



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Town of Oakesdale

For the period January 1, 2021 through December 31, 2021

Published September 26, 2022

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

September 26, 2022

Mayor and Town Council
Town of Oakesdale
Oakesdale, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Town of Oakesdale'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,

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Town of Oakesdale January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Town of Oakesdale 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 identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no 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>
66.468	Drinking Water State Revolving Fund Cluster – Capitalization Grants for Drinking Water State Revolving Funds

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 2021-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2021-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Town of Oakesdale January 1, 2021 through December 31, 2021

2021-001 The Town did not have adequate internal controls over financial statement preparation to ensure accurate financial reporting.

Background

State and federal agencies, Town officials and the public rely on information included in the financial statements and reports to make decisions. Management is responsible for designing, implementing and following internal controls that ensure the accuracy and fair presentation of the Town's financial statements, notes and supplementary schedules, as well as provide reasonable assurance regarding the reliability of financial reporting.

The Town prepares its financial statements, notes and supplementary schedules in accordance with the cash basis accounting method prescribed in the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS) manual. Our audit found deficiencies in the Town's internal controls over financial reporting that hindered its ability to produce reliable financial statements, notes and supplementary schedules.

Government Auditing Standards requires the State Auditor's Office to communicate significant deficiencies in internal controls, as defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

We found the following deficiencies in internal controls over financial reporting. When taken together, they represent a significant deficiency in internal controls.

- The Town relies on its contracted software vendor to assist with managing its accounting records and providing accounting files and the most current note disclosure templates applicable to the Town's fiscal year. Staff updated the note disclosure templates using the accounting files provided, but they did not confirm the accuracy and completeness of the information and templates provided.

- Town staff responsible for preparing the annual financial report lacked the technical knowledge and experience needed to accurately prepare the financial statements, notes and supplementary schedules.
- The Town lacked an effective review process for ensuring amounts reported in the financial statements, notes and supplementary schedules agreed to underlying accounting records and followed BARS manual guidance.

Cause of Condition

The Town does not typically require a financial statement audit, and management did not ensure staff responsible for preparing the financial report attended training and were given the resources necessary to understand BARS manual reporting guidance.

In 2021, the Town received two forgivable loans, but staff did not fully understand the applicable BARS manual reporting and disclosure requirements for the Schedule of Liabilities and Notes to the Financial Statements. Additionally, one of the forgivable loans is both federally and state funded, and staff misunderstood how to report the related expenditures on the Schedule of Expenditures of Federal Awards (SEFA).

Effect of Condition

Because of these internal control deficiencies, our audit identified the following errors:

- In the SEFA, the Town overstated total expenditures by \$876,821 because it also reported debt service payments and state-funded expenditures that should be excluded from the schedule.
- In the Schedule of Liabilities, the Town understated total ending liabilities by \$2,119,511 because it omitted two forgivable loans totaling \$2,114,528 from the schedule. The Town also had errors in the beginning balance, reductions and ending balance for another loan.
- In the Notes to the Financial Statements, the Town:
 - Understated deposits and investments by \$154,298
 - Overstated long-term liabilities by \$5,132
 - Disclosed the approved amount for one forgivable loan but omitted a summary of the loan terms for both forgivable loans, including total amounts drawn and remaining to draw on the loans

- Disclosed its participation in the Volunteer Fire Fighters’ and Reserve Officers’ Relief and Pension Fund, although the Town is not a participant

The Town corrected all of the financial statement errors we identified.

Recommendation

We recommend the Town strengthen its internal controls and ensure staff responsible for preparing the financial statements, notes and schedules have the necessary resources and training to prepare accurate and complete financial statements, notes and schedules in accordance with the BARS manual. Further, we recommend the Town conduct an effective review of the financial statements, notes and supplementary schedules to ensure they agree to the underlying accounting records and meet BARS manual reporting guidance.

Town’s Response

The Town did find itself in a unique situation with receiving a 100% forgivable loan from the Drinking Water State Revolving Fund (DWSRF) involving federal and state funds. The Town concurs the loan was not reported correctly on the 2021 SEFA. The Town did correct all of the financial statement errors the State Auditor identified. The Town will ensure the staff responsible for preparing the financial statement, notes and schedules get the necessary resources and training to prepare accurate and complete financial statements, notes and schedules in accordance with the BARS manual reporting guidance.

Auditor’s Remarks

We thank the Town for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the Town’s corrective action during our next audit.

Applicable Laws and Regulations

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 law, 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.

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, 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.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Town of Oakesdale January 1, 2021 through December 31, 2021

2021-002 The Town's internal controls were inadequate for ensuring compliance with federal procurement and suspension and debarment requirements.

CFDA Number and Title:	66.468 Capitalization Grants for Drinking Water State Revolving Funds
Federal Grantor Name:	Environmental Protection Agency
Federal Award/Contract Number:	DWL 24935
Pass-through Entity Name:	Washington State Department of Health
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$0

Description of Condition

The Drinking Water State Revolving Fund (DWSRF) program is a federal-state partnership to help maintain safe drinking water. Created by the 1996 Amendments to the Safe Drinking Water Act (Act), the program provides financial support to water systems and to state safe water programs. States can use capitalization grant funds to establish a revolving loan to assist public water systems, finance the costs of infrastructure needed to achieve or maintain compliance with the Act's requirements, and protect the public health objectives of the Act. During fiscal year 2021, the Town spent \$1,068,499 in federal funding for a water system improvement project.

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

Procurement

Federal regulations require recipients to follow their own documented procurement procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR § 200.318-327. The procedures must reflect the most restrictive of applicable federal requirements, state laws or local policies. When using federal funds to procure goods and services, governments must apply the more restrictive requirements by obtaining quotes or following a competitive procurement process, depending on the estimated cost of the procurement activity.

Although the Town has a written procurement policy, it does not conform to the most restrictive methods and thresholds for procuring architectural and engineering services. Additionally, the Town's policy does not include other required procedures for procuring transactions, such as obtaining quotations for small purchases, piggybacking, contract cost and price analysis, bonding requirements, and more.

Additionally, federal regulations require recipients to maintain written standards of conduct covering conflicts of interest and governing the actions of employees involved in selecting, awarding, or administering contracts procured with federal funds. The Town's own written conflict of interest policy does not conform to federal regulations because it does not include the following elements:

- The officers, employees, and agents may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts
- Disciplinary actions for violations of such standards

Suspension and debarment

Federal regulations prohibit recipients from contracting with parties suspended or debarred from doing business with the federal government. Whenever the Town contracts for goods or services expected to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractor is not suspended, debarred or otherwise excluded. The Town can verify a contractor's status by reviewing the U.S. General Services Administration's Excluded Parties List System (EPLS), obtaining a written certification from the contractor, or inserting a clause or condition into the contract stating the contractor is not suspended or debarred. The Town must perform this verification before entering into the contract, and keep documentation demonstrating compliance with this federal requirement.

The Town's internal controls were ineffective for ensuring staff verified one of two contractors paid more than \$25,000 in federal program funds was not suspended or debarred from participating in federal programs before entering into the contract.

We consider these deficiencies in internal controls to be material weaknesses that led to material noncompliance.

These issues were not reported as a finding in the prior audit.

Cause of Condition

Procurement

Town employees said they did not know about the requirement to update the Town's written policies and procedures to conform to federal procurement standards and to include all elements of the standards of conduct required in federal regulations.

Suspension and debarment

The Town's contracted engineer verified the construction contractor was not suspended or debarred. However, Town employees said they did not know they needed to verify the suspension and debarment status of the engineering firm before renewing the five-year contract for architectural and engineering services.

Effect of Condition

Procurement

Although the Town's policies did not conform to Uniform Guidance, our testing found the Town complied with federal requirements for competitive solicitation of a public works contractor and architectural and engineering services. However, without updated written procurement and standards of conduct procedures, the Town is at greater risk of noncompliance with the most restrictive procurement procedures and standards of conduct requirements when procuring contractors paid all or in part with federal funds.

Suspension and debarment

The Town did not obtain a written certification, insert a clause into the contract, or check the EPLS to verify the contractor was not suspended or debarred before contracting. Without this verification, the Town increases its risk of awarding federal funds to contractors that are excluded from participating in federal programs. Any payments the Town made to an ineligible party would be

unallowable, and the federal grantor could potentially recover them. We subsequently verified the contractor was not suspended or debarred. Therefore, we are not questioning costs for these payments.

Recommendation

Procurement

We recommend the Town update its written procurement and standards of conduct procedures to conform to Uniform Guidance for all procurement activities.

Suspension and debarment

We recommend the Town improve its internal controls to ensure all contractors paid \$25,000 or more, all or in part with federal funds, are not suspended or debarred before entering into contracts.

Town's Response

The Town concurs with the need to update its policies and procedures to conform to federal procurement standards and to include all elements of the standards of conduct required in federal regulations. The Town will ensure staff will verify the suspension and debarment status of the engineering firm before entering into a contract of services for a federal funded project.

Auditor's Remarks

We thank the Town for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the Town's corrective action 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 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, and paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)* establishes nonprocurement debarment and suspension regulations, implementing Executive Orders 12549 and 12689.

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 Oakesdale January 1, 2021 through December 31, 2021

Mayor and Town Council
Town of Oakesdale
Oakesdale, 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 Oakesdale, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated September 12, 2022.

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.

REPORT ON 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) as a basis for designing 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.

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.

Our consideration of internal control was for the limited purpose described above 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 that we consider to be a significant deficiency.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and 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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 12, 2022

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 Oakesdale
January 1, 2021 through December 31, 2021

Mayor and Town Council
Town of Oakesdale
Oakesdale, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Town of Oakesdale, with the types of compliance requirements identified as subject to audit 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, 2021. The Town's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, 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 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify deficiencies in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2021-002 to be a material weakness.

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.

Town's Response to Findings

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other 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, reading "Pat McCarthy". The signature is cursive and fluid, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 12, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Town of Oakesdale January 1, 2021 through December 31, 2021

Mayor and Town Council
Town of Oakesdale
Oakesdale, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Town of Oakesdale, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Town has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Town of Oakesdale, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

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 Oakesdale, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the Town in accordance with state law using accounting practices prescribed by the BARS manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 BARS manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. 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 Schedules are 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 12, 2022 on our consideration of the Town's internal control over financial reporting and on the 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 effectiveness of the Town's 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 12, 2022

FINANCIAL SECTION

Town of Oakesdale January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to the Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021
Schedule of Expenditures of Federal Awards – 2021
Notes to the Schedule of Expenditures of Federal Awards – 2021

Town of Oakesdale
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street Fund	401 Water/Sewer Operating Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	710,155	433,914	69,762	206,479
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	254,954	137,045	117,909	-
320	Licenses and Permits	4,532	4,532	-	-
330	Intergovernmental Revenues	126,027	117,548	8,479	-
340	Charges for Goods and Services	259,996	-	-	259,996
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	22,043	6,828	14,743	472
Total Revenues:		667,552	265,953	141,131	260,468
Expenditures					
510	General Government	87,176	80,391	6,785	-
520	Public Safety	47,838	47,838	-	-
530	Utilities	293,989	-	-	293,989
540	Transportation	105,926	-	105,926	-
550	Natural/Economic Environment	5,344	5,344	-	-
560	Social Services	230	230	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		540,503	133,803	112,711	293,989
Excess (Deficiency) Revenues over Expenditures:		127,049	132,150	28,420	(33,521)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	2,114,528	-	-	2,114,528
397	Transfers-In	61,333	-	-	61,333
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	72	72	-	-
Total Other Increases in Fund Resources:		2,175,933	72	-	2,175,861
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,041,381	16,150	11,647	2,013,584
591-593, 599	Debt Service	5,132	-	-	5,132
597	Transfers-Out	61,333	61,333	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,107,846	77,483	11,647	2,018,716
Increase (Decrease) in Cash and Investments:		195,136	54,739	16,773	123,624
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	416,638	-	86,536	330,102
50891	Unassigned	488,654	488,654	-	-
Total Ending Cash and Investments		905,292	488,654	86,536	330,102

Town of Oakesdale
Notes to the Financial Statements
For the year ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

The Town of Oakesdale was incorporated in 1888 and operates under the laws of the state of Washington applicable to a Fourth-Class Town with a Mayor-Council form of government. The town is a general-purpose local government and provides for public safety, fire protection, street improvements, water and sewer utilities and general administration.

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 *Notes 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 presented using classifications that are different from the ending net position classifications 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.

Town of Oakesdale
Notes to the Financial Statements
For the year ended December 31, 2021

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 \$5,000 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 240 days and is payable upon separation or retirement. Sick leave may be accumulated up to 320 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

As of 12/31/21 the Town of Oakesdale has a total of \$3,433.30 owing in Compensated Absences.

F. Long-Term Debt

See Note 5 – *Long-Term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Town Council. When expenditures that meet restrictions are incurred, the town intends to use the most restricted resources first.

The Town of Oakesdale has no reservation on ending cash and investments.

Town of Oakesdale
Notes to the Financial Statements
For the year ended December 31, 2021

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 Amount	Actual Expenses	Variance
001 - Current Expense Fund	211,475.92	211,284.56	191.36
101 - Street Fund	125,807.89	124,358.71	1,449.18
401 - Water/Sewer Operating Fund	2,924,135.57	2,312,705.94	611,429.63

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.

Ordinance No. 647 amending the 2021 Budget – Fund No. 001 Current Expense increased by \$69,333 to \$211,475.92 for Account 521.20.64.00 (corrected to 521.20.40.01) purchase us used police car from Whitman County for \$8,000 and Account 597.38.63.00 transfer of ARPA Funds to Fund 401 Water/Sewer of \$61,333.

Note 3 – 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 ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities. The following information explains how we used our COVID relief funds in 2021:

Town of Oakesdale
Notes to the Financial Statements
For the year ended December 31, 2021

Oakesdale Treatment Plant
Total Current Period Expenditures \$56,895.12
Project Description - Update and bring the waste water treatment plant into compliance.
Wastewater Lift Station was upgraded - new equipment and grinder controls moved above ground. Added aerator to lagoon pond to aid pH control. Added Triploid Grass Carp to lagoon pond to aid in pH control for NPDES discharging permit requirements. Added rock to lagoon dike to rebuild sloughing areas.
Oakesdale Water System
Total Current Period Expenditures \$3,637.68
Project Description - Replaced broken fire hydrant with a new fire hydrant

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 4 – Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	Town's own deposits & investments
Time Certificate of Deposit	217,274.41
Time Certificate of Deposit	216,669.26
Bank Deposit - Checking	471,347.90
Totals	905,291.57

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the town would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The town's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the town or its agent in the government's name.

Town of Oakesdale
Notes to the Financial Statements
For the year ended December 31, 2021

Note 5 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the town and summarizes the town's debt transactions for year ended December 31, 2021.

Year	Principal	Interest	Total Debt Service
2022	4,982.78	73.64	5,056.42
2023			0
Totals	4,982.78	73.64	5,056.42

The 100% forgivable DOH loan from the Drinking Water State Revolving Fund had debt proceeds in 2021 but no applicable principal or interest owed. The purpose of the \$2,634,580 loan is to upgrade approximately half of the Town's water system with new water mains, water service lines, water meters, fire hydrants, SCADA system and water testing stations. In 2021, \$2,070,187.60 was drawn from the loan for engineering services and construction costs. The remainder of the loan \$564,392.40 will be used in the completion of the project in 2022.

The 50% forgivable DOE loan State Revolving Fund had debt proceeds in 2021 but no applicable principal or interest owed. The purpose of the \$189,000 loan is to establish a wastewater facility plan and other requirements. In 2021, \$44,339.72 was drawn from the loan for engineering services and small equipment for the treatment plant. The reminder of the loan \$144,660.28 will be used in 2022 upon completion of the wastewater facility plan.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the town's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS2 and PERS3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Town of Oakesdale
Notes to the Financial Statements
For the year ended December 31, 2021

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2021 (the measurement date of the plans), the town's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	3947.68	0.00053000%	1,221,234,000	6,473	
PERS 2/3	6446.48	0.00068100%	-9,961,609,000		(67,839)
		<i>Totals</i>		\$ 6,473	\$ (67,839)

Note 7 - 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 town. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The town's regular levy for the year 2021 was \$2.12 per \$1,000 on an assessed valuation of \$25,745,613 for a total regular levy of \$54,662.32.

The Town's special levy for the year 2021 was \$0.76 per \$1,000 of assessed valuation of \$18,403,224 for public safety to fund fire protection and emergency medical services for a total levy of \$14,000.

The Town's special levy for the year 2021 was \$2.22 per \$1,000 of assessed valuation of \$18,403,224 for street work, street lights, street expenses and maintenance for a total levy of \$41,000.

The Town's special levy for the year 2021 was \$2.71 per \$1,000 of assessed valuation of \$18,403,224 for chip sealing streets for a total levy of \$50,000.

Note 8 – Risk Management

The Town of Oakesdale 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

Town of Oakesdale
Notes to the Financial Statements
For the year ended December 31, 2021

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, 2021, 105 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. Pollution, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and 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 National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company, and CHUBB in 2021, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides 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 Oakesdale
Notes to the Financial Statements
For the year ended December 31, 2021

Note 9 – Health & Welfare

The Town of Oakesdale is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust. As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP. The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement. Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims. Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account. 2 The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision

Town of Oakesdale
Notes to the Financial Statements
For the year ended December 31, 2021

authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC. The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 10 – Other Disclosures

The Town of Oakesdale has an inter-local contract with Whitman County Fire District #10 for fire protection and emergency medical services in the annual amount of \$14,000.

The Town was awarded funds from WA Department of Health (DWSRF) in the amount of \$2,634,580 at 100% forgivable.

The Town was awarded \$189,000 from the Department of Ecology for a Wastewater Facility Plan and other requirements with 50% being forgivable.

**Town of Oakesdale
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.83	General Obligation	10/1/2022	9,966	-	4,983	4,983
263.83	General Obligation	6/30/2028	-	44,340	-	44,340
263.83	General Obligation	1/30/2023	-	2,070,188	-	2,070,188
Total General Obligation Debt/Liabilities:			9,966	2,114,528	4,983	2,119,511
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		4,106	-	673	3,433
264.30	Pension Liability		31,855	-	25,382	6,473
Total Revenue and Other (non G.O.) Debt/Liabilities:			35,961	-	26,055	9,906
Total Liabilities:			45,927	2,114,528	31,038	2,129,417

Town of Oakesdale
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	Project ID# 2021-1888	-	60,533	60,533	- 1,2,3
Drinking Water State Revolving Fund Cluster							
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA State Department Of Health , Office Of Drinking Water)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWL24935	1,068,499	-	1,068,499	- 1234
Total Drinking Water State Revolving Fund Cluster:				1,068,499	-	1,068,499	-
Total Federal Awards Expended:				1,068,499	60,533	1,129,032	-

Town of Oakesdale

MCAG# 0816

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Town of Oakesdale's financial statements. The Town of Oakesdale uses the cash basis of accounting that represents comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Note 2 – Federal De Minimis Indirect Cost Rate

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

Note 3 – Federal Loans

(a) The Town of Oakesdale was approved by the EPA and the DWSRF to receive a loan totaling \$25,250 to improve its drinking water system with a Small Water System Management Plan. We also received a 100% forgivable loan from DOH funded by the EPA and the DWSRF in the amount of \$2,634,580 for water system improvements – Phase 1. The amounts listed for these loans include project expenditures incurred in 2021 and requested for reimbursement from the awarding agency. The Schedule of Liabilities reports the beginning of the period balance and proceeds received during the year for both loans.

Note 4 – 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 Oakesdale'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.

TOWN OF OAKESDALE

P. O. BOX 246
OAKESDALE, WA 99158
(509) 285-4020
FAX (509) 285-6100

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Town of Oakesdale
January 1, 2021 through December 31, 2021

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).

Finding ref number: 2021-001	Finding caption: The Town did not have adequate internal controls over financial statement preparation to ensure accurate financial reporting.
Name, address, and telephone of Town contact person: Mary DeGon, Clerk/Treasurer P.O. Box 246 Oakesdale, WA 99158 509-285-4020	
Corrective action the auditee plans to take in response to the finding: <i>The Town did find itself in a unique situation with receiving a 100% forgivable loan from the Drinking Water State Revolving Fund (DWSRF) involving federal and state funds. The Town concurs the loan was not reported correctly on the 2021 SEFA. The Town did correct all of the financial statement errors the State Auditor identified. The Town will ensure the staff responsible for preparing the financial statement, notes and schedules get the necessary resources and training to prepare accurate and complete financial statements, notes and schedules in accordance with the BARS manual reporting guidance.</i>	
Anticipated date to complete the corrective action: Completed	

Finding ref number: 2021-002	Finding caption: The Town's internal controls were inadequate for ensuring compliance with federal procurement and suspension and debarment requirements.
Name, address, and telephone of Town contact person: Mary DeGon, Clerk/Treasurer P.O. Box 246 Oakesdale, WA 99158 509-285-4020	
Corrective action the auditee plans to take in response to the finding: <i>The Town concurs with the need to update its policies and procedures to conform to federal procurement standards and to include all elements of the standards of conduct required in federal regulations. The Town will ensure staff will verify the suspension and debarment status of the engineering firm before entering into a contract of services for a federal funded project.</i>	
Anticipated date to complete the corrective action: 12/31/22	

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.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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