
Secretary of State

State of Oregon

COLUMBIA RIVER GORGE COMMISSION

July 1, 2002 through June 30, 2003



Audits Division

Interstate Cooperative Agreement with Washington State Office of State Auditor

Secretary of State

State of Oregon

COLUMBIA RIVER GORGE COMMISSION

July 1, 2002 through June 30, 2003



Audits Division

OFFICE OF THE
SECRETARY OF STATE
Bill Bradbury
Secretary of State



AUDITS DIVISION
Cathy Pollino
State Auditor

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Auditing for a Better Oregon

The Honorable Ted Kulongoski
Governor of Oregon
State Capitol
Salem, Oregon 97310-4047

Board of Commissioners
Columbia River Gorge Commission
Post Office Box 730
White Salmon, Washington 98672

We performed auditing procedures for the Washington State Auditor's Office pursuant to the Interstate Cooperative Agreement for the Columbia River Gorge Commission Audit. The Washington State Auditor's Office was the principal auditor.

We performed our auditing procedures in accordance with generally accepted government auditing standards. We audited Oregon expenditures for appropriateness and for compliance with laws and regulations of the State of Oregon. As required by the interstate agreement, the Washington State Auditor's Office performed an audit of the Columbia River Gorge Commission and prepared Independent Auditor Reports on the financial statement and on compliance with state laws and regulations as of and for the year ended June 30, 2003.

The Oregon Audits Division is issuing these reports as a matter of public information for the taxpayers of Oregon. Likewise, the Washington State Auditor's Office has issued the reports for public use in the state of Washington.

OREGON AUDITS DIVISION

Cathy Pollino
State Auditor

Audit Summary

Columbia River Gorge Commission July 1, 2002 through June 30, 2003

ABOUT THE AUDIT

This report contains the results of our annual independent audit of the Columbia River Gorge Commission for the period July 1, 2002, through June 30, 2003.

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

In the areas we examined, the Commission complied with state laws and regulations and its own policies and procedures. We identified no conditions that we consider to be significant enough to report as findings. In addition, the Commission has never had a finding.

We also determined that the Commission's financial statements were complete and accurate.

CLOSING REMARKS

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

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Description of the Commission

Columbia River Gorge Commission July 1, 2002 through June 30, 2003

ABOUT THE COMMISSION

Sixteen years ago, Congress established the Columbia River Gorge National Scenic Area to protect and enhance the scenic, cultural, recreational, and natural resources of the Columbia River Gorge and to protect and support the economy of the Columbia Gorge. To accomplish this goal, the state of Washington, in an Interstate Cooperative Agreement with Oregon, created the Columbia River Gorge Commission to adopt and enforce standards under the Scenic Area Act. The Commission's headquarters is located in White Salmon. It is managed by a 12-member Board composed of appointees from the two states and one member appointed by the U.S. Secretary of Agriculture. The Commission is operating under an annual budget of \$674,046. The primary roles of the Board and its nine employees are planning, consulting, and oversight in the federal legislation affecting the Gorge.

AUDIT HISTORY

We audit the Commission annually. We have never reported a finding. 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 during past audits. It has been responsive to our recommendations. We believe this reflects the Commission's commitment to maintain a strong financial system with sufficient internal controls. We appreciate the Commission's prompt attention to resolve audit issues and its commitment to establish public accountability.

APPOINTED OFFICIALS

These officials served during the audit period:

Board Members:

Kenn Adcock
Daniel Harkenrider
Judy Davis
Jane Jacobsen
Doug Crow
Michael Farrow
Walt Loehrke
Joyce Reinig
Katharine A. Sheehan
Wayne Wooster
Anne Squier
Dave Robertson
Joe Palena
Martha Bennett

Executive Director

Appointed by:

Klickitat County
Secretary of Agriculture
Wasco County
Governor – Washington
Governor – Oregon
Governor – Oregon
Skamania County
Hood River County
Governor – Washington
Governor – Washington
Multnomah County
Governor – Oregon
Clark County

ADDRESS

Commission

#1 Town and Country Square
P.O. Box 730
White Salmon, WA 98672
(509) 493-3323

Audit Areas Examined

Columbia River Gorge Commission July 1, 2002 through June 30, 2003

In keeping with general auditing practices, we do not examine every portion of the Columbia River Gorge 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:

ACCOUNTABILITY FOR PUBLIC RESOURCES

We evaluated the Commission's accountability in the following areas:

- Payroll
- Disbursements
- Revenue/cash receipts
- Capital assets

LEGAL COMPLIANCE

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

- Payroll
- Disbursements
- Revenue/cash receipts
- Capital assets
- Restricted fund and proviso transfers

FEDERAL PROGRAMS

In accordance with the Single Audit Act Amendments of 1996, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit at each agency, we audit the State as a whole, and publish the results in a separate Statewide Single Audit report each spring

FINANCIAL AREAS

The Commission is included in the fiscal year 2003 state of Washington Comprehensive Annual Financial Report. The Office of Financial Management and the Commission also prepare a Statement of Expenditures – Budget and Actual upon which we issue an opinion. In connection with our audit of the Commission's financial statements, we examined the following areas:

- Expenditures

Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with *Government Auditing Standards*

Columbia River Gorge Commission July 1, 2002 through June 30, 2003

Board Members
Columbia River Gorge Commission
White Salmon, Washington

We have audited the special purpose financial statement, as listed in the table of contents, of the Columbia River Gorge Commission, as of and for the year ended June 30, 2003, and have issued our report thereon dated March 2, 2004. We conducted our audit in accordance with governmental auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Commission's special purpose financial statement is free of material misstatements, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statement and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special purpose financial statement being audited 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management of the Commission and federal awarding agencies. However, 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.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 2, 2004

Independent Auditor's Report on Financial Statements

Columbia River Gorge Commission July 1, 2002 through June 30, 2003

Board Members
Columbia River Gorge Commission
White Salmon, Washington

We have audited the accompanying special purpose Statement of Expenditures-Budget and Actual of the Columbia River Gorge Commission, as of and for the year ended June 30, 2003. This special purpose financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with governmental auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose Statement of Expenditures-Budget and Actual is 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.

In our opinion, the special purpose Statement of Expenditures-Budget and Actual presents fairly, in all material respects, the budget and actual expenditures of the Columbia River Gorge Commission for the year ended June 30, 2003, in conformity with accounting principles for expenditures generally accepted in the United States of America.

In accordance with *Government Auditing Standards* in the United States of America, we will issue our report on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Oregon State Audits Division reviewed Oregon's reimbursement of the Commission's expenditures for compliance with Oregon state laws and regulations. Oregon reimbursed 47 percent of the Commission's total expenditures for the year ended June 30, 2003.

This report is intended for the information of management, the Oregon State Audits Division, 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 2, 2004

Financial Statements

**Columbia River Gorge Commission
July 1, 2002 through June 30, 2003**

FINANCIAL STATEMENTS

Statement of Expenditures – Budget and Actual – General Fund – 2003
Notes to the Financial Statements – 2003

**Columbia River Gorge Commission
Washington State Agency #460
Oregon State Agency #350
Statement of Expenditures - Budget and Actual
For the Fiscal Year Ended June 30, 2003**

	2001-2003	FY 2002	FY 2003
	<u>Budget</u>	<u>Expenditures</u>	<u>Expenditures</u>
Federal Expenditures			
USDA Forest Service - Oral History	\$ 9,269	\$ 9,247	
USDA Forest Service - Monitoring Program	\$ 34,926	\$ 34,926	
USDA Forest Service - GIS Funding	\$ 58,992	\$ 19,560	\$ 27,788
Total Federal	\$ 103,187	\$ 63,733	\$ 27,788
Washington Expenditures			
Joint Operating	\$ 634,046	\$ 297,288	\$ 308,967
Commissioners	\$ 40,000	\$ 9,636	\$ 9,527
Klickitat County Proviso	\$ 40,000	\$ 20,000	\$ 20,000
Total Washington	\$ 714,046	\$ 326,924	\$ 338,494
Oregon Expenditures			
Joint Operating	\$ 634,046	\$ 297,293	\$ 307,013
Commissioners	\$ 21,660	\$ 6,111	\$ 6,477
Klickitat County Proviso	\$ 40,000	\$ 20,000	\$ 20,000
Total Oregon	\$ 695,706	\$ 323,404	\$ 333,490
Total Washington and Oregon Joint	\$ 1,409,752	\$ 650,328	\$ 671,984
Donations	\$ 8,380		\$ 6,800
Total Agency	\$ 1,521,319	\$ 714,061	\$ 706,572

The accompanying notes to the financial statement 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 Statement
For The Fiscal Year Ended June 30, 2003**

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 12 members from the two states and one member appointed by the U.S. Secretary of Agriculture. Its primary role involves planning, consulting, and oversight in the implementation of the federal legislation. The commission has a staff of 9, all of whom are Washington state employees.

B. Basis of Presentation – Fund Accounting

The commission uses two fund 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 fund. 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 the Department of Agriculture – Forest Service, and miscellaneous donations from private parties.

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 moneys 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 (\$38,943) at June 30, 2002 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 – Summary of Significant Litigation

The Columbia River Gorge Commission is party to litigation in both Oregon and Washington state courts and federal court regarding implementation of the National Scenic Area Act. Some of these cases could result in a substantial determination of liability because the plaintiff seeks damages. At this time it is not possible to predict a probable outcome of these cases, nor to estimate the potential range of liability expense.

FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

Directory of Key Officials

Director Cathy Pollino, CGFM
Deputy State Auditor Charles A. Hibner, CPA
Deputy State Auditor Mary E. Wenger, CPA

This report, which is a public record, is intended to promote the best possible management of public resources.

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