrued leave).

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The general fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements for this fund present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) as changes in net current assets . . . The modified accrual basis of accounting is used by the general and special revenue funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when

they become both measurable and available). “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Under modified accrual accounting, expenditures are recognized when the related fund liability is incurred. Exceptions to the general modified accrual expenditure recognition criteria include principal and interest on general long-term indebtedness which are recognized when due and compensated absences which are recognized when paid.

D. General Budgetary Policies and Procedures

The legal level of budgetary control is at the fund/account, agency and appropriation level, with administrative controls established at lower levels of detail in certain instances. Annual budgets are established at the state legislative level through an allotment process. All funding is provided by appropriations from the states of Washington and Oregon. Other sources of revenue received during the period included unanticipated receipts from Environmental Protection Agency and Department of Agriculture – Forest Service.

Commissioner compensation, including travel, is paid directly and accounted for separately by each state. All other Commission expenditures are joint expenditures, which are shared equally by both states. These expenditures are processed, paid and accounted for by the state of Washington. Oregon reimburses Washington for its 50 percent share.

E. Receivables

Receivables in the Commission’s General Fund consist primarily of money owed to the Commission by Washington or Oregon State. Receivables are recorded when either the asset or revenue recognition criteria (See Note I:C) has been met.

F. Fixed Assets

Except as noted below, all fixed assets with a unit cost of \$5,000 or greater are capitalized and reported in the accompanying financial statements.

All purchased fixed assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Fixed asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use.

Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Fixed assets in the general fund are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in the General Fund, and related assets (including construction projects not completed at the end of the accounting period) with the following characteristics are reported in the General Fixed Assets Account Group:

- a. Acquired for the production of general government services, not for the production of services that are sold.
- b. Have life expectancy of more than one year.
- c. Have a unit cost of \$5,000 or greater.

Depreciation expense of general fixed assets is not recorded.

G. Compensated Absences

Annual Leave and Sick Leave

Commission employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 30 days at the employee's anniversary date. It is the Commission's policy to liquidate unpaid annual leave at June 30 from future resources rather than currently available expendable resources.

Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested; i.e., the Commission does not pay employees for unused sick leave upon termination except upon employee death or retirement. At death or retirement, the Commission is liable for 25 percent of the employee's accumulated sick leave. In addition, the Commission has a "sick leave buyout option" in which, each January, employees who accumulate sick leave in excess of 60 days may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave. It is the Commission's policy to liquidate unpaid sick leave at June 30 from future resources rather than currently available expendable resources. Accordingly, the general fund recognizes sick leave when it is paid.

The Commission has recorded an estimated leave buyout liability (\$43,404) at June 30, 1998, in the General Long-Term Debt Account Group.

H. Fund Equity

Fund equity represents the difference between fund assets and fund liabilities.

Note 2 – Retirement System

Commission employees are members of the Washington State retirement system. (Actuarial and other information of this system can be found in the *Washington State Comprehensive Annual Financial Report*.)

Note 3 – Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

The Columbia River Gorge Commission has not inventoried computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the agency's operations. It is unknown as of June 30, 1998, what effects, if any, failing to remediate any such systems will have upon the agency's operations and financial reporting.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the agency is or will be year 2000 ready, that the agency's remediation efforts will be successful in whole or in part, or that parties with whom the agency does business will be year 2000 ready.

Note 4 - Summary of Significant Litigation

The Columbia River Gorge Commission undertook a significant enforcement case in Fiscal Year 1999, which may result in future litigation. At the present time, it is not possible to predict a probable outcome of any future related litigation nor to estimate the potential range of liability expense.