

Washington State Auditor's Office

Audit Report

Klickitat County Port District No. 1

Audit Period
January 1, 1996 through December 31, 1998

Report No. 60321

Issue Date
July 16, 1999



Washington _____
State Auditor
_____ Brian Sonntag

Audit Summary

Klickitat County Port District No. 1 January 1, 1996 through December 31, 1998

ABOUT THE AUDIT

This report contains the results of our audit of Klickitat County Port District No. 1 for the period of January 1, 1996, through December 31, 1998.

We performed audit procedures to determine if the District complied with state laws and regulations and its own policies and procedures. The District had expenditures of federal financial assistance exceeding \$300,000 in 1998 and we tested for compliance with federal laws and regulations per Circular A-133 with regard to federal awards expended by the District during the audit period. The expenditures of federal awards were for a single program – U.S. Department of Commerce Rural Development Assistance – for improvements to the District's infrastructure.

We also examined the District's financial records and evaluated the internal controls established by the District management. Our work was risk based on those areas that have the most potential for abuse and misuse of public resources.

Our audit, while thorough in many areas, is not intended to be a complete audit of all records of the District. We audit those areas we consider to have a lower potential audit risk on a cyclical basis.

RESULTS

Klickitat County Port District No. 1 complied with state laws and regulations and its own policies and procedures in the areas we examined. It met the requirements for federal financial assistance. The District's financial schedules were accurate and complete.

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Description of the District

Klickitat County Port District No. 1 January 1, 1996 through December 31, 1998

ABOUT THE DISTRICT

Klickitat County Port District No. 1 was formed in 1945. The District seeks to create long-term economic opportunities for local residents by encouraging the creation of diverse, stable employment, public and private capital investment, citizen involvement and inter-agency coordination to encourage business recruitment, recreational development and quality of life. The District's three elected Board of Commissioners members each serve a six-year term and are supported by three District staff.

The District owns approximately 660 acres of property at Dallesport, on the Columbia River. The acreage consists of an industrial park, an aggregate mining operation and a barge dock facility. Revenues at this site are generated from land/building leases, wharfage, tour boat docking and the sale of water.

Additionally, the District owns approximately 104 acres of property at Bingen, on the Columbia River. Over the past several years, infrastructure has been placed on site in readiness for business park development. The acreage presently houses an 11,520 square foot business development center, a small RV park, a sailboard park, a boat launch and marina as well as Bingen Lake and its surrounding Wetlands. Revenues at this site are generated from land/building leases.

The District has three full-time employees. The annual operating budgets for 1998, 1997 and 1996 respectively were \$793,009, \$537,096 and \$622,567, including debt service and federally funded improvements to infrastructure.

MEMBER ELECTED OFFICIALS

The members serving on the Board of Commissioners during the audit period were:

Board of Commissioners:

Position No. 1

Kathleen McQuiston (through 12/96)

Norman Deo (effective 1/97)

Position No. 2

B. Marc Harvey

Position No. 3

S. Wayne Vinyard

Port Manager

Elmer Stacey (through 7/98)

Acting Port Director

Dianne Sherwood (effective 8/98)

ADDRESS

District

401 Bingen Point Way, No. A
Bingen, WA 98605

Audit Areas Examined

Klickitat County Port District No. 1 January 1, 1996 through December 31, 1998

In keeping with general auditing practices, we do not examine every portion of the District'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 District uses Klickitat County for all voucher processing, warrant redemption, investment and treasury functions. We did not audit how the District 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 District is or will be year 2000 ready.

The following areas of the District 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 Act
- Budgeting requirements
- Conflict of interest
- Bid compliance

INTERNAL CONTROL

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

- Vouchers
- Payroll
- Journal entries
- Purchasing
- Billings
- Bank accounts
- Cash receipting
- Safeguarding of assets
- Warrants
- Petty Cash Fund
- Receivables

FINANCIAL AREAS

Klickitat County Port District No. 1 is not required to present traditional financial statements. Instead, Klickitat County Port District No. 1 financial records are maintained on a cash basis of accounting and its financial activity is reported on Schedules 11, 12 and 09. Our audit of these schedules indicates the schedules are fairly presented.

FEDERAL PROGRAMS

The revised Circular A-133, which implements the Single Audit Act Amendments of 1996, applies to audits of federal financial assistance for fiscal years beginning after June 30, 1996. The expenditures of federal assistance in 1998 exceeded \$300,000 and a single audit was required and performed in accordance with the requirements of OMB Circular A-133. The expenditures applied to a single federal program – U.S. Department of Commerce funding for infrastructure under CFDA 11.300.

We evaluated the following areas of the District's federal compliance:

- Activities allowed/unallowed
- Cash management
- Matching, level of effort
- Procurement, suspension and debarment
- Reporting
- Allowable cost principles
- Davis-Bacon Act
- Period of availability
- Program income

Audit Overview

Klickitat County Port District No. 1 January 1, 1996 through December 31, 1998

AUDIT HISTORY

Klickitat County Port District No. 1 has been audited on a triennial basis. Due to the growth of the District revenues, future audits will be on a biennial basis. The entity maintains records on a cash basis and maintains its books and records with an in-house computer and software system. The Klickitat County Treasurer is the Treasurer Ex-Officio for the District and is responsible for the collection of assessments, warrant redemption and investments for the District. In addition, the official reporting schedules are prepared and presented by the County Treasurer.

Over the previous audits, covering the prior three years, we have had no findings. The Acting Director, in conjunction with the Board of Commissioners, has a solid awareness of the need for internal controls and monitoring procedures in order to discover and correct any deficiencies that could become potential findings.

CONCLUSIONS

In all areas audited, Klickitat County Port District No. 1 complied with state and federal laws and regulations as well as its own policies. No conditions were identified which were reported as findings. It met the requirements for federal financial assistance.

We appreciate the District's commitment to ensuring compliance with any suggestions for improved controls in this and prior audits. We thank District officials and personnel for their assistance and cooperation during the audit.

Federal Summary

Klickitat County Port District No. 1 January 1, 1996 through December 31, 1998

The results of our audit of Klickitat County Port District No. 1 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

- We issued an unqualified opinion on the District's financial schedules.
- We noted no instances of noncompliance that were material to the financial schedules of the District.
- We issued an unqualified opinion on the District's compliance with requirements applicable to its major federal programs.
- We reported no findings which are required to be disclosed under OMB Circular A-133.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.
- The District did not qualify as a low-risk auditee under OMB Circular A-133.
- The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
11.300	U.S. Department of Commerce Rural Development Aid

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

Klickitat County Port District No. 1 January 1, 1996 through December 31, 1998

Board of Commissioners
Klickitat County Port District No. 1
Bingen, Washington

We have audited the Schedules of Cash, Investments and Long-Term Debt of Klickitat County Port District No. 1, Klickitat County, Washington, as of and for the years ended December 31, 1998, 1997 and 1996, and have issued our report thereon dated May 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial schedules are free of material misstatements, we performed tests of the District'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. 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 District 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. Our responsibility is to examine, on a test basis, evidence about the District'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 District and to the Attorney General. However, the objective of our audit of the financial schedules 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 material noncompliance that are required to be reported herein under *Government Auditing Standards*.

However, we noted certain matters involving noncompliance not significant enough to report as findings that we have reported to management of the District in a separate letter dated May 25, 1999.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide an opinion 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 financial schedules 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated May 25, 1999.

This report is intended for the information of management, the Board of Commissioners and federal awarding agencies and pass-through entities. 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, prominent loop at the end of the last name.

BRIAN SONNTAG, CGFM
STATE AUDITOR

May 7, 1999

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Klickitat County Port District No. 1 January 1, 1996 through December 31, 1998

Board of Commissioners
Klickitat County Port District No. 1
Bingen, Washington

COMPLIANCE

We have audited the compliance of Klickitat County Port District No. 1, Klickitat County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998, 1997 and 1996. The District's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit in compliance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirement referred to above that are applicable to its major federal program for the years ended December 31, 1998, 1997 and 1996.

However, we noted certain matters involving immaterial noncompliance that we have reported to management of the District in a separate letter dated May 25, 1999.

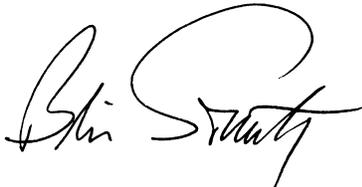
INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 the internal control over compliance and its operation that we consider to be material weaknesses.

However, we noted other matters involving internal control over compliance that we have reported to the management of the District in a separate letter dated May 25, 1999.

This report is intended for the information of management, the Board of Commissioners and federal awarding agencies and pass-through entities. 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

May 7, 1999

Independent Auditor's Report on Financial Statements

Klickitat County Port District No. 1 January 1, 1996 through December 31, 1998

Board of Commissioners
Klickitat County Port District No. 1
Bingen, Washington

We have audited the accompanying Schedules of Cash, Investments and Long-Term Debt of the various funds of Klickitat County Port District No. 1, Klickitat County, Washington, for the years ended December 31, 1998, 1997 and 1996. These financial schedules are the responsibility of the District's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

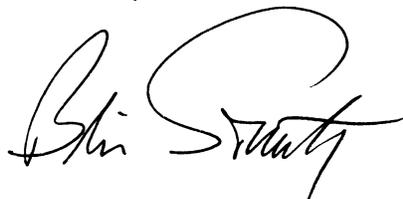
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. 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.

The District prepares its financial schedules 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 schedules referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of Klickitat County Port District No. 1 for the years ended December 31, 1998, 1997 and 1996, on the cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 1999, on our consideration of the District's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial schedules taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly presented, in all material respects, in relation to the financial schedules taken as a whole.



BRIAN SONNTAG, CGFM
STATE AUDITOR

May 7, 1999

Financial Statements

**Klickitat County Port District No. 1
January 1, 1996 through December 31, 1998**

FINANCIAL STATEMENTS

Schedule of Cash Activity – 1998
Schedule of Cash Activity – 1997
Schedule of Cash Activity – 1996
Schedule of Investment Activity – 1998
Schedule of Investment Activity – 1997
Schedule of Investment Activity – 1996
Schedule of Long-Term Debt – 1998
Schedule of Long-Term Debt – 1997
Schedule of Long-Term Debt – 1996

ADDITIONAL INFORMATION

Schedule of Expenditures of Federal Awards – 1998
Notes to the Schedule of Financial Assistance – 1998

