

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

---

**Town of Odessa**  
**Lincoln County**

Audit Period  
**January 1, 2011 through December 31, 2011**

**Report No. 1009585**

Issue Date  
**May 6, 2013**



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

May 6, 2013

Town Council  
Town of Odessa  
Odessa, Washington

***Report on Financial Statements***

Please find attached our report on the Town of Odessa's financial statements.

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

Sincerely,

**TROY KELLEY**  
STATE AUDITOR

# Table of Contents

**Town of Odessa  
Lincoln County  
January 1, 2011 through December 31, 2011**

|   |   |
|---|---|
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i> ..... | 1 |
| Independent Auditor's Report on Financial Statements.....   | 3 |
| Financial Section.....  | 5 |

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

**Town of Odessa  
Lincoln County  
January 1, 2011 through December 31, 2011**

Town Council  
Town of Odessa  
Odessa, Washington

We have audited the financial statements of the Town of Odessa, Lincoln County, Washington, as of and for the year ended December 31, 2011, and have issued our report thereon dated February 5, 2013.

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.

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

In planning and performing our audit, we considered the Town'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 Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 Town's financial statements are free of 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*.

This report is intended for the information and use of management and the Town 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 that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

**TROY KELLEY**  
STATE AUDITOR

February 5, 2013

# Independent Auditor's Report on Financial Statements

## **Town of Odessa Lincoln County January 1, 2011 through December 31, 2011**

Town Council  
Town of Odessa  
Odessa, Washington

We have audited the accompanying financial statements of the Town of Odessa, Lincoln County, Washington, for the year ended December 31, 2011. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Town 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 Town of Odessa, for the year ended December 31, 2011, 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 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 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 audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Liabilities is presented for purposes of additional

analysis as required by the prescribed BARS manual. This schedule is 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.

The report is intended for the information and use of the management and the Town 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 cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

February 5, 2013

# Financial Section

**Town of Odessa  
Lincoln County  
January 1, 2011 through December 31, 2011**

***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2011  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2011  
Notes to Financial Statements – 2011

***SUPPLEMENTARY INFORMATION***

Schedule of Liabilities – 2011



Town of Odessa

**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2011

| BARS<br><br>CODE                            |                                | Total for      | 001                  | 101           |
|---|--------------------------------|----------------|----------------------|---------------|
|   |                                | All Funds 1/   | Current Expense Fund | Street Fund   |
|   |                                | Total Amount   | Actual Amount        | Actual Amount |
| Beginning Cash and Investments              |                                |                |                      |               |
| 308.10                                      | Reserved                       | \$242,298.71   | \$0.00               | \$0.00        |
| 308.80                                      | Unreserved                     | \$1,421,011.04 | \$421,483.87         | \$698.75      |
| 388.80 or<br>588.80                         | Prior Period Adjustments       | \$0.00         | \$0.00               | \$0.00        |
| Revenues and Other Sources                  |                                |                |                      |               |
| 310   | Taxes                          | \$460,500.42   | \$456,248.07         | \$0.00        |
| 320   | Licenses and Permits           | \$11,571.60    | \$11,571.60          | \$0.00        |
| 330   | Intergovernmental              | \$100,555.19   | \$81,295.95          | \$19,259.24   |
| 340   | Charges for Goods and Services | \$731,190.72   | \$9,701.50           | \$0.00        |
| 350   | Fines and Penalties            | \$562.49       | \$562.49             | \$0.00        |
| 360   | Miscellaneous                  | \$52,699.81    | \$31,102.90          | \$7,281.57    |
| 370   | Capital Contributions          | \$0.00         | \$0.00               | \$0.00        |
| 390   | Other Financing Sources        | \$75,534.29    | \$0.00               | \$49,280.00   |
| Total Revenues and Other Financing Sources  |                                | \$1,432,614.52 | \$590,482.51         | \$75,820.81   |
|   | Total Resources                | \$3,095,924.27 | \$1,011,966.38       | \$76,519.56   |
| Operating Expenditures:                     |                                |                |                      |               |
| 510   | General Government             | \$75,583.87    | \$75,583.87          | \$0.00        |
| 520   | Public Safety                  | \$145,310.94   | \$145,310.94         | \$0.00        |
| 530   | Physical Environment           | \$503,076.54   | \$107.78             | \$0.00        |
| 540   | Transportation                 | \$59,353.57    | \$4,740.36           | \$54,613.21   |
| 550   | Economic Environment           | \$1,897.24     | \$1,897.24           | \$0.00        |
| 560   | Mental and Physical Health     | \$217.39       | \$217.39             | \$0.00        |
| 570   | Culture and Recreational       | \$75,496.16    | \$75,496.16          | \$0.00        |
|   | Total Operating Expenditures   | \$860,935.71   | \$303,353.74         | \$54,613.21   |
| 591-593                                     | Debt Service                   | \$97,497.78    | \$0.00               | \$6,729.72    |
| 594-595                                     | Capital Outlay                 | \$193,342.84   | \$167,358.78         | \$2,256.68    |
|   | Total Expenditures             | \$1,151,776.33 | \$470,712.52         | \$63,599.61   |
| 596-599                                     | Other Financing Uses           | \$75,534.29    | \$68,188.00          | \$0.00        |
| Total Expenditures and Other Financing Uses |                                | \$1,227,310.62 | \$538,900.52         | \$63,599.61   |
| Excess (Deficit) of Resources Over Uses     |                                | \$1,868,613.65 | \$473,065.86         | \$12,919.95   |
| 380   | Nonrevenues (Except 384)       | \$0.00         | \$0.00               | \$0.00        |
| 580   | Nonexpenditures (Except 584)   | \$84,507.92    | \$0.00               | \$0.00        |
| Ending Cash and Investments:                |                                |                |                      |               |
| 508.10                                      | Reserved                       | \$273,406.42   | \$0.00               | \$0.00        |
| 508.80                                      | Unreserved                     | \$1,510,699.31 | \$473,065.86         | \$12,919.95   |

1/ This column summarizes ALL reported funds, not just funds listed on this page  
The Accompanying Notes Are An Integral Part Of This Statement.

Town of Odessa

**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2011

| BARS<br>CODE                                |                                | 103              | 112           | 313                        |
|---|--------------------------------|------------------|---------------|----------------------------|
|   |                                | Hotel/Motel Fund | Cemetery Fund | Cumulative<br>Reserve Fund |
|   |                                | Actual Amount    | Actual Amount | Actual Amount              |
| Beginning Cash and Investments              |                                |                  |               |                            |
| 308.10                                      | Reserved                       | \$8,066.18       | \$0.00        | \$0.00                     |
| 308.80                                      | Unreserved                     | \$0.00           | \$1,658.07    | \$400,374.60               |
| 388.80 or<br>588.80                         | Prior Period Adjustments       | \$0.00           | \$0.00        | \$0.00                     |
| Revenues and Other Sources                  |                                |                  |               |                            |
| 310   | Taxes                          | \$1,652.59       | \$0.00        | \$2,458.32                 |
| 320   | Licenses and Permits           | \$0.00           | \$0.00        | \$0.00                     |
| 330   | Intergovernmental              | \$0.00           | \$0.00        | \$0.00                     |
| 340   | Charges for Goods and Services | \$0.00           | \$20,350.00   | \$0.00                     |
| 350   | Fines and Penalties            | \$0.00           | \$0.00        | \$0.00                     |
| 360   | Miscellaneous                  | \$0.00           | \$74.18       | \$674.28                   |
| 370   | Capital Contributions          | \$0.00           | \$0.00        | \$0.00                     |
| 390   | Other Financing Sources        | \$0.00           | \$18,908.00   | \$0.00                     |
| Total Revenues and Other Financing Sources  |                                | \$1,652.59       | \$39,332.18   | \$3,132.60                 |
|   | Total Resources                | \$9,718.77       | \$40,990.25   | \$403,507.20               |
| Operating Expenditures:                     |                                |                  |               |                            |
| 510   | General Government             | \$0.00           | \$0.00        | \$0.00                     |
| 520   | Public Safety                  | \$0.00           | \$0.00        | \$0.00                     |
| 530   | Physical Environment           | \$0.00           | \$33,222.04   | \$0.00                     |
| 540   | Transportation                 | \$0.00           | \$0.00        | \$0.00                     |
| 550   | Economic Environment           | \$0.00           | \$0.00        | \$0.00                     |
| 560   | Mental and Physical Health     | \$0.00           | \$0.00        | \$0.00                     |
| 570   | Culture and Recreational       | \$0.00           | \$0.00        | \$0.00                     |
|   | Total Operating Expenditures   | \$0.00           | \$33,222.04   | \$0.00                     |
| 591-593                                     | Debt Service                   | \$0.00           | \$0.00        | \$0.00                     |
| 594-595                                     | Capital Outlay                 | \$0.00           | \$2,432.50    | \$0.00                     |
|   | Total Expenditures             | \$0.00           | \$35,654.54   | \$0.00                     |
| 596-599                                     | Other Financing Uses           | \$0.00           | \$0.00        | \$7,346.29                 |
| Total Expenditures and Other Financing Uses |                                | \$0.00           | \$35,654.54   | \$7,346.29                 |
| Excess (Deficit) of Resources Over Uses     |                                | \$9,718.77       | \$5,335.71    | \$396,160.91               |
| 380   | Nonrevenues (Except 384)       | \$0.00           | \$0.00        | \$0.00                     |
| 580   | Nonexpenditures (Except 584)   | \$0.00           | \$0.00        | \$0.00                     |
| Ending Cash and Investments:                |                                |                  |               |                            |
| 508.10                                      | Reserved                       | \$9,718.77       | \$0.00        | \$27,459.42                |
| 508.80                                      | Unreserved                     | \$0.00           | \$5,335.71    | \$368,701.49               |

The Accompanying Notes Are An Integral Part Of This Statement.

Town of Odessa

**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2011

| BARS<br>CODE                                |                                | 401           | 402           | 422           |
|---|--------------------------------|---------------|---------------|---------------|
|   |                                | Water Fund    | Solid Waste   | Sewer Fund    |
|   |                                | Actual Amount | Actual Amount | Actual Amount |
| Beginning Cash and Investments              |                                |               |               |               |
| 308.10                                      | Reserved                       | \$0.00        | \$48,049.79   | \$160,381.90  |
| 308.80                                      | Unreserved                     | \$335,862.08  | \$69,366.29   | \$191,567.38  |
| 388.80 or<br>588.80                         | Prior Period Adjustments       | \$0.00        | \$0.00        | \$0.00        |
| Revenues and Other Sources                  |                                |               |               |               |
| 310   | Taxes                          | \$0.00        | \$0.00        | \$0.00        |
| 320   | Licenses and Permits           | \$0.00        | \$0.00        | \$0.00        |
| 330   | Intergovernmental              | \$0.00        | \$0.00        | \$0.00        |
| 340   | Charges for Goods and Services | \$178,606.41  | \$186,765.06  | \$335,767.75  |
| 350   | Fines and Penalties            | \$0.00        | \$0.00        | \$0.00        |
| 360   | Miscellaneous                  | \$10,338.62   | \$930.11      | \$2,439.59    |
| 370   | Capital Contributions          | \$0.00        | \$0.00        | \$0.00        |
| 390   | Other Financing Sources        | \$0.00        | \$7,346.29    | \$0.00        |
| Total Revenues and Other Financing Sources  |                                | \$188,945.03  | \$195,041.46  | \$338,207.34  |
|   | Total Resources                | \$524,807.11  | \$312,457.54  | \$690,156.62  |
| Operating Expenditures:                     |                                |               |               |               |
| 510   | General Government             | \$0.00        | \$0.00        | \$0.00        |
| 520   | Public Safety                  | \$0.00        | \$0.00        | \$0.00        |
| 530   | Physical Environment           | \$142,558.05  | \$184,931.85  | \$142,256.82  |
| 540   | Transportation                 | \$0.00        | \$0.00        | \$0.00        |
| 550   | Economic Environment           | \$0.00        | \$0.00        | \$0.00        |
| 560   | Mental and Physical Health     | \$0.00        | \$0.00        | \$0.00        |
| 570   | Culture and Recreational       | \$0.00        | \$0.00        | \$0.00        |
|   | Total Operating Expenditures   | \$142,558.05  | \$184,931.85  | \$142,256.82  |
| 591-593                                     | Debt Service                   | \$1,821.38    | \$0.00        | \$88,946.68   |
| 594-595                                     | Capital Outlay                 | \$13,049.31   | \$0.00        | \$8,245.57    |
|   | Total Expenditures             | \$157,428.74  | \$184,931.85  | \$239,449.07  |
| 596-599                                     | Other Financing Uses           | \$0.00        | \$0.00        | \$0.00        |
| Total Expenditures and Other Financing Uses |                                | \$157,428.74  | \$184,931.85  | \$239,449.07  |
| Excess (Deficit) of Resources Over Uses     |                                | \$367,378.37  | \$127,525.69  | \$450,707.55  |
| 380   | Nonrevenues (Except 384)       | \$0.00        | \$0.00        | \$0.00        |
| 580   | Nonexpenditures (Except 584)   | \$7,355.60    | \$0.00        | \$77,152.32   |
| Ending Cash and Investments:                |                                |               |               |               |
| 508.10                                      | Reserved                       | \$0.00        | \$48,049.79   | \$162,377.60  |
| 508.80                                      | Unreserved                     | \$360,022.77  | \$79,475.90   | \$211,177.63  |

The Accompanying Notes Are An Integral Part Of This Statement.

Town of Odessa

**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2011

| BARS<br>CODE                                |                                | 721                        |               |               |
|---|--------------------------------|----------------------------|---------------|---------------|
|   |                                | Koth Library Trust<br>Fund |               |               |
|   |                                | Actual Amount              | Actual Amount | Actual Amount |
| Beginning Cash and Investments              |                                |                            |               |               |
| 308.10                                      | Reserved                       | \$25,800.84                | \$0.00        | \$0.00        |
| 308.80                                      | Unreserved                     | \$0.00                     | \$0.00        | \$0.00        |
| 388.80 or<br>588.80                         | Prior Period Adjustments       | \$0.00                     | \$0.00        | \$0.00        |
| Revenues and Other Sources                  |                                |                            |               |               |
| 310   | Taxes                          | \$0.00                     | \$0.00        | \$0.00        |
| 320   | Licenses and Permits           | \$0.00                     | \$0.00        | \$0.00        |
| 330   | Intergovernmental              | \$0.00                     | \$0.00        | \$0.00        |
| 340   | Charges for Goods and Services | \$0.00                     | \$0.00        | \$0.00        |
| 350   | Fines and Penalties            | \$0.00                     | \$0.00        | \$0.00        |
| 360   | Miscellaneous                  | \$0.00                     | \$0.00        | \$0.00        |
| 370   | Capital Contributions          | \$0.00                     | \$0.00        | \$0.00        |
| 390   | Other Financing Sources        | \$0.00                     | \$0.00        | \$0.00        |
| Total Revenues and Other Financing Sources  |                                | \$0.00                     | \$0.00        | \$0.00        |
|   | Total Resources                | \$25,800.84                | \$0.00        | \$0.00        |
| Operating Expenditures:                     |                                |                            |               |               |
| 510   | General Government             | \$0.00                     | \$0.00        | \$0.00        |
| 520   | Public Safety                  | \$0.00                     | \$0.00        | \$0.00        |
| 530   | Physical Environment           | \$0.00                     | \$0.00        | \$0.00        |
| 540   | Transportation                 | \$0.00                     | \$0.00        | \$0.00        |
| 550   | Economic Environment           | \$0.00                     | \$0.00        | \$0.00        |
| 560   | Mental and Physical Health     | \$0.00                     | \$0.00        | \$0.00        |
| 570   | Culture and Recreational       | \$0.00                     | \$0.00        | \$0.00        |
|   | Total Operating Expenditures   | \$0.00                     | \$0.00        | \$0.00        |
| 591-593                                     | Debt Service                   | \$0.00                     | \$0.00        | \$0.00        |
| 594-595                                     | Capital Outlay                 | \$0.00                     | \$0.00        | \$0.00        |
|   | Total Expenditures             | \$0.00                     | \$0.00        | \$0.00        |
| 596-599                                     | Other Financing Uses           | \$0.00                     | \$0.00        | \$0.00        |
| Total Expenditures and Other Financing Uses |                                | \$0.00                     | \$0.00        | \$0.00        |
| Excess (Deficit) of Resources Over Uses     |                                | \$25,800.84                | \$0.00        | \$0.00        |
| 380   | Nonrevenues (Except 384)       | \$0.00                     | \$0.00        | \$0.00        |
| 580   | Nonexpenditures (Except 584)   | \$0.00                     | \$0.00        | \$0.00        |
| Ending Cash and Investments:                |                                |                            |               |               |
| 508.10                                      | Reserved                       | \$25,800.84                | \$0.00        | \$0.00        |
| 508.80                                      | Unreserved                     | \$0.00                     | \$0.00        | \$0.00        |

The Accompanying Notes Are An Integral Part Of This Statement.

Town of Odessa  
**FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH**  
For the Year Ended December 31, 2011

|  | Total for    | 631             | 632              | 633                  |
|--|--------------|-----------------|------------------|----------------------|
|  | All Funds 1/ | Claims Clearing | Payroll Clearing | Treasurer's Clearing |
|  | Total Amount | Actual Amount   | Actual Amount    | Actual Amount        |
| <b>Beginning Cash and Investments</b>          | \$2,847.61   | \$226.82        | \$108.68         | \$2,512.11           |
| Prior Period Adjustments                       | \$0.00       | \$0.00          | \$0.00           | \$0.00               |
| Revenue and Other Financing Sources            | \$0.00       | \$0.00          | \$0.00           | \$0.00               |
| <b>Total Resources</b>                         | \$2,847.61   | \$226.82        | \$108.68         | \$2,512.11           |
| <b>Expenditures And Other Financing Uses</b>   | \$0.00       | \$0.00          | \$0.00           | \$0.00               |
| <b>Excess (Deficit) of Resources Over Uses</b> | \$2,847.61   | \$226.82        | \$108.68         | \$2,512.11           |
| Nonrevenues (Except 384)                       | \$251.30     | \$0.00          | \$0.00           | \$251.30             |
| Nonexpenditures (Except 584)                   | \$263.19     | \$0.00          | \$0.00           | \$263.19             |
| <b>Ending Cash and Investments</b>             | \$2,835.72   | \$226.82        | \$108.68         | \$2,500.22           |

1/ This column summarizes ALL funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

**TOWN OF ODESSA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 1, 2011 THROUGH DECEMBER 31, 2011**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

The Town of Odessa reports financial activity using the revenues and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The Town of Odessa was incorporated on 1902 and operates under the laws of the State of Washington applicable to a 4<sup>th</sup> class town with a Mayor/Council form of government. The Town is a general purpose government and provides general administrative, public safety, fire prevention, street improvement, parks and recreation, library, cemetery and municipal airport services. In addition the town owns and provides water, sewer and solid waste utility services. The Town uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. **Fund Accounting**

The accounts of the Town 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 Town's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are fund types used by the Town.

**GOVERNMENTAL FUND TYPES**

**General (Current Expense) Fund (001)**

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

**Special Revenue Funds (100-199)**

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the Town.

**Capital Project Funds (300 – 399)**

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

#### Permanent Funds (700 – 799)

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 (400-499)

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

#### FIDUCIARY FUND TYPES:

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

##### Agency Funds (631-699)

These funds are used to account assets that the Town 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.

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.

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.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

#### c. Budgets

The Town adopts annual appropriated budgets for all operating funds of the Town each year and appropriates capital fund budgets as needed and required by law. These budgets are adopted at the fund level. The budgets constitute 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 follows:

|                        | Final Appropriated | Actual              |                 |
|------------------------|--------------------|---------------------|-----------------|
| <b>Fund/Department</b> | <b>Amounts</b>     | <b>Expenditures</b> | <b>Variance</b> |
| Current Expense Fund   | \$ 1,018,172       | \$ 538,901          | \$ 479,271      |
| Street Fund            | \$ 77,368          | \$ 63,600           | \$ 13,768       |
| Cemetery Fund          | \$ 39,608          | \$ 35,655           | \$ 3,953        |
| Cumulative Reserve     | \$ 112,004         | \$ -                | \$ 112,004      |
| Water Fund             | \$ 178,375         | \$ 164,784          | \$ 13,591       |
| Solid Waste Fund       | \$ 190,399         | \$ 184,932          | \$ 5,467        |
| Sewer M&O Fund         | \$ 342,600         | \$ 316,601          | \$ 25,999       |
|                        |                    |                     | \$ -            |

Budgeted amounts are authorized to be transferred between departments within any fund and 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.

d. Cash

It is the Town'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.

e. Deposits

The TOWN deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and/or the Washington Public Deposit Protection Commission (WPDPC).

f. Investments See Note No. 3

g. Capital Assets

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

h. Compensated Absences

Vacation leave may be accumulated up to 20 days and is payable upon separation or retirement.

Sick leave may accumulate up to 720 hours prior to September 15, 1997 and up to 360 hours after September 15, 1997 and up to 180 hours on or after May 29, 2007. Upon separation or retirement employees receive payment for unused sick leave

i. Long-Term Debt See Note 5



j. Other Financing Sources Or Uses

The Town's "Other Financing Sources or Uses" consist of Transfers-in and out between funds and debt service.

k. Risk Management

The Town of Odessa 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 together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2011, 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.

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 \$250,000 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 \$10 million. The excess property coverage is purchased through Lexington 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 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 Interlocal Governmental 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 obtained from the AWC RMSA Annual Report on file with the Town of Odessa.

I. Reserved Fund Balance

The Town has the following restricted fund balances due to debt covenant restrictions on the sewer loans with USDA, private funds provided thorough bequests to the town or reserves for Landfill post closure:

- Hotel/Motel Fund \$9,718.77
- Restricted Sewer Debt Reserves of \$162,377.60
- Koth Library Trust \$25,800.04
- Zier – Cemetery Bequest \$9,742.42
- Schibner – Cemetery Bequest \$15,000.00
- Hilding – Cemetery Bequest \$2,714.00
- Landfill Post Closure - \$48,049.79

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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

There have been no expenditures exceeding legal appropriations in any of the funds of the Town.

NOTE 3 – INVESTMENTS

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

Investments are presented at cost.

Investments by type at December 31, 2011 are as follows:

| Type of Investment         | Town's<br>Own investments | Investments held by the Town as<br>an agent for other local<br>governments, individuals or<br>private organizations | Total        |
|----------------------------|---------------------------|---|--------------|
| L.G.I.P.                   | \$239,374.71              | \$  | \$239,374.71 |
| U.S. Government Securities |                           |   |              |
| Other                      | \$ 25,006.55              |   | \$ 25,006.55 |
| Total                      | \$264,214.36              |   | \$264,214.36 |

#### NOTE 4 – PROPERTY TAX

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 Town. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The Town's regular levy for the year 2011 was 2.86382 per \$1,000 on an assessed valuation of \$34,053,777 for a total regular levy of \$97,524.00

#### NOTE 6 – LONG TERM DEBT

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt of the Town and summarizes the Town's debt transactions for 2011. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

|           | General    |  |                 |  |             |                 |
|-----------|------------|--|-----------------|--|-------------|-----------------|
|           | Obligation |  | Revenue         |  | Other       | Total           |
|           | Bonds      |  | Bonds           |  | Debt        | Debt            |
| 2011      | \$ -       |  | \$ 175,275.98   |  | \$ 6,729.72 | \$ 182,005.70   |
| 2012      | \$ -       |  | \$ 175,275.98   |  | \$ -        | \$ 175,275.98   |
| 2013      | \$ -       |  | \$ 175,275.98   |  | \$ -        | \$ 175,275.98   |
| 2014      | \$ -       |  | \$ 175,275.98   |  | \$ -        | \$ 175,275.98   |
| 2015      | \$ -       |  | \$ 175,275.98   |  |             | \$ 175,275.98   |
| 2016      | \$ -       |  | \$ 170,687.49   |  |             | \$ 170,687.49   |
| 2017-2021 | \$ -       |  | \$ 830,495.00   |  |             | \$ 830,495.00   |
| 2022-2026 | \$ -       |  | \$ 830,495.00   |  |             | \$ 830,495.00   |
| 2027-2031 | \$ -       |  | \$ 830,495.00   |  |             | \$ 830,495.00   |
| 2032-2036 |            |  | \$ 830,495.00   |  |             | \$ 830,495.00   |
| 2037-2041 |            |  | \$ 683,536.26   |  |             | \$ 683,536.26   |
| 2042-2044 |            |  | \$ 37,022.41    |  |             | \$ 37,022.41    |
| TOTALS    | \$0.00     |  | \$ 5,089,606.06 |  | \$ 6,729.72 | \$ 5,096,335.78 |

## NOTE 7 – PENSION PLANS

Substantially all Town full-time and qualifying part-time employees participate in the PERS and LEOFF 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 Town's financial statements. Contributions to the system 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 8 – ODESSA LANDFILL POST-CLOSURE

In accordance with RCW 70.95.215, the Town of Odessa has established and maintained a reserve account to comply with landfill post-closure costs. The Town of Odessa adopted Ordinance #472 on 11/15/93 that requires the ongoing appropriation for twenty years (ending 2013) to meet the requirements of post closure costs in accordance with the State Department of Ecology.

The current post closure reserve balance is \$48,049.79. The town continues to comply with all testing requirements associated with post-closure landfill requirements in accordance with state guidelines.

## NOTE 9 – OTHER DISCLOSURES

The Town originally established a Cumulative Reserve Fund as allowed under RCW 35.21.070 for general and specific municipal purposes as authorized by the Town Council. Due to changes in accounting and reporting guidelines prescribed by the WA State Auditor's Office the town adopted Resolution No. 2011-4 to remove the accumulated reserves associated with its proprietary activities (Water, Sewer and Solid Waste) and transfer to their respective proprietary funds. The accumulated reserve transfers were completed as of the first of the fiscal period as follows:

- Water Utility Fund #401 - \$172,875.51
- Solid Waste Utility Fund #402 - \$55,396.08 (a portion is Post-Closure Reserves see Note #8)
- Sewer Fund #422 - \$94,78562

The remaining Cumulative Reserve funds were reclassified as a governmental Capital Project/Reserve fund to meet the new requirements prescribed in the Cash Basis BARS manual.

# Town of Odessa

## Schedule of Liabilities

For the year ended December 31, 2011

| Debt Type                            | ID. No. | Description                             | Maturity/Payment Due Date | Beginning Balance December 31, 2011 | Additions     | Reductions    | BARS Code for Redemption of Debt Only | Ending Balance December 31, 2011 |
|--------------------------------------|---------|---|---------------------------|-------------------------------------|---------------|---------------|---------------------------------------|----------------------------------|
| <b>General Obligations</b>           |         |   |                           |                                     |               |               |                                       |                                  |
|                                      | 259.11  | G.O. - Compensated Absence              | 12/31/2011                | 21,254                              | 3,811         |               |                                       | 25,065                           |
| <b>Total General Obligations:</b>    |         |   |                           | <b>21,254</b>                       | <b>3,811</b>  |               |                                       | <b>25,065</b>                    |
| <b>Revenue Obligations</b>           |         |   |                           |                                     |               |               |                                       |                                  |
|                                      | 259.12  | Revenue-Water Compensated Absence       | 12/31/2011                | 13,283                              | 2,352         |               |                                       | 15,636                           |
|                                      | 259.12  | Revenue-Solid Waste Compensated Absence | 12/31/2011                | 6,618                               | 1,258         |               |                                       | 7,876                            |
|                                      | 259.12  | Revenue-Sewer-Compensated Absence       | 12/31/2011                | 9,364                               | 1,726         |               |                                       | 11,091                           |
|                                      | 252.11  | Sewer USDA #1 (10/8/96)                 | 10/8/2039                 | 2,730,848                           |               | 57,859        | 58235                                 | 2,672,989                        |
|                                      | 252.11  | Sewer USDA #3 (3/25/04)                 | 3/25/2044                 | 177,008                             |               | 2,308         | 58235                                 | 174,701                          |
|                                      | 252.11  | Sewer USDA #5 (9/27/04)                 | 9/27/2044                 | 161,766                             |               | 2,000         | 58235                                 | 159,766                          |
|                                      | 263.82  | Water Well BNY(12/1/06)                 | 6/1/2016                  | 44,577                              |               | 7,356         | 58234                                 | 37,221                           |
|                                      | 263.22  | Landfill Post-Closure                   | 12/31/2013                | 0                                   | 48,050        | 0             |                                       | 48,050                           |
| <b>Total Revenue Obligations:</b>    |         |   |                           | <b>3,143,466</b>                    | <b>53,386</b> | <b>69,522</b> |                                       | <b>3,127,330</b>                 |
| <b>Assessment Obligations</b>        |         |   |                           |                                     |               |               |                                       |                                  |
|                                      | 253.11  | Street LID (2/1/03)                     | 12/31/2011                | 6,409                               |               | 6,409         | 59142                                 | 0                                |
| <b>Total Assessment Obligations:</b> |         |   |                           | <b>6,409</b>                        |               | <b>6,409</b>  |                                       | <b>0</b>                         |
| <b>Total Liabilities:</b>            |         |   |                           | <b>3,171,129</b>                    | <b>57,197</b> | <b>75,932</b> |                                       | <b>3,152,395</b>                 |



## **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  
Director of State and Local Audit  
Director of Performance Audit  
Deputy Director of State and Local Audit  
Deputy Director of State and Local Audit  
Deputy Director of State and Local Audit  
Deputy Director of Quality Assurance  
Local Government Liaison  
Public Records Officer  
Main number  
Toll-free Citizen Hotline**

**Troy Kelley  
Doug Cochran  
Chuck Pfeil, CPA  
Larisa Benson  
Kelly Collins, CPA  
Jan M. Jutte, CPA, CGFM  
Sadie Armijo  
Barb Hinton  
Mike Murphy  
Mary Leider  
(360) 902-0370  
(866) 902-3900**

**Website  
Subscription Service**

**[www.sao.wa.gov](http://www.sao.wa.gov)  
<https://www.sao.wa.gov/EN/News/Subscriptions>**