



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## Town of Harrah

For the period January 1, 2019 through December 31, 2019

*Published September 30, 2021*

Report No. 1029174



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**Office of the Washington State Auditor  
Pat McCarthy**

September 30, 2021

Mayor and Town Council  
Town of Harrah  
Harrah, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Town of Harrah's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Town of Harrah January 1, 2019 through December 31, 2019

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Town of Harrah are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the Town’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Town.

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Town’s compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## **Identification of Major Federal Programs**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.760	Water and Waste Disposal Systems for Rural Communities

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Town did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

See Finding 2019-001.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See Finding 2019-002.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Town of Harrah January 1, 2019 through December 31, 2019**

#### **2019-001    The Town's internal controls over preparing financial statements were inadequate for ensuring accurate reporting.**

##### ***Background***

Town management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

State law (RCW 43.09.230) requires local governments to submit annual financial reports to the State Auditor's Office within 150 days of the end of their fiscal year. As part of the annual financial report, all local governments that spend federal funds must prepare a Schedule of Expenditures of Federal Awards (SEFA). Local governments that spend \$750,000 or more in federal funds must receive a federal single audit within nine months after their fiscal year-end.

In 2015, the Town received a total of \$783,000 in loans and \$2,628,829 in grants from the Water and Waste Disposal Systems for Rural Communities program, CFDA 10.760, to fund the Wastewater Treatment Plant Project. This program is designed to assist rural communities with obtaining safe drinking water and adequate waste facilities, which are prerequisites for economic growth. In recent years, water and waste systems have been subject to increasingly stringent regulation under the Safe Drinking Water Act and the Clean Water Act. This program is instrumental in providing the financing to build or upgrade rural water and waste facilities.

The Town must report any loan balances on the SEFA, in addition to project expenditures, until the project is completed. After the project is completed, the Town no longer needs to report any outstanding loan balances because the loans are no longer considered to have continuing compliance requirements. The project was still in process during 2019.

*Government Auditing Standards* require our Office to communicate material weaknesses as a finding.

### ***Description of Condition***

The current audit identified a deficiency in internal controls that represents a material weakness. The Town's internal controls over preparing the SEFA were inadequately designed for ensuring correct reporting of federal loan activity. Specifically, the Town did not fully evaluate SEFA reporting guidance, such as the *Budgeting, Accounting, and Reporting System* (BARS) Manual, to determine the criteria and requirements for reporting loans.

This issue was reported as a finding in the prior audit.

### ***Cause of Condition***

The Town was not aware that this federal program requires the Town to include the loan balance and the project expenditures on the SEFA until the project is completed.

### ***Effect of Condition***

As a result of this internal control weakness, the Town did not include the loan balance as part of the federal expenditures, which this federal program requires. The Town reported only \$144,622 on its SEFA, which led to federal expenditures being underreported by about \$761,422. Had the loan balance been included, the total federal expenditures would have exceeded the \$750,000 threshold that triggers a federal single audit of the Town's compliance with federal requirements.

### ***Recommendation***

We recommend the Town establish and follow effective internal controls over preparing financial statements and schedules to ensure all federal expenditures are reported accurately on the SEFA before submitting the annual report.

### ***Town's Response***

*The Town acknowledges the finding as described and has responded by making the appropriate corrections on the SEFA and re-submitting the document.*

### ***Auditor's Remarks***

We thank the Town for its cooperation and assistance during the audit and acknowledge its commitment to improving the condition described. We will review the status of this issue during our next audit.

## *Applicable Laws and Regulations*

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

The *Budgeting, Accounting and Reporting System* (BARS) manual, 3.1.3, Internal Control, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

The *Budgeting, Accounting and Reporting System* (BARS) manual, 4.14.5, Expenditures of Federal Awards (Schedule 16), requires governments that expend over \$750,000 or more in federal grant awards in a year, must arrange a federal single audit in accordance with the Uniform Guidance, 2 CFR 200, Subpart F – Audit Requirements.

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 501, Audit requirements.2 CFR § 200.502 – Basis for determining Federal awards expended (B); Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of federal awards expended under loan programs:

1. Value of new loans made or received during the audit period; plus



2. Beginning of the audit period balance of loans from previous years for which Federal Government imposes continuing compliance requirements; plus
3. Any interest subsidy, cash, or administrative cost allowance receive

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Town of Harrah January 1, 2019 through December 31, 2019

#### **2019-002 The Town's internal controls are inadequate for ensuring compliance with suspension and debarment requirements.**

<b>CFDA Number and Title:</b>	10.760, Water and Waste Disposal Systems for Rural Communities
<b>Federal Grantor Name:</b>	Department of Agriculture
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	N/A
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Questioned Cost Amount:</b>	\$0

#### ***Background***

The Water and Waste Disposal Program is designed to help rural communities obtain safe drinking water and adequate waste facilities. The Town spent \$906,044 in federal grant funding through this program in 2019.

Federal regulations require grant recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Additionally, federal requirements prohibit grant recipients from contracting with parties that are suspended or debarred from doing business with the federal government. Whenever the Town contracts for goods or services that it expects to equal or exceed \$25,000, paid all in or part with federal funds, it must verify the contractor has not been suspended or debarred. This verification may be accomplished by collecting a written certification from the contractor, adding a clause or condition into the contract where the contractor states it is not suspended or debarred, or checking the Federal Excluded Parties List System (EPLS) maintained by the U.S. General Service Administrations. The Town must meet one of these requirements before awarding the contract and must maintain documentation to demonstrate compliance.

### ***Description of Condition***

The Town did not have a process to ensure it verified contractors were not suspended or debarred.

We consider this deficiency in internal controls to be a material weakness.

The issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

The Town was not aware of this federal requirement; therefore, it did not have a process to ensure compliance.

### ***Effect of Condition***

Without adequate internal controls over suspension and debarment requirements, the Town cannot guarantee it pays federal funds only to eligible contractors. Any payments made to an ineligible party would be subject to recovery by the grantor. The Town paid one contractor \$75,530 without verifying it was not suspended or debarred. We verified the contractor had not been suspended or debarred. Therefore, we are not questioning the related costs.

### ***Recommendation***

We recommend the Town implement internal controls over purchases charged to federal programs to verify, before entering into purchase agreements, that all contracts it expects to pay \$25,000 or more of federal funds during the year are not suspended or debarred and retain documentation to demonstrate compliance.

### ***Town's Response***

*The Town acknowledges the finding but would like to explain all contractors were checked for suspension and debarment by the engineers, however Smith and Loveless was missed possibly due to the nature of the purchase, which was the equipment was purchased by the Town directly from the vendor (Smith & Loveless), rather than through a contractor as was planned with the original bids for the lift station replacement project (bids were rejected due to cost). The Town was unaware the checks needed to be done on a vendor for equipment.*

### ***Auditor's Remarks***

We thank the Town for its cooperation and assistance during the audit and acknowledge its commitment to improving the condition described. We will review the status of this issue during our next audit.

### ***Applicable Laws and Regulations***

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR part 180, OMB *Guidelines to Agencies on Government wide Debarment and Suspension (Nonprocurement)* establishes non-procurement debarment and suspension regulations implementing executive orders 12549 and 12689.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

## TOWN OF HARRAH

P.O. Box 10  
Harrah, WA 98933-0010

Phone: (509) 848-2432  
Fax: (509) 848-2430

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### **Town of Harrah** **January 1, 2019 through December 31, 2019**

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2018 through December 31, 2018	<b>Report Ref. No.:</b> 28777	<b>Finding Ref. No.:</b> 2018 - 001				
<b>Finding Caption:</b> The Town's internal controls over preparing the financial statements were inadequate for ensuring accurate reporting						
<b>Background:</b> The current audit identified a deficiency in internal controls that represents a material weakness. The Town's internal controls over preparing the SEFA were inadequately designed for ensuring correct reporting of federal loan activity. Specifically, the Town did not fully evaluate SEFA reporting guidance, such as the <i>Budgeting, Accounting, and Reporting System</i> (BARS) manual, to determine the criteria requirement for reporting loans.						
<b>Status of Corrective Action: (check one)</b> <table><tr><td><input checked="checked" type="checkbox"/> Fully Corrected</td><td><input type="checkbox"/> Partially Corrected</td><td><input type="checkbox"/> Not Corrected</td><td><input type="checkbox"/> Finding is considered no longer valid</td></tr></table>			<input checked="checked" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<input checked="checked" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>The SEFA was corrected and resubmitted to the State Auditor's website when the error was discovered.</i>						

## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Town of Harrah January 1, 2019 through December 31, 2019**

Mayor and Town Council  
Town of Harrah  
Harrah, Washington

We have audited, 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, the financial statements of the Town of Harrah, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated September 24, 2021.

We issued an unmodified opinion on the fair presentation of the Town's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Town using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As discussed in Note 5 to the 2019 financial statements, the full extent of COVID-19 pandemic's direct or indirect financial impact on the Town is unknown.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Town's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001 to be material weaknesses.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of the Town'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.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## TOWN'S RESPONSE TO FINDINGS

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in

accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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 that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

September 24, 2021



## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

#### **Town of Harrah January 1, 2019 through December 31, 2019**

Mayor and Town Council  
Town of Harrah  
Harrah, Washington

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the compliance of the Town of Harrah, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2019. The Town's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town'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 on compliance for each major federal program. Our audit does not provide a legal determination on the Town's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

### **Town's Response to Findings**

The Town's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

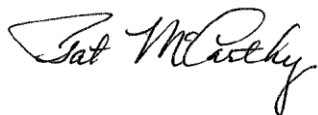
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2019-002 that we consider to be a material weakness.

### **Town's Response to Findings**

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. 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 "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 24, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Town of Harrah January 1, 2019 through December 31, 2019**

Mayor and Town Council  
Town of Harrah  
Harrah, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Town of Harrah, for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 23.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the Town of Harrah has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the Town of Harrah, and its changes in cash and investments, for the year ended December 31, 2019, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Town used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Town of Harrah, as of December 31, 2019, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### **Matter of Emphasis**

As discussed in Note 5 to the 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Town is unknown. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021 on our consideration of the Town'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

September 24, 2021

## **FINANCIAL SECTION**

### **Town of Harrah January 1, 2019 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to the Financial Statements – 2019

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2019  
Schedule of Expenditures of Federal Awards – 2019  
Notes to the Schedule of Expenditures of Federal Awards – 2019

**Town of Harrah**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 City Streets</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	226,990	26,000	8,254
30880	Unreserved	699,032	469,130	-
388 / 588	Net Adjustments	140	140	-
<b>Revenues</b>				
310	Taxes	171,793	142,037	27,303
320	Licenses and Permits	2,928	2,928	-
330	Intergovernmental Revenues	227,346	51,312	31,412
340	Charges for Goods and Services	247,518	-	-
350	Fines and Penalties	4,163	-	-
360	Miscellaneous Revenues	26,627	13,144	1,308
Total Revenues:		680,375	209,421	60,023
<b>Expenditures</b>				
510	General Government	104,229	103,602	552
520	Public Safety	90,708	90,708	-
530	Utilities	167,316	1,111	-
540	Transportation	35,350	-	35,350
550	Natural and Economic Environment	2,145	2,145	-
560	Social Services	91	91	-
570	Culture and Recreation	11,096	11,096	-
Total Expenditures:		410,935	208,753	35,902
Excess (Deficiency) Revenues over Expenditures:		269,440	668	24,121
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	7,733	-	7,733
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	2,215	380	-
381, 382, 395, 398	Other Resources	908	458	-
Total Other Increases in Fund Resources:		10,856	838	7,733
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	257,875	39,644	25,400
591-593, 599	Debt Service	27,038	-	-
597	Transfers-Out	7,733	7,733	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	9,473	488	-
581, 582	Other Uses	908	450	-
Total Other Decreases in Fund Resources:		303,027	48,315	25,400
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(22,731)</b>	<b>(46,809)</b>	<b>6,454</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	257,373	26,000	14,708
5088000	Unreserved	646,062	422,460	-
<b>Total Ending Cash and Investments</b>		<b>903,435</b>	<b>448,460</b>	<b>14,708</b>

*The accompanying notes are an integral part of this statement.*



<b>105 Housing Rehab</b>	<b>111 REET</b>	<b>401 Sewer</b>	<b>403 Water</b>	<b>404 Irrigation</b>
98,609	23,217	64,908	6,002	-
-	-	85,282	144,647	(27)
-	-	-	-	-
-	2,453	-	-	-
-	-	-	-	-
-	-	123,380	21,242	-
-	-	146,391	95,709	5,418
-	-	2,148	2,015	-
4,246	-	1,327	6,602	-
<u>4,246</u>	<u>2,453</u>	<u>273,246</u>	<u>125,568</u>	<u>5,418</u>
75	-	-	-	-
-	-	-	-	-
-	-	101,900	59,166	5,139
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>75</u>	<u>-</u>	<u>101,900</u>	<u>59,166</u>	<u>5,139</u>
<u>4,171</u>	<u>2,453</u>	<u>171,346</u>	<u>66,402</u>	<u>279</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
185	-	-	1,650	-
-	-	-	-	450
<u>185</u>	<u>-</u>	<u>-</u>	<u>1,650</u>	<u>450</u>
-	-	135,505	57,326	-
-	-	27,038	-	-
-	-	-	-	-
-	-	-	-	-
185	-	3,522	5,278	-
-	-	-	-	458
<u>185</u>	<u>-</u>	<u>166,065</u>	<u>62,604</u>	<u>458</u>
<u>4,171</u>	<u>2,453</u>	<u>5,281</u>	<u>5,448</u>	<u>271</u>
102,780	25,670	81,213	7,002	-
-	-	74,260	149,098	244
<u>102,780</u>	<u>25,670</u>	<u>155,473</u>	<u>156,100</u>	<u>244</u>

*The accompanying notes are an integral part of this statement.*

**Town of Harrah**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 1 - Summary of Significant Accounting Policies**

The Town of Harrah was incorporated on February 1, 1946 and operates under the laws of the state of Washington applicable to a town. The town is a general-purpose local government and provides public safety, street improvement, parks and recreation and general administrative services. The Town owns and operates a sewer system and water system.

The town reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter [43.09](#) RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements. (see note to the financial statements)
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

**A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

**GOVERNMENTAL FUND TYPES:**

**General Fund**

This fund is the primary operating fund of the government. 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 specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

**Debt Service Funds**

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

**Town of Harrah**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

In accordance with state law the town also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 4 - Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 200 days and is payable upon separation or retirement. Sick leave may be accumulated 168 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. As of December 31, 2019, compensated absences totaled \$2,941.

F. Long-Term Debt

See Note 3 - Debt Service Requirements.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by SAO guidelines. When expenditures that meet restrictions are incurred, the town intends to use reserved resources first before using unreserved amounts.

**Town of Harrah**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

Reservations of Ending Cash and Investments consist of:

Fund Name	Amount Reserved	Reason for Restriction
111 - Excise Tax - REET	\$25,670	Reserved for Capital Projects
105 - Housing Rehab	\$102,780	Reserved per Program Requirements for Projects that Benefit Residents
401 - Sewer	\$81,213	Reserved Per USDA for Debt Payment Reserve & Asset Reserve
001 - General Fund	\$26,000	Tax Revenues with External Restrictions
101 - Streets	\$14,708	Reserved for Street Related Expenditures
407 - Water Tower	\$7,002	Reserved for Water Tower Maintenance

**Note 2 – Budget Compliance**

The town adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
001 - Current Expense	291911.15	256993.26	34917.89	
Current Expense 12Mth CD - W.F.	75	75		
Total 001 - Current Expense	291986.15	257068.26	34917.89	
101 - City Streets	64173.67	61301.33	2872.34	
105 - Housing Rehab	500	185	315	
Housing Rehab CD - W.F.	75	75		
Total 105 - Housing Rehab	575	260	315	
401 - Sewer				
Sewer	112,335.04	117,576.16	-5,241.12	The cost of a new town truck was over expected amount
Sewer Project	164982.66	123379.93	41602.73	
Sewer Debt Service	27,038.00	27,038.00		
Total 401 - Sewer	304355.7	267994.09	36361.61	
403 - Water	147621.34	121767.56	25853.78	
Water Tower Maintenance Fund	5,000.00		5,000.00	
Total 403 - Water	152621.34	121767.56	30853.78	
404 - Irrigation	5657.91	5597.15	60.76	

**Town of Harrah**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

Budgeted amounts are authorized to be transferred 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 town's legislative body.

Title for Disclosure	Details for Disclosure
Unbudgeted Grant	An unbudgeted grant was awarded by USDA in the amount of \$24,000, which wasn't fully expensed, to complete a Small Water System Management Plan.
Street Sign Project	Street Sign Replacement was over the expected cost and a transfer from the general fund in the amount of \$7,732.92 was made to cover the cost.
Street Light Replacement Project	An unbudgeted grant in the amount of \$16,359 was received from TIB to replace all town street lights with energy efficient LED fixtures. An unbudgeted PP&L incentive of \$1,308.10 was also received to cover the remaining cost of the replacement project. The project was expected to have been completed in 2018.
Capital Outlay Overage	Sewer Capital Outlay was over budget due to an unexpected purchase of a lab scale which would later be reimbursement by USDA in 2020. The cost of a new town truck was over the budgeted amount.
New Mt Adams School Project	YVCOG line item over budget by \$3,535 due to necessary help regarding new school planning.
Town Hall Flooring Project	Professional Services was over budget \$6,914 due to unexpected cost of asbestos removal during the town hall flooring replacement project.
Café Awning Replacement	General Fund Capital Outlay was overbudget by \$9,466 due to the unexpected necessary replacement of the Café awning
Park Irrigation Leak	A broken water pipe in the town park caused more water usage than necessary making the park water expense over budget by \$1,960.

**Note 3 – Debt Service Requirements**

**Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the town and summarizes the town's debt transactions for year ended December 31, 2019.

The debt service requirements for general obligation bonds, revenue bonds and long term debt are as follows:

Year	Principal	Interest	Total Debt Service
2020	15,030	12,008	27,038
2021	15,301	11,737	27,038
2022	15,543	11,495	27,038
2023	15,789	11,249	27,038
2024	16,009	11,029	27,038
2025-2029	84,061	51,129	135,190
2030-2034	90,943	44,247	135,190
2035-2039	98,392	36,798	135,190
2040-2044	106,442	28,748	135,190
2045-2049	115,189	20,001	135,190
2050-2054	124,640	10,550	135,190
2055-2057	\$ 64,084	\$ 1,531	\$ 65,615
<b>Totals</b>	<b>\$ 761,422</b>	<b>\$ 250,523</b>	<b>\$ 1,011,945</b>

**Town of Harrah**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 4 – Deposits and Investments**

Investments are reported at original. Investments by type at December 31, 2019 are as follows:

Type of Deposit or Investment	(City/town/district's own deposits & investments	Deposits & investments held by the county as an agent for other local governments, individuals, or private organizations.	Total
Certificate of Deposit	\$441,975		\$441,975
Bank Deposits	\$461,461		\$461,461
<i>Totals</i>	\$903,436	0	\$903,436

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Town or its agent in the government's name.

**Note 5 - Other Disclosures**

The Town contracts with the Yakima County Sheriff's Office for police protection.

The Town contracts with the Yakima County Department of Corrections for jail services.

The Town contracts with Yakima County Fire District No. 5 for EMS and Fire Protection Services.

The Town contracts with the Yakima Humane Society for Animal Control Services & Sheltering/Disposal Services.

The Town contracts with the City of Yakima for Wastewater Services.

The Town contracts with the City of Toppenish regarding the cooperative use of Facilities, equipment and personnel.

The Town contracts with the Association of Washington Cities for the use of their Employee Benefit Trust Health Care Program.

The Town contracts with the Association of Washington Cities Risk Management Service Agency (AWC RMSA) for insurance services.

The Town contracts with BIAS Software for Accounting, Payroll and Utility Software and Support Services.

**Subsequent Event – COVID-19 Pandemic** - In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were

**Town of Harrah**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The Town of Harrah has not been financially impacted by the COVID-19 pandemic.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the town is unknown at this time.

**Note 6 - Property Tax**

The county treasurer acts as an agent to collect property tax 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 city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2019 was \$2.4718 per \$1,000 on an assessed valuation of \$22,715,089 for a total regular levy of \$56,148.48.

**Note 7 – Risk Management**

The Town of Harrah 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 risk management services to the same extent that they may individually purchase 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 by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2019, 100 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, 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, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime), pollution liability, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

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. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Great American for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut

**Town of Harrah**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2019, AWC RMSA carried a retention of \$200,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year 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 Governmental Agreement.

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.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.



**Town of Harrah**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2019**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		2,443	498	-	2,941
263.82	USDA Rural Development Loan	8/10/2056	776,250	-	14,828	761,422
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>778,693</b>	<b>498</b>	<b>14,828</b>	<b>764,363</b>
<b>Total Liabilities:</b>			<b>778,693</b>	<b>498</b>	<b>14,828</b>	<b>764,363</b>

**Town of Harrah**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF	Water and Waste Disposal Systems for Rural Communities	10.760	Sewer Upgrades	-	123,380	123,380	1245
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF	Water and Waste Disposal Systems for Rural Communities	10.760	Water Plan	-	21,242	21,242	1245
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF	Water and Waste Disposal Systems for Rural Communities	10.760	Sewer Upgrades	-	761,422	761,422	1, 4
<b>Total CFDA 10.760:</b>				-	<b>906,044</b>	<b>906,044</b>	
<b>Total Federal Awards Expended:</b>				-	<b>906,044</b>	<b>906,044</b>	

*The accompanying notes are an integral part of this schedule.*

## **Town of Harrah**

### **Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019**

**Note 1 – Basis of Accounting**

This Schedule is prepared on the same basis of accounting as the Town of Harrah's financial statements. The Town reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

**Note 2 – Program Costs**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Town of Harrah's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 – Revolving Loan – Program Income**

The Town of Harrah has a revolving loan program for low income housing renovation. Under this federal program, repayments to the Town are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$0 and is presented in this Schedule. The amount of principal and interest received in loan repayments for the year was \$2,826.23.

**Note 4 – Federal Loans**

- a. The Town of Harrah was approved by the USDA Rural Utilities Service to receive a loan totaling \$783,000 to remodel a sewer treatment plant in 2017. Interim loan financing was received for the construction period. The amount listed for this loan includes the proceeds used during the year. The Town of Harrah was also approved a grant for \$24,000 by USDA Rural Development to develop a Small Water System Management. The amount listed for this loan includes the proceeds used during the year.

Both the current and prior year loans are reported on the Town's Schedule of Liabilities.

**Note 5 – Indirect Cost Rate**

The Town of Harrah has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## TOWN OF HARRAH

P.O. Box 10  
Harrah, WA 98933-0010

Phone: (509) 848-2432  
Fax: (509) 848-2430

### CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

#### Town of Harrah January 1, 2019 through December 31, 2019

This schedule presents the corrective action planned by the Town for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2019-001	<b>Finding caption:</b> The Town's internal controls over preparing financial statements were inadequate for ensuring accurate reporting.
<b>Name, address, and telephone of Town contact person:</b> Sarah Hovis; PO Box 10; (509) 848-2432	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>This finding was addressed and corrected when it was discovered. A corrected schedule was re-submitted to the State Auditor's website.</i>	
<b>Anticipated date to complete the corrective action:</b> 9-22-2021	

<b>Finding ref number:</b> 2019 - 002	<b>Finding caption:</b> The Town's internal controls are inadequate for ensuring compliance with suspension and debarment requirements.
<b>Name, address, and telephone of Town contact person:</b> Sarah Hovis; PO Box 10; (509) 848-2432	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The Town will enforce the suspension and debarment checks on contractors and vendors on purchases with federal funds over \$25,000 in the future.</i>	
<b>Anticipated date to complete the corrective action:</b> 9-22-2021	

## ABOUT THE STATE AUDITOR'S OFFICE

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

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