

Washington State Auditor's Office
Financial Statements Audit Report

City of Harrington
Lincoln County

Audit Period
January 1, 2009 through December 31, 2010

Report No. 1006771

Issue Date
November 28, 2011



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

November 28, 2011

Mayor and City Council
City of Harrington
Harrington, Washington

Report on Financial Statements

Please find attached our report on the City of Harrington's financial statements.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Lincoln County
January 1, 2009 through December 31, 2010**

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

City of Harrington
Lincoln County
January 1, 2009 through December 31, 2010

Mayor and City Council
City of Harrington
Harrington, Washington

We have audited the financial statements of the City of Harrington, Lincoln County, Washington, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated October 21, 2011.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

This report is intended for the information and use of management and the Mayor and City Council. 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", with a stylized, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

October 21, 2011

Independent Auditor's Report on Financial Statements

**City of Harrington
Lincoln County
January 1, 2009 through December 31, 2010**

Mayor and City Council
City of Harrington
Harrington, Washington

We have audited the accompanying financial statements of the City of Harrington, Lincoln County, Washington, for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 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 audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the City prepares its financial statements on the 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 financial position and results of operations of the City of Harrington, for the years ended December 31, 2010 and 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Debt are presented for

purposes of additional analysis as required by the prescribed BARS manual. 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 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", with a stylized, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

October 21, 2011

Financial Section

**City of Harrington
Lincoln County
January 1, 2009 through December 31, 2010**

FINANCIAL STATEMENTS

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City of Harrington
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		Fund Number and Name 001 Current Expense		Fund Number and Name 102 Arterial Street	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		18,440.00	15,074.39	3,690.00	2,690.17
Revenues and Other Sources					
310	Taxes	126,323.00	114,174.89		0.00
320	Licenses and Permits		1,382.50		0.00
330	Intergovernmental	24,950.00	19,001.25		0.00
340	Charges for Goods and Services	47,800.00	53,063.24		0.00
350	Fines and Penalties		0.00		0.00
360	Miscellaneous	9,590.00	8,510.78		0.00
370	Capital Contributions		0.00		0.00
390	Other Financing Sources	5,000.00	5,000.00	2,500.00	0.00
Total Revenues and Other Sources		213,663.00	201,132.66	2,500.00	0.00
Total Resources		232,103.00	216,207.05	6,190.00	2,690.17
Operating Expenditures:					
510	General Government	81,110.00	68,644.05		0.00
520	Public Safety	17,000.00	16,453.20		0.00
530	Physical Environment	51,000.00	47,536.76		0.00
540	Transportation		0.00	1,500.00	0.00
550	Economic Environment	1,273.00	705.35		0.00
560	Mental and Physical Health	150.00	109.91		0.00
570	Culture and Recreational	5,000.00	2,206.01		0.00
Total Operating Expenditures		155,533.00	135,655.28	1,500.00	0.00
591-593	Debt Service		0.00		0.00
594-595	Capital Outlay		0.00		0.00
Total Expenditures		155,533.00	135,655.28	1,500.00	0.00
597-599	Other Financing Uses	64,500.00	60,459.97	2,500.00	500.00
Total Expenditures and Other Uses		220,033.00	196,115.25	4,000.00	500.00
Excess (Deficit) of Resources Over Uses		12,070.00	20,091.80	2,190.00	2,190.17
380	Nonrevenues (Except 384 and 388.80)		0.00		0.00
580	Nonexpenditures (Except 584 and 588.80)		1,500.00		0.00
Ending Net Cash and Investments		12,070.00	18,591.80	2,190.00	2,190.17

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		Fund Number and Name 100 Street Construction		Fund Number and Name 101 Street	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		531.00	531.20	1,036.00	-9,142.47
Revenues and Other Sources					
310	Taxes		0.00		0.00
320	Licenses and Permits		0.00		0.00
330	Intergovernmental	50,000.00	0.00	59,504.00	9,205.40
340	Charges for Goods and Services		0.00		0.00
350	Fines and Forfeits		0.00		0.00
360	Miscellaneous		0.00		6,352.96
370	Capital Contributions		0.00		0.00
390	Other Financing Sources	10,000.00	0.00	53,500.00	51,977.33
Total Revenues and Other Sources		60,000.00	0.00	113,004.00	67,535.69
Total Resources		60,531.00	531.20	114,040.00	58,393.22
Operating Expenditures:					
510	General Government		0.00		0.00
520	Public Safety		0.00		0.00
530	Physical Environment		0.00		0.00
540	Transportation		0.00	60,840.00	57,662.76
550	Economic Environment		0.00		0.00
560	Mental and Physical Health		0.00		0.00
570	Culture and Recreation		0.00		0.00
Total Operating Expenditures		0.00	0.00	60,840.00	57,662.76
591-593	Debt Service		0.00		0.00
594-595	Capital Outlay	50,000.00	0.00	50,500.00	0.00
Total Expenditures		50,000.00	0.00	111,340.00	57,662.76
597-599	Other Financing Uses		0.00	2,500.00	477.33
Total Expenditures and Other Uses		50,000.00	0.00	113,840.00	58,140.09
Excess (Deficit) of Resources Over Uses		10,531.00	531.20	200.00	253.13
380	Nonrevenues (Except 384 and 388.80)		0.00		0.00
580	Nonexpenditures (Except 584 and 588.80)		0.00		0.00
Ending Net Cash and Investments		10,531.00	531.20	200.00	253.13

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		Fund Number and Name 408 Sewer Construction		Fund Number and Name	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		340.00	6,013.39		
Revenues and Other Sources					
310	Taxes		0.00		
320	Licenses and Permits		0.00		
330	Intergovernmental		0.00		
340	Charges for Goods and Services		0.00		
350	Fines and Penalties		0.00		
360	Miscellaneous		0.00		
370	Capital Contributions		0.00		
390	Other Financing Sources		0.00		
Total Revenues and Other Sources		0.00	0.00	0.00	0.00
Total Resources		340.00	6,013.39	0.00	0.00
Operating Expenditures:					
510	General Government		0.00		
520	Public Safety		0.00		
530	Physical Environment		0.00		
540	Transportation		0.00		
550	Economic Environment		0.00		
560	Mental and Physical Health		0.00		
570	Culture and Recreational		0.00		
Total Operating Expenditures		0.00	0.00	0.00	0.00
591-593	Debt Service		0.00		
594-595	Capital Outlay		0.00		
Total Expenditures		0.00	0.00	0.00	0.00
597-599	Other Financing Uses		0.00		
Total Expenditures and Other Uses		0.00	0.00	0.00	0.00
Excess (Deficit) of Resources Over Uses		340.00	6,013.39	0.00	0.00
380	Nonrevenues (Except 384 and 388.80)		0.00		
580	Nonexpenditures (Except 584 and 588.80)		0.00		
Ending Net Cash and Investments		340.00	6,013.39	0.00	0.00

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

Fund Type: Special Revenue Funds	Fund Number and Name 103 Criminal Justice		Fund Number and Name 104 Cemetery	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	18,342.00	18,342.79	64,750.00	37,761.99
Revenue and Other Financing Sources	14,947.00	15,098.64	17,100.00	31,917.58
Total Resources	33,289.00	33,441.43	81,850.00	69,679.57
Expenditures And Other Financing Uses	15,999.00	14,999.00	32,600.00	34,886.64
Excess (Deficit) of Resources Over Uses	17,290.00	18,442.43	49,250.00	34,792.93
Nonrevenues (Except 384 and 388.80)		0.00		0.00
Nonexpenditures (Except 584 and 588.80)		0.00		0.00
Ending Net Cash and Investments	17,290.00	18,442.43	49,250.00	34,792.93

Fund Type:	Fund Number and Name 105 Library		Fund Number and Name 106 Cemetery Endowment	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	1,634.00	368.72	202,485.00	233,281.30
Revenue and Other Financing Sources	9,875.00	9,320.00	3,750.00	236,849.00
Total Resources	11,509.00	9,688.72	206,235.00	470,130.30
Expenditures And Other Financing Uses	11,409.00	7,359.00		0.00
Excess (Deficit) of Resources Over Uses	100.00	2,329.72	206,235.00	470,130.30
Nonrevenues (Except 384 and 388.80)		0.00		0.00
Nonexpenditures (Except 584 and 588.80)		0.00		0.00
Ending Net Cash and Investments	100.00	2,329.72	206,235.00	470,130.30

Fund Type:	Fund Number and Name 107 Cemetery Improvement		Fund Number and Name 109 Intergovern Res	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	13,814.00	19,227.27	7,507.00	7,507.84
Revenue and Other Financing Sources	890.00	1,604.50	4,500.00	0.00
Total Resources	14,704.00	20,831.77	12,007.00	7,507.84
Expenditures And Other Financing Uses	14,704.00	0.00	12,007.00	0.00
Excess (Deficit) of Resources Over Uses	0.00	20,831.77	0.00	7,507.84
Nonrevenues (Except 384 and 388.80)		0.00		0.00
Nonexpenditures (Except 584 and 588.80)		0.00		0.00
Ending Net Cash and Investments	0.00	20,831.77	0.00	7,507.84

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

Fund Type:	Fund Number and Name 401 Water		Fund Number and Name 402 Water Reserve	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	16,940.00	14,191.31	3,000.00	5,000.00
Revenue and Other Financing Sources	77,270.00	78,439.26	1,000.00	6,500.00
Total Resources	94,210.00	92,630.57	4,000.00	11,500.00
Expenditures And Other Financing Uses	94,210.00	73,052.34	4,000.00	5,500.00
Excess (Deficit) of Resources Over Uses	0.00	19,578.23	0.00	6,000.00
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	0.00	19,578.23	0.00	6,000.00

Fund Type:	Fund Number and Name 403 Sewer		Fund Number and Name 404 Water Deposit	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	12,500.00	6,745.35	449.00	449.50
Revenue and Other Financing Sources	194,500.00	195,724.52	120.00	0.00
Total Resources	207,000.00	202,469.87	569.00	449.50
Expenditures And Other Financing Uses	141,420.00	195,076.49	569.00	0.00
Excess (Deficit) of Resources Over Uses	65,580.00	7,393.38	0.00	449.50
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	65,580.00	7,393.38	0.00	449.50

Fund Type:	Fund Number and Name 405 Sewer Reserve		Fund Number and Name 407 Sewer Bond Red.	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	25,000.00	25,000.00	85.00	18.50
Revenue and Other Financing Sources	1,500.00	0.00	61,730.00	57,701.58
Total Resources	26,500.00	25,000.00	61,815.00	57,720.08
Expenditures And Other Financing Uses	24,500.00	22,000.00	61,730.00	57,701.58
Excess (Deficit) of Resources Over Uses	2,000.00	3,000.00	85.00	18.50
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	2,000.00	3,000.00	85.00	18.50

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

Fund Type: Special Revenue Funds	Fund Number and Name 002 Treasurers Reserve		Fund Number and Name 632 Payroll Clearing	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	6,000.00	30,000.00		7,598.38
Revenue and Other Financing Sources	24,000.00	0.00		0.00
Total Resources	30,000.00	30,000.00	0.00	7,598.38
Expenditures And Other Financing Uses	24,000.00	0.00		0.00
Excess (Deficit) of Resources Over Uses	6,000.00	30,000.00	0.00	7,598.38
Nonrevenues (Except 384 and 388.80)	0.00	0.00		117,378.06
Nonexpenditures (Except 584 and 588.80)	0.00	0.00		117,116.06
Ending Net Cash and Investments	6,000.00	30,000.00	0.00	7,860.38

Fund Type:	Fund Number and Name 409 Capital Improvement		Fund Number and Name 410 Sewer Bond Repay Res	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	10,250.00	14,994.33	22,707.00	18,507.00
Revenue and Other Financing Sources	2,850.00	1,031.08	4,200.00	0.00
Total Resources	13,100.00	16,025.41	26,907.00	18,507.00
Expenditures And Other Financing Uses	13,100.00	1,383.95	0.00	0.00
Excess (Deficit) of Resources Over Uses	0.00	14,641.46	26,907.00	18,507.00
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	0.00	14,641.46	26,907.00	18,507.00

Fund Type:	Fund Number and Name 003 Developmental Res		Fund Number and Name 631 Claims Clearing	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	11,450.00	50,677.24		17,976.86
Revenue and Other Financing Sources	40,000.00	0.00		0.00
Total Resources	51,450.00	50,677.24	0.00	17,976.86
Expenditures And Other Financing Uses	10,000.00	0.00		0.00
Excess (Deficit) of Resources Over Uses	41,450.00	50,677.24	0.00	17,976.86
Nonrevenues (Except 384 and 388.80)	0.00	0.00		353,016.32
Nonexpenditures (Except 584 and 588.80)	0.00	0.00		354,988.95
Ending Net Cash and Investments	41,450.00	50,677.24	0.00	16,004.23

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		Fund Number and Name 001 Current Expense		Fund Number and Name 102 Arterial Street	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		20,500.00	16,854.67	3,690.00	3,690.17
Revenues and Other Sources					
310	Taxes	133,653.00	106,909.98		0.00
320	Licenses and Permits		428.50		0.00
330	Intergovernmental	5,180.00	17,714.27		0.00
340	Charges for Goods and Services	47,800.00	53,055.41		0.00
350	Fines and Penalties		45.00		0.00
360	Miscellaneous	13,040.00	7,403.27		0.00
370	Capital Contributions		0.00		0.00
390	Other Financing Sources	5,000.00	5,000.00	2,500.00	0.00
Total Revenues and Other Sources		204,673.00	190,556.43	2,500.00	0.00
Total Resources		225,173.00	207,411.10	6,190.00	3,690.17
Operating Expenditures:					
510	General Government	76,550.00	78,387.58		0.00
520	Public Safety	17,000.00	16,080.37		0.00
530	Physical Environment	51,000.00	44,596.43		0.00
540	Transportation		0.00	1,500.00	0.00
550	Economic Environment	1,273.00	831.00		0.00
560	Mental and Physical Health	150.00	112.96		0.00
570	Culture and Recreational	5,000.00	2,631.27		0.00
Total Operating Expenditures		150,973.00	142,639.61	1,500.00	0.00
591-593	Debt Service		0.00		0.00
594-595	Capital Outlay		0.00		0.00
Total Expenditures		150,973.00	142,639.61	1,500.00	0.00
597-599	Other Financing Uses	65,000.00	49,697.10	4,100.00	1,000.00
Total Expenditures and Other Uses		215,973.00	192,336.71	5,600.00	1,000.00
Excess (Deficit) of Resources Over Uses		9,200.00	15,074.39	590.00	2,690.17
380	Nonrevenues (Except 384 and 388.80)		0.00		0.00
580	Nonexpenditures (Except 584 and 588.80)		0.00		0.00
Ending Net Cash and Investments		9,200.00	15,074.39	590.00	2,690.17

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		Fund Number and Name 100 Street Construction		Fund Number and Name 101 Street	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		531.00	531.20	3,300.00	-2,466.24
Revenues and Other Sources					
310	Taxes		0.00		0.00
320	Licenses and Permits		0.00		0.00
330	Intergovernmental	563,000.00	50,275.07	59,830.00	9,136.92
340	Charges for Goods and Services		0.00		0.00
350	Fines and Forfeits		0.00		0.00
360	Miscellaneous		0.00		5,964.36
370	Capital Contributions		0.00		0.00
390	Other Financing Sources	10,000.00	0.00	55,600.00	42,500.00
Total Revenues and Other Sources		573,000.00	50,275.07	115,430.00	57,601.28
Total Resources		573,531.00	50,806.27	118,730.00	55,135.04
Operating Expenditures:					
510	General Government		0.00		0.00
520	Public Safety		0.00		0.00
530	Physical Environment		0.00		0.00
540	Transportation		0.00	62,430.00	64,277.51
550	Economic Environment		0.00		0.00
560	Mental and Physical Health		0.00		0.00
570	Culture and Recreation		0.00		0.00
Total Operating Expenditures		0.00	0.00	62,430.00	64,277.51
591-593	Debt Service		0.00		0.00
594-595	Capital Outlay	563,000.00	50,275.07	50,000.00	0.00
Total Expenditures		563,000.00	50,275.07	112,430.00	64,277.51
597-599	Other Financing Uses		0.00	2,500.00	0.00
Total Expenditures and Other Uses		563,000.00	50,275.07	114,930.00	64,277.51
Excess (Deficit) of Resources Over Uses		10,531.00	531.20	3,800.00	-9,142.47
380	Nonrevenues (Except 384 and 388.80)		0.00		0.00
580	Nonexpenditures (Except 584 and 588.80)		0.00		0.00
Ending Net Cash and Investments		10,531.00	531.20	3,800.00	-9,142.47

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

BARS CODE		Fund Number and Name 408 Sewer Construction		Fund Number and Name	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		340.00	6,013.39		
Revenues and Other Sources					
310	Taxes		0.00		
320	Licenses and Permits		0.00		
330	Intergovernmental		0.00		
340	Charges for Goods and Services		0.00		
350	Fines and Penalties		0.00		
360	Miscellaneous		0.00		
370	Capital Contributions		0.00		
390	Other Financing Sources		0.00		
Total Revenues and Other Sources		0.00	0.00	0.00	0.00
Total Resources		340.00	6,013.39	0.00	0.00
Operating Expenditures:					
510	General Government		0.00		
520	Public Safety		0.00		
530	Physical Environment		0.00		
540	Transportation		0.00		
550	Economic Environment		0.00		
560	Mental and Physical Health		0.00		
570	Culture and Recreational		0.00		
Total Operating Expenditures		0.00	0.00	0.00	0.00
591-593	Debt Service		0.00		
594-595	Capital Outlay		0.00		
Total Expenditures		0.00	0.00	0.00	0.00
597-599	Other Financing Uses		0.00		
Total Expenditures and Other Uses		0.00	0.00	0.00	0.00
Excess (Deficit) of Resources Over Uses		340.00	6,013.39	0.00	0.00
380	Nonrevenues (Except 384 and 388.80)		0.00		
580	Nonexpenditures (Except 584 and 588.80)		0.00		
Ending Net Cash and Investments		340.00	6,013.39	0.00	0.00

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

Fund Type: Special Revenue Funds	Fund Number and Name 103 Criminal Justice		Fund Number and Name 104 Cemetery	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	16,849.00	18,272.61	64,750.00	61,733.06
Revenue and Other Financing Sources	4,948.00	5,070.18	20,300.00	20,538.88
Total Resources	21,797.00	23,342.79	85,050.00	82,271.94
Expenditures And Other Financing Uses	6,000.00	5,000.00	31,700.00	44,509.95
Excess (Deficit) of Resources Over Uses	15,797.00	18,342.79	53,350.00	37,761.99
Nonrevenues (Except 384 and 388.80)		0.00		0.00
Nonexpenditures (Except 584 and 588.80)		0.00		0.00
Ending Net Cash and Investments	15,797.00	18,342.79	53,350.00	37,761.99

Fund Type:	Fund Number and Name 105 Library		Fund Number and Name 106 Cemetery Endowment	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	1,914.00	1,101.94	202,485.00	228,223.80
Revenue and Other Financing Sources	9,875.00	8,081.50	3,750.00	5,057.50
Total Resources	11,789.00	9,183.44	206,235.00	233,281.30
Expenditures And Other Financing Uses	11,789.00	8,814.72	0.00	0.00
Excess (Deficit) of Resources Over Uses	0.00	368.72	206,235.00	233,281.30
Nonrevenues (Except 384 and 388.80)		0.00		0.00
Nonexpenditures (Except 584 and 588.80)		0.00		0.00
Ending Net Cash and Investments	0.00	368.72	206,235.00	233,281.30

Fund Type:	Fund Number and Name 107 Cemetery Improvement		Fund Number and Name 109 Intergovern Res	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	13,814.00	17,782.27	3,000.00	7,507.84
Revenue and Other Financing Sources	890.00	1,445.00	4,500.00	0.00
Total Resources	14,704.00	19,227.27	7,500.00	7,507.84
Expenditures And Other Financing Uses	14,704.00	0.00	7,500.00	0.00
Excess (Deficit) of Resources Over Uses	0.00	19,227.27	0.00	7,507.84
Nonrevenues (Except 384 and 388.80)		0.00		0.00
Nonexpenditures (Except 584 and 588.80)		0.00		0.00
Ending Net Cash and Investments	0.00	19,227.27	0.00	7,507.84

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

Fund Type:	Fund Number and Name 401 Water		Fund Number and Name 402 Water Reserve	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	17,740.00	19,536.08	3,000.00	5,000.00
Revenue and Other Financing Sources	68,000.00	69,885.67	1,000.00	0.00
Total Resources	85,740.00	89,421.75	4,000.00	5,000.00
Expenditures And Other Financing Uses	80,740.00	75,230.44	4,000.00	0.00
Excess (Deficit) of Resources Over Uses	5,000.00	14,191.31	0.00	5,000.00
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	5,000.00	14,191.31	0.00	5,000.00

Fund Type:	Fund Number and Name 403 Sewer		Fund Number and Name 404 Water Deposit	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	14,300.00	3,191.65	449.00	449.50
Revenue and Other Financing Sources	168,000.00	168,949.06	120.00	0.00
Total Resources	182,300.00	172,140.71	569.00	449.50
Expenditures And Other Financing Uses	168,000.00	165,395.36	569.00	0.00
Excess (Deficit) of Resources Over Uses	14,300.00	6,745.35	0.00	449.50
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	14,300.00	6,745.35	0.00	449.50

Fund Type:	Fund Number and Name 405 Sewer Reserve		Fund Number and Name 407 Sewer Bond Red.	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	26,000.00	27,500.00	245.00	84.50
Revenue and Other Financing Sources	1,500.00	0.00	61,730.00	57,635.58
Total Resources	27,500.00	27,500.00	61,975.00	57,720.08
Expenditures And Other Financing Uses	26,000.00	2,500.00	61,730.00	57,701.58
Excess (Deficit) of Resources Over Uses	1,500.00	25,000.00	245.00	18.50
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	1,500.00	25,000.00	245.00	18.50

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2009

Fund Type: Special Revenue Funds	Fund Number and Name 002 Treasurers Reserve		Fund Number and Name 632 Payroll Clearing	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	6,000.00	30,000.00		14,391.98
Revenue and Other Financing Sources	24,000.00	0.00		0.00
Total Resources	30,000.00	30,000.00	0.00	14,391.98
Expenditures And Other Financing Uses	24,000.00	0.00		0.00
Excess (Deficit) of Resources Over Uses	6,000.00	30,000.00	0.00	14,391.98
Nonrevenues (Except 384 and 388.80)	0.00	0.00		118,348.20
Nonexpenditures (Except 584 and 588.80)	0.00	0.00		125,141.80
Ending Net Cash and Investments	6,000.00	30,000.00	0.00	7,598.38

Fund Type:	Fund Number and Name 409 Capital Improvement		Fund Number and Name 410 Sewer Bond Repay Res	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	10,250.00	13,173.52	26,407.00	30,607.00
Revenue and Other Financing Sources	2,850.00	1,820.81	4,200.00	4,200.00
Total Resources	13,100.00	14,994.33	30,607.00	34,807.00
Expenditures And Other Financing Uses	13,100.00	0.00	30,607.00	16,300.00
Excess (Deficit) of Resources Over Uses	0.00	14,994.33	0.00	18,507.00
Nonrevenues (Except 384 and 388.80)	0.00	0.00	0.00	0.00
Nonexpenditures (Except 584 and 588.80)	0.00	0.00	0.00	0.00
Ending Net Cash and Investments	0.00	14,994.33	0.00	18,507.00

Fund Type:	Fund Number and Name 003 Developmental Res		Fund Number and Name 631 Claims Clearing	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	11,450.00	50,677.24		6,203.58
Revenue and Other Financing Sources	40,000.00	0.00		0.00
Total Resources	51,450.00	50,677.24	0.00	6,203.58
Expenditures And Other Financing Uses	10,000.00	0.00		0.00
Excess (Deficit) of Resources Over Uses	41,450.00	50,677.24	0.00	6,203.58
Nonrevenues (Except 384 and 388.80)	0.00	0.00		410,650.71
Nonexpenditures (Except 584 and 588.80)	0.00	0.00		398,877.43
Ending Net Cash and Investments	41,450.00	50,677.24	0.00	17,976.86

The Accompanying Notes Are An Integral Part Of This Statement.

City of Harrington

Notes to the Financial Statements

For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Harrington uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System* (BARS) manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Harrington was incorporated in 1902 and operates under the laws of the state of Washington applicable to a fourth class code city with a mayor-council form of government. The City of Harrington is a general purpose government and provides utilities, street and cemetery services. The City of Harrington uses single-entry cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City of Harrington are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Harrington resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Harrington:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City of Harrington. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City of Harrington.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City of Harrington on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Harrington in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

These funds are used to account assets that the city holds for others in an agency capacity.

B. Basis Of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

C. Budgets

Annual appropriated budgets are adopted for all funds. The financial statements include budgetary comparisons for those funds.

Annual appropriated budgets are adopted at the fund level (except the current expense fund, where budgets are adopted at the department level). The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

The Treasurer is authorized to transfer budgeted amounts between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Harrington's legislative body.

D. Cash

It is the city's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds. In 2004 the city obtained an interim loan from US Bank for the wastewater project which was held in a separate bank account so as not to commingle it with other funds and not earn interest as required by the terms of our pending USDA Grant. The obligation and budget authority to repay this interim money was from the sewer fund as the USDA guarantee had not been finalized by the issuance of the "I" letter, and the terms of this note were clearly defined by the bank as an obligation of the City to pay whether or not the USDA Grant came through. The checkbook was treated as a separate fund and not combined or commingled with the city's treasurer's report.

E. Deposits

The city's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 3.

G. Capital Assets

Capital assets are long-lived assets of the City of Harrington and are recorded as expenditures when purchased.

H. Compensated Absences

Employee Handbook covers payment for excess leave.

Sick leave may be accumulated 120 days. Upon separation or retirement employees do receive payment for unused sick leave.

I. Long-Term Debt See Note 6.

J. Other Financing Sources Or Uses

The city's "Other Financing Sources or Uses" consist of interfund transfers.

K. Risk Management

RISK MANAGEMENT GENERAL

The City of Harrington is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and /or joint self-insuring, and/or joint hiring or contracting for hiring for risk management services to the same extent that they may individually purchase insurance, self-insurance, self-insure, or hire or contract for risk management services. An agreement to

form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2019, 85 municipalities/entities participate in the RMSA Pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage's.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$400,000 for liability and \$50,000 for property and thereafter purchases excess liability insurance through ACE Insurance Company, up to \$1 million, and CV Starr, from \$1 million to \$5 million. The excess property coverage is purchased through Allianz with limits up to 250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

Members contract to remain in the RMSA Pool a minimum of three years and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Government Agreement.

The Intergovernmental Government Agreement was revised in 2009 and approved by membership in 2010. In accordance with WAC 82.60.02023, the Pool elected its first Board of Directors, comprised of elected officials that are members of AWC RMSA, elected at large. .

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The specific financials of the AWC RMSA can be seen in the Annual Report on file with the City of Harrington.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

A state of emergency was declared by the City of Harrington due to the excessive cost of snow removal and plow repairs caused by the record setting snow of December 2008 by Resolution 165-2009 on January 14th 2009. These costs resulted in the Street Fund balance ending at (-2,466.24) instead of the \$3,300.00 balance projected by the 2008 budget. It was hoped that assistance from State monies would help close this \$5,766.24 shortfall, and that in the event State assistance was not forthcoming the city would fund this shortfall out of the Street Fund transfers in the 2009 budget. This was the case and the May 31st, 2009 ending balance was \$544.02 in the black using only authorized 2009 Street Fund monies from the City.

While these 2008 expenditures exceeded the 2008 legal appropriations in the Street Fund, the city finance committee felt that these excess expenditures were best dealt with within the 2009 Budget appropriations and that the City Council would pass any additional ordinances needed in the 2009 year, rather than trying to retroactively deal with this unexpected 2008 Street Fund shortfall within the 2008 Budget which was already closed, and place a note in the Annual Report.

The additional repairs and expenses continued to carry through all of 2009, and no additional state assistance was ever obtained. In compliance with SAS 112 the city identifies the street fund (Fund 101) as being in a negative cash position of \$9,142.47. In January 2010 the city increased its utility tax rate from 14% to 17% to increase revenue in Current Expense which transfers funds to the Street Dept. We are gradually reducing the 2009 cash shortfall during 2010, and hope to bring the street fund into the black from this additional stream of revenue. Since this is received in monthly increments recovery will probably take until mid-summer of 2010.

In the transfer of bank balances from the 2008 budget to the 2009 budget a \$4,200.00 payment made into the fund was missed in the preparation of the 2009 budget. This resulted in a typographical error on the minus side of \$4,200.00 in the 2009 budget as approved by the council. In addition a December transfer was also made from Fund 407 to Fund 410 due to a shortfall in funds of \$16,300.00 as allowed by the budget and approved by the council. The city books and treasurer's reports were correct as were all of the annual reports and statements. The revised 2009 annual budget to reflect these changes will be submitted to the council for final budget amendment to reflect these actions on June 9, 2010 as Ordinance 471.

NOTE 3 - INVESTMENTS

The city's investments are either insured, registered or held by the city or its agent in the city's name.

Investments by type at December 31, 2010 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
U.S. Government Securities	\$269,000.00
Total	\$269,000.00

NOTE 4 - PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The city's regular levy for the year 2010 was \$3.75 * per \$1,000 on an assessed valuation of \$14,481,528 for a total regular levy of \$48,408.00 *levy contracts exist.

NOTE 5 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in the statewide local government retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
 PO Box 48380
 Olympia, WA 98504-8380

Note 6 – LONG-TERM DEBT

A. Schedule of Long-Term Debt (09)

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City of Harrington and summarizes the City of Harrington's debt transactions for the year 2009. The debt service requirements, including interest, are as follows:

	Revenue Bonds	Total Debt
2010	57,701.58	57,701.58
2011	57,701.58	57,701.58
2012	57,701.58	57,701.58
2013	57,701.58	57,701.58
2014	57,701.58	57,701.58
2015 - 2017	161,964.24	161,964.24
2018 - 2022	207,297.90	207,297.90
2023 - 2027	191,556.36	191,556.36
2028 - 2032	163,660.00	163,660.00
2033 - 2037	163,660.00	163,660.00
2038 - 2042	163,660.00	163,660.00
2043 - 2045	81,612.03	81,612.03
TOTALS	\$1,421,918.43	\$1,421,918.43

B. Long Term Debt

1) The City Council passed on October 8, 1997 Loan Resolution #97-117 providing authority for the Mayor to sign documents incurring an indebtedness of \$300,000.00 with interest set at the time the loan is approved. The Council also authorized the Mayor to sign and accept matching Grant funds in the amount of \$543,200.00. These funds are to be used for the purpose of Sewer Collection System Improvements. The USDA-RD assumed the administration of the bond loan proceeds as provided for in the initial conditions of the grant. The USDA-RD bond loan collections are for forty years with payments made semi-annually in the amount of \$8,121.00 with an interest rate of 4.5%. This loan will be paid off by the user fees and charges over 40 years and is a revenue debt not subject to statutory debt limits, although revenue bonds have been issued.

2) Retirement of Long Term Bond Debt (USDA-RD) is as follows:

Interest Paid in 2010	Principal Paid in 2010	Outstanding Indebtedness	Year Ending December 31 st
\$4,437.31	\$ 11,804.69	\$88,301.51	2010

3) The City Council passed on May 11th, 2005 Ordinance No. 449 providing authority for the Mayor to sign documents incurring an indebtedness of \$626,800.00 with interest set at the time the loan is approved. The Council also authorized the Mayor to sign and accept matching Grant funds in the amount of \$1,702,200. These funds are to be used for the purpose of Sewer Waste Water System Improvements. The USDA-RD assumed the administration of the bond loan proceeds as provided for in the initial conditions of the grant. The USDA-RD bond loan collections are for forty years with payments made semi-annually in the amount of \$8,121.00 with an interest rate of 4.25%. This loan will be paid off by the user fees and charges over 40 years and is a revenue debt not subject to statutory debt limits, although revenue bonds have been issued. This loan has a semi-annual electronic deduction of \$16,366.00 to the city treasurer's account starting in November of 2005.

4) Retirement of Long Term Bond Debt (USDA-RD) Phase II is as follows:

Interest Paid in 2010	Principal Paid in 2010	Outstanding Indebtedness	Year Ending December 31 st
\$25,293.53	\$7,438.47	\$589,610.46	2010

5) The City Council passed on September 15, 2005 Loan Resolution #152-2005 providing authority for the Mayor to sign documents incurring an indebtedness of \$181,500.00 with interest set at the time the loan is approved. The Council also authorized the Mayor to sign and accept matching Grant funds in the amount of \$181,500.00. These funds are to be used for the purpose of Waste Water Treatment Plant Improvements. The Washington State Department of Ecology assumed the administration of the bond loan proceeds as provided for in the initial conditions of the grant. The Washington State DOE bond loan collections are for twenty years with payments made semi-annually in the amount set at 1/40 of the amount used, with an interest rate of 0.0%. This loan will be paid off by the user fees and charges over 40 years and is a revenue debt not subject to statutory debt limits, although revenue bonds have been issued. This loan is completed and while the final amount of indebtedness is known, the Dec 31, 2007 outstanding Debt of \$95,402.94 [2A] and the Dec.31, 2007 outstanding debt of \$66,834.54 [2B] is shown separately as a combined loan payment rate was not set by DOE. However, the amounts on the Schedule of Long-Term Debt (09) are presented in this annual report (as parts 2A and 2B) so as to include the final full debt repayment required by this loan for 20 years. We expect a revised schedule combining these amounts will not be issued by DOE in the future, and the city's next annual report (2010) will continue to show the separate parts of the loan.

6) DOE 2A Retirement of Long Term Bond Debt (WA State DOE) is as follows:

Interest Paid in 2010	Principal Paid in 2010	Outstanding Indebtedness	Year Ending December 31 st
0.00	\$5,300.16	\$79,502.46	2010

6) DOE 2B Retirement of Long Term Bond Debt (WA State DOE) is as follows:

Interest Paid in 2010	Principal Paid in 2010	Outstanding Indebtedness	Year Ending December 31 st
0.00	\$3,427.42	\$53,124.86	2010

C. Special Assessment Debt

1) Assessment debt is excluded from Long Term Debt above because debt service requirements for special assessment bonds will be met by the collection of LID assessments receivable that have been levied against property owners. The assessments are liens against the property and subject to foreclosure. In 1992 the city acquired title to the assessed property belonging to Jack Maselli in lieu of payment of his assessment. The City Council accepted title in Resolution 83-92 and agreed to make the annual payments from the Current Expense Fund until the property is either sold or disposed of. City basis in the Maselli property as of December 31, 2009 is \$3,709.31 which includes all payments made on the rolls. No LID special assessment debt remains.

2) The debt obligations listed above in (A, B) constitute the City's total long term debt and are reflected in the long term debt summary table Schedule 9 in this annual report.

D. Short Term Debt

The City of Harrington has no reportable short term debt.

City of Harrington

Notes to the Financial Statements

For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Harrington uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System* (BARS) manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Harrington was incorporated in 1902 and operates under the laws of the state of Washington applicable to a fourth class code city with a mayor-council form of government. The City of Harrington is a general purpose government and provides utilities, street and cemetery services. The City of Harrington uses single-entry cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City of Harrington are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Harrington resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Harrington:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City of Harrington. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City of Harrington.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City of Harrington on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Harrington in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

These funds are used to account assets that the city holds for others in an agency capacity.

B. Basis Of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

C. Budgets

Annual appropriated budgets are adopted for all funds. The financial statements include budgetary comparisons for those funds.

Annual appropriated budgets are adopted at the fund level (except the current expense fund, where budgets are adopted at the department level). The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

The Treasurer is authorized to transfer budgeted amounts between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Harrington's legislative body.

D. Cash

It is the city's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds. In 2004 the city obtained an interim loan from US Bank for the wastewater project which was held in a separate bank account so as not to commingle it with other funds and not earn interest as required by the terms of our pending USDA Grant. The obligation and budget authority to repay this interim money was from the sewer fund as the USDA guarantee had not been finalized by the issuance of the "I" letter, and the terms of this note were clearly defined by the bank as an obligation of the City to pay whether or not the USDA Grant came through. The checkbook was treated as a separate fund and not combined or commingled with the city's treasurer's report.

E. Deposits

The city's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 3.

G. Capital Assets

Capital assets are long-lived assets of the City of Harrington and are recorded as expenditures when purchased.

H. Compensated Absences

Employee Handbook covers payment for excess leave.

Sick leave may be accumulated 120 days. Upon separation or retirement employees do receive payment for unused sick leave.

I. Long-Term Debt See Note 6.

J. Other Financing Sources Or Uses

The city's "Other Financing Sources or Uses" consist of interfund transfers.

K. Risk Management

RISK MANAGEMENT GENERAL

The City of Harrington is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and /or joint self-insuring, and/or joint hiring or contracting for hiring for risk management services to the same extent that they may individually purchase insurance,

self-insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2009, 86 municipalities/entities participate in the RMSA Pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage's.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$400,000 for liability and \$50,000 for property and thereafter purchases excess liability insurance through ACE Insurance Company, up to \$1 million, and CV Starr, from \$1 million to \$5 million. The excess property coverage is purchased through Allianz, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

Members contract to remain in the RMSA Pool a minimum of three years and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Government Agreement.

The Intergovernmental Government Agreement was revised in 2009 and each member is required to approve the new Interlocal Agreement and provide RMSA with a signed copy. The Pool is currently governed by a board of directors serving ex-officio as the AWC Board of Directors. Once 75 percent of the new Interlocal Agreements are signed, RMSA will elect a board comprised of its members.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The specific financials of the AWC RMSA can be seen in the Annual Report on file with the City of Harrington.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

A state of emergency was declared by the City of Harrington due to the excessive cost of snow removal and plow repairs caused by the record setting snow of December 2008 by Resolution 165-2009 on January 14th 2009. These costs resulted in the Street Fund balance ending at (-2,466.24) instead of the \$3,300.00 balance projected by the 2008 budget. It was hoped that assistance from State monies would help close this \$5,766.24 shortfall, and that in the event State assistance was not forthcoming the city

would fund this shortfall out of the Street Fund transfers in the 2009 budget. This was the case and the May 31st, 2009 ending balance was \$544.02 in the black using only authorized 2009 Street Fund monies from the City.

While these 2008 expenditures exceeded the 2008 legal appropriations in the Street Fund, the city finance committee felt that these excess expenditures were best dealt with within the 2009 Budget appropriations and that the City Council would pass any additional ordinances needed in the 2009 year, rather than trying to retroactively deal with this unexpected 2008 Street Fund shortfall within the 2008 Budget which was already closed, and place a note in the Annual Report.

The additional repairs and expenses continued to carry through all of 2009, and no additional state assistance was ever obtained. In compliance with SAS 112 the city identifies the street fund (Fund 101) as being in a negative cash position of \$9,142.47. In January 2010 the city increased its utility tax rate from 14% to 17% to increase revenue in Current Expense which transfers funds to the Street Dept. We are gradually reducing the 2009 cash shortfall during 2010, and hope to bring the street fund into the black from this additional stream of revenue. Since this is received in monthly increments recovery will probably take until mid-summer of 2010.

In the transfer of bank balances from the 2008 budget to the 2009 budget a \$4,200.00 payment made into the fund was missed in the preparation of the 2009 budget. This resulted in a typographical error on the minus side of \$4,200.00 in the 2009 budget as approved by the council. In addition a December transfer was also made from Fund 407 to Fund 410 due to a shortfall in funds of \$16,300.00 as allowed by the budget and approved by the council. The city books and treasurer's reports were correct as were all of the annual reports and statements. The revised 2009 annual budget to reflect these changes will be submitted to the council for final budget amendment to reflect these actions on June 9, 2010 as Ordinance 471.

NOTE 3 - INVESTMENTS

The city's investments are either insured, registered or held by the city or its agent in the city's name.

Investments by type at December 31, 2010 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
U.S. Government Securities	\$169,000.00
Total	\$169,000.00

NOTE 4 - PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The city's regular levy for the year 2009 was \$3.75 * per \$1,000 on an assessed valuation of \$14,494,703 for a total regular levy of \$48,920.00 *levy contracts exist.

NOTE 5 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in the statewide local government retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Note 6 – LONG-TERM DEBT

A. Schedule of Long-Term Debt (09)

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City of Harrington and summarizes the City of Harrington's debt transactions for the year 2009. The debt service requirements, including interest, are as follows:

	Revenue Bonds	Total Debt
2010	57,701.58	57,701.58
2011	57,701.58	57,701.58
2012	57,701.58	57,701.58
2013	57,701.58	57,701.58
2014	57,701.58	57,701.58
2015 - 2017	161,964.24	161,964.24
2018 - 2022	207,297.90	207,297.90
2023 - 2027	191,556.36	191,556.36
2028 - 2032	163,660.00	163,660.00
2033 - 2037	163,660.00	163,660.00
2038 - 2042	163,660.00	163,660.00
2043 - 2045	81,612.03	81,612.03
TOTALS	\$1,421,918.43	\$1,421,918.43

B. Long Term Debt

1) The City Council passed on October 8, 1997 Loan Resolution #97-117 providing authority for the Mayor to sign documents incurring an indebtedness of \$300,000.00 with interest set at the time the loan is approved. The Council also authorized the Mayor to sign and accept matching Grant funds in the amount of \$543,200.00. These funds are to be used for the purpose of Sewer Collection

System Improvements. The USDA-RD assumed the administration of the bond loan proceeds as provided for in the initial conditions of the grant. The USDA-RD bond loan collections are for forty years with payments made semi-annually in the amount of \$8,121.00 with an interest rate of 4.5%. This loan will be paid off by the user fees and charges over 40 years and is a revenue debt not subject to statutory debt limits, although revenue bonds have been issued.

2) Retirement of Long Term Bond Debt (USDA-RD) is as follows:

Interest Paid in 2009	Principal Paid in 2009	Outstanding Indebtedness	Year Ending December 31 st
\$4,816.77	\$ 11,425.23	\$100,106.20	2009

3) The City Council passed on May 11th, 2005 Ordinance No. 449 providing authority for the Mayor to sign documents incurring an indebtedness of \$626,800.00 with interest set at the time the loan is approved. The Council also authorized the Mayor to sign and accept matching Grant funds in the amount of \$1,702,200. These funds are to be used for the purpose of Sewer Waste Water System Improvements. The USDA-RD assumed the administration of the bond loan proceeds as provided for in the initial conditions of the grant. The USDA-RD bond loan collections are for forty years with payments made semi-annually in the amount of \$8,121.00 with an interest rate of 4.25%. This loan will be paid off by the user fees and charges over 40 years and is a revenue debt not subject to statutory debt limits, although revenue bonds have been issued. This loan has a semi-annual electronic deduction of \$16,366.00 to the city treasurer's account starting in November of 2005.

4) Retirement of Long Term Bond Debt (USDA-RD) Phase II is as follows:

Interest Paid in 2009	Principal Paid in 2009	Outstanding Indebtedness	Year Ending December 31 st
\$25,599.86	\$7,132.14	\$597,048.87	2009

5) The City Council passed on September 15, 2005 Loan Resolution #152-2005 providing authority for the Mayor to sign documents incurring an indebtedness of \$181,500.00 with interest set at the time the loan is approved. The Council also authorized the Mayor to sign and accept matching Grant funds in the amount of \$181,500.00. These funds are to be used for the purpose of Waste Water Treatment Plant Improvements. The Washington State Department of Ecology assumed the administration of the bond loan proceeds as provided for in the initial conditions of the grant. The Washington State DOE bond loan collections are for twenty years with payments made semi-annually in the amount set at 1/40 of the amount used, with an interest rate of 0.0%. This loan will be paid off by the user fees and charges over 40 years and is a revenue debt not subject to statutory debt limits, although revenue bonds have been issued. This loan is completed and while the final amount of indebtedness is known, the Dec 31, 2007 outstanding Debt of \$95,402.94 [2A] and the Dec.31, 2007 outstanding debt of \$66,834.54 [2B] is shown separately as a combined loan payment rate was not set by DOE. However, the amounts on the Schedule of Long-Term Debt (09) are presented in this annual report (as parts 2A and 2B) so as to include the final full debt repayment required by this loan for 20 years. We expect a revised schedule combining these amounts will not be issued by DOE in the future, and the city's next annual report (2010) will continue to show the separate parts of the loan.

6) DOE 2A Retirement of Long Term Bond Debt (WA State DOE) is as follows:

Interest Paid in 2009	Principal Paid in 2009	Outstanding Indebtedness	Year Ending December 31 st
0.00	\$5,300.16	\$84,802.62	2010

6) DOE 2B Retirement of Long Term Bond Debt (WA State DOE) is as follows:

Interest Paid in 2009	Principal Paid in 2009	Outstanding Indebtedness	Year Ending December 31 st
0.00	\$3,427.42	\$56,552.28	2009

C. Special Assessment Debt

1) Assessment debt is excluded from Long Term Debt above because debt service requirements for special assessment bonds will be met by the collection of LID assessments receivable that have been levied against property owners. The assessments are liens against the property and subject to foreclosure. In 1992 the city acquired title to the assessed property belonging to Jack Maselli in lieu of payment of his assessment. The City Council accepted title in Resolution 83-92 and agreed to make the annual payments from the Current Expense Fund until the property is either sold or disposed of. City basis in the Maselli property as of December 31, 2009 is \$3,709.31 which includes all payments made on the rolls. No LID special assessment debt remains.

2) The debt obligations listed above in (A, B) constitute the City's total long term debt and are reflected in the long term debt summary table Schedule 9 in this annual report.

D. Short Term Debt

The City of Harrington has no reportable short term debt.

G.O. Debt
X Revenue Debt
Assessment Debt

Washington State Auditor's Office
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G.O. Debt
X Revenue Debt
Assessment Debt

Washington State Auditor's Office
35



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

State Auditor
Chief of Staff
Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Performance Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
Local Government Liaison
Communications Director
Public Records Officer
Main number
Toll-free Citizen Hotline

Brian Sonntag, CGFM
Ted Rutt
Doug Cochran
Jerry Pugnetti
Chuck Pfeil, CPA
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