



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## Town of Odessa

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

*Published February 8, 2024*

Report No. 1034158



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

February 8, 2024

Mayor and Town Council  
Town of Odessa  
Odessa, Washington

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

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Audit Findings and Responses.....	6
Summary Schedule of Prior Audit Findings .....	10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	11
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	14
Independent Auditor's Report on the Financial Statements .....	18
Financial Section.....	22
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	39
About the State Auditor's Office.....	41

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Town of Odessa** **January 1, 2021 through December 31, 2021**

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

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

#### **Financial Statements**

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

##### **Internal Control over Financial Reporting:**

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

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

#### **Federal Awards**

##### **Internal Control over Major Programs:**

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no 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 no 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>ALN</u>	<u>Program or Cluster Title</u>
11.307	Economic Development Cluster – Economic Adjustment Assistance

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**

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Town of Odessa January 1, 2021 through December 31, 2021

#### **2021-001 The Town's controls over preparing and reviewing financial statements were insufficient for ensuring the statements were accurate and consistent with the underlying accounting records.**

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

Town officials, state and federal agencies, and the public rely on the information in financial statements and reports to make decisions. Management is responsible for designing and following internal controls that ensure the Town's financial statements, notes to the financial statements, and supplementary schedules are accurate, and to 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 by the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS) Manual. Our audit identified deficiencies in the Town's internal controls over financial reporting that hindered its ability to produce reliable financial statements.

*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***

Our audit identified deficiencies in internal controls over the Town's processes for preparing and reviewing financial statements that, when taken together, represent a material weakness. Specifically, Town staff lacked effective preparation and review processes to ensure amounts reported in the financial statements, schedules and notes agreed to the underlying accounting records, were complete and accurate, and conformed to BARS Manual guidance.

Some of these issues were reported in a finding in the prior financial audit.

### *Cause of Condition*

The Town experienced turnover in the position responsible for preparing the financial statements, notes and schedules. Additionally, Town employees did not dedicate the necessary time and resources to sufficiently understand BARS Manual reporting requirements when preparing and reviewing the financial statements, notes and schedules.

### *Effect of Condition*

Inaccurate financial reporting limits access to financial information that Town officials, state and federal agencies, and the public use. Because of these internal control deficiencies, the Town's financial statements, notes and schedules had the following errors that management did not detect:

- On the Fund Resources and Uses Arising from Cash Transactions (Statement C-4), the Town did not roll up the water reserve managerial fund. This led to understating the water fund's beginning cash by \$161,984 and ending cash by \$167,736.
- On the Schedule of Liabilities, amounts reported were not accurate or complete. This led to understating total reductions by \$79,870 and overstating the total ending balance by \$78,476.
- On the Statement C-4, amounts reported did not agree to the general ledger. This led to overstating the street fund's ending cash by \$473,038 and overstating the water fund's ending cash by \$464,994. The Town did not correct this error.
- On the Statement C-4, the Town misclassified total ending cash and investments by \$309,559.
- In the notes to the financial statements, the Town understated total cash and investments by \$1,679,800.

We also identified less significant errors in the financial statements, notes and schedules provided for audit. Except as noted, the Town corrected the errors we identified above.

### *Recommendation*

We recommend Town management strengthen internal controls over financial reporting. Specifically, management should:

- Ensure employees responsible for preparing financial statements, notes and schedules can identify, fully understand, and apply updated and applicable BARS Manual reporting requirements in the Town's annual financial report
- Provide employees with the necessary resources to prepare accurate and complete financial statements, notes and schedules
- Perform an effective review of the financial statements, notes and schedules to identify and correct errors before submitting them for audit

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

*First and foremost, we appreciate the thorough examination conducted by the auditors and acknowledge the deficiencies identified in our internal controls. We take these findings seriously and are committed to implementing corrective measures to address the material weakness identified during the audit.*

*The turnover in the position responsible for preparing financial statements, coupled with insufficient dedication of time and resources to understand BARS Manual reporting requirements, contributed to the noted deficiencies. We recognize the importance of stable staffing and ongoing training to ensure accurate and compliant financial reporting.*

*The effects of these conditions on our financial reporting are duly noted. Inaccuracies in financial statements limit access to crucial financial information for Town officials, state and federal agencies, and the public. We acknowledge the errors identified in the Fund Resources and Uses arising from Cash Transactions (Statement C-4) and the Schedule of Liabilities and understand the impact of these inaccuracies on the reporting of our financial standing.*

*It is regrettable that misclassifications and understated figures were present in our financial reporting, and we understand the significance of these errors. We acknowledge the responsibility to promptly address and rectify these issues to ensure accurate and transparent reporting in the future.*

*We appreciate the auditors' diligence in bringing these matters to our attention, and we want to assure you that corrective actions are already underway. Steps are being taken to enhance our internal controls, provide adequate training for our staff, and foster a more comprehensive understanding of BARS Manual reporting requirements.*

*We want to express our commitment to continuous improvement and transparency in financial reporting. We take these findings as an opportunity to strengthen our processes, enhance internal controls, and ensure the accuracy and completeness of*



*our financial statements. We will work diligently to prevent the recurrence of similar issues in the future.*

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

We appreciate the Town's commitment to resolving the conditions noted, and we will evaluate the Town's corrective actions 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 laws, regulations, contracts, or grant agreements.

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

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

*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.

BARS Manual, 3.1.7, Fund Types and Accounting Principles, provides the basic rules of accounting and financial reporting.

William Crossley, Mayor

Meri Jane Bohn, Clerk-Treasurer

Les Jimerson, Police Chief



PO Box 218

Odessa, WA 99159-0218

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**Town of ODESSA, Washington**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Town of Odessa**  
**January 1, 2021 through December 31, 2021**

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

<b>Audit Period:</b> January 1, 2019 through December 31, 2021	<b>Report Ref. No.:</b> 1027608	<b>Finding Ref. No.:</b> 2019-001
<b>Finding Caption:</b> The Town did not have adequate internal controls over financial statement preparation to ensure accurate and reliable financial reporting.		
<b>Background:</b> Town management is responsible for designing, implementing, and maintaining internal controls to ensure the financial statements are fairly presented, and to provide reasonable assurance regarding the reliability of financial reporting.  The Town prepares its financial statements using the cash basis of accounting, under the <i>Budgeting, Accounting and Reporting System (BARS) Manual</i> .		
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-between; align-items: flex-start;"><div><input type="checkbox"/> Fully Corrected</div><div><input checked="" type="checkbox"/> Partially Corrected</div><div><input type="checkbox"/> Not Corrected</div><div><input type="checkbox"/> Finding is considered no longer valid</div></div>		
<b>Corrective Action Taken:</b> <i>The Town has had a lot of turnover of staff the past couple years. Due to lack of training and incorrect data entered, restricted and committed resources have not been accurately classified as reserved and unreserved fund balances. The town is going to look into hiring a CPA or other accounting firm to see about getting our books/financial reporting straightened out.</i>		

## INDEPENDENT AUDITOR'S REPORT

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

#### **Town of Odessa January 1, 2021 through December 31, 2021**

Mayor and Town Council  
Town of Odessa  
Odessa, 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 Odessa, 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 January 18, 2024.

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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 that we consider to be material weaknesses.

## **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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

January 18, 2024

## 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 Odessa January 1, 2021 through December 31, 2021**

Mayor and Town Council  
Town of Odessa  
Odessa, Washington

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

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

We have audited the compliance of the Town of Odessa, 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.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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. 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### 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 written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

January 18, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Town of Odessa January 1, 2021 through December 31, 2021**

Mayor and Town Council  
Town of Odessa  
Odessa, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Town of Odessa, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the financial section of our report.

### **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 Odessa, 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 Odessa, 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.

## **Matters of Emphasis**

As discussed in Note 3 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Town is unknown. Management's plans in response to this matter are also described in Note 3. Our opinion is not modified with respect to this matter.

## **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 an opinion on the financial statements that collectively comprise the Town's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule

of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2024 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, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

January 18, 2024

## **FINANCIAL SECTION**

### **Town of Odessa January 1, 2021 through December 31, 2021**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2021  
Fiduciary 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 Odessa**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Expense Fund</b>	<b>101 Street Fund</b>	<b>103 Hotel/motel Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	2,562,756	1,133,326	34,350	27,529
388 / 588	Net Adjustments	(81,533)	(87,687)	-	(5,001)
<b>Revenues</b>					
310	Taxes	555,207	539,421	-	2,434
320	Licenses and Permits	6,560	6,560	-	-
330	Intergovernmental Revenues	403,727	207,763	18,355	-
340	Charges for Goods and Services	1,052,727	34,663	-	-
350	Fines and Penalties	1,502	1,502	-	-
360	Miscellaneous Revenues	46,499	24,074	46	-
Total Revenues:		2,066,222	813,983	18,401	2,434
<b>Expenditures</b>					
510	General Government	113,545	113,545	-	-
520	Public Safety	199,530	199,530	-	-
530	Utilities	821,039	34,367	-	-
540	Transportation	76,062	5,044	71,018	-
550	Natural/Economic Environment	1,829	1,829	-	-
560	Social Services	268	268	-	-
570	Culture and Recreation	113,753	113,753	-	-
Total Expenditures:		1,326,026	468,336	71,018	-
Excess (Deficiency) Revenues over Expenditures:		740,196	345,647	(52,617)	2,434
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	101,251	27,966	49,285	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		101,251	27,966	49,285	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,181,928	978	469,686	-
591-593, 599	Debt Service	175,826	-	-	-
597	Transfers-Out	101,251	101,251	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,459,005	102,229	469,686	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(617,558)</b>	<b>271,384</b>	<b>(473,018)</b>	<b>2,434</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	25,801	-	-	-
50831	Restricted	191,062	-	-	24,963
50841	Committed	-	-	-	-
50851	Assigned	1,022,879	39,036	-	-
50891	Unassigned	623,736	1,277,797	(438,668)	-
<b>Total Ending Cash and Investments</b>		<b>1,863,478</b>	<b>1,316,833</b>	<b>(438,668)</b>	<b>24,963</b>

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, 2021**

		<b>313 Cumulative Reserve Fund</b>	<b>401 Water Fund</b>	<b>402 Solid Waste Management Fund</b>	<b>422 Sewer Operation &amp; Maintenance</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	365,226	411,585	159,122	405,817
388 / 588	Net Adjustments	11,155	-	-	-
<b>Revenues</b>					
310	Taxes	13,352	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	177,609	-	-
340	Charges for Goods and Services	-	298,141	261,705	458,218
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	15,455	3,427	1,025	2,472
Total Revenues:		28,807	479,177	262,730	460,690
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	225,109	257,743	303,820
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	225,109	257,743	303,820
Excess (Deficiency) Revenues over Expenditures:		28,807	254,068	4,987	156,870
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	24,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		24,000	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	3,500	703,583	-	4,181
591-593, 599	Debt Service	-	9,727	-	166,099
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,500	713,310	-	170,280
<b>Increase (Decrease) in Cash and Investments:</b>		<b>49,307</b>	<b>(459,242)</b>	<b>4,987</b>	<b>(13,410)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	166,099
50841	Committed	-	-	-	-
50851	Assigned	425,690	167,736	164,109	226,308
50891	Unassigned	-	(215,393)	-	-
<b>Total Ending Cash and Investments</b>		<b>425,690</b>	<b>(47,657)</b>	<b>164,109</b>	<b>392,407</b>

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, 2021**

		<b>721 Koth Library Trust Fund</b>
		<hr/>
<b>Beginning Cash and Investments</b>		
308	Beginning Cash and Investments	25,801
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		<hr/> -
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> -
Excess (Deficiency) Revenues over Expenditures:		<hr/> -
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> -
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<hr/> -
<b>Increase (Decrease) in Cash and Investments:</b>		<hr/> -
<b>Ending Cash and Investments</b>		
50821	Nonspendable	25,801
50831	Restricted	-
50841	Committed	-
50851	Assigned	-
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<hr/> <b>25,801</b>

The accompanying notes are an integral part of this statement.

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

		<b>Total for All Funds (Memo Only)</b>	<b>Custodial</b>
308	Beginning Cash and Investments	2,843	2,843
388 & 588	Net Adjustments	-	-
310-390	Additions	122	122
510-590	Deductions	113	113
	Net Increase (Decrease) in Cash and Investments:	9	9
508	Ending Cash and Investments	2,852	2,852

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

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

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

The Town of Odessa was incorporated on October 1902 and operates under the laws of the state of Washington applicable to a Local Government. The Town is a general-purpose local government and provides water and sewer utilities, garbage service and a police department.

The Town of Odessa 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.
- 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 for proprietary and fiduciary funds 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.

#### Debt Service Funds

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

#### Capital Projects Funds

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

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

#### PROPRIETARY FUND TYPES:

##### Enterprise Funds

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

#### FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

##### Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

### **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 of Odessa 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 2 – *Budget Compliance*

### **D. Capital Assets**

Town of Odessa Council designates the amount that is used for capital asset purchases. The Town does not currently have a policy that establishes “capital” thresholds or useful life. Capital assets and inventory are recorded as capital expenditures when purchased.

### **E. Compensated Absences**

Vacation leave may be accumulated up to 40 days (depending on years of employment) and is payable upon separation or retirement. Sick leave may be accumulated up to 720 hours. Upon separation or retirement employees do receive payment for unused sick leave. Employees hired between September 15, 1997 and May 29, 2007 will be paid up to 360 hours of accumulated 720 hours. Employees hired after May 29, 2007 will be paid up to 180 hours of the accumulated 720 hours. Payments are recognized as expenditures when paid.

### **F. Long-Term Debt**

See Note 5 - *Debt Service Requirements*.

### **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 Town of Odessa. When expenditures that meet restrictions are incurred, the Town of Odessa intends to use the most restricted resources first.

Restricted Ending Cash and Investments consist of:

- Hotel/Motel taxes - \$24,962
- Sewer bond reserve - \$166,099

### **Note 2 - Budget Compliance**

The Town of Odessa adopts annual appropriated budgets for reserved 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 follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 General	694,018	536,344	157,674
012 Cemetery	34,941	34,221	720
101 Street	793,929	540,704	253,225
103 Hotel/Motel	1,500	-	1,500
313 Cumulative Reserve	33,000	3,500	29,500
401 Water	1,050,875	938,419	112,456
402 Solid Waste	265,280	257,743	7,537
422 Sewer	502,950	474,100	28,850
<b>Total</b>	<b>3,376,493</b>	<b>2,785,031</b>	<b>591,462</b>

Budgeted amounts are authorized to be transferred between 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.

### 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.

In direct correlation to this directive the Town implemented a Covid-19 action plan resulting in stricter cleansing guidelines. This added payroll to our maintenance cost. We purchased PPE equipment for our personnel for added protection and safety, resulting in added supply costs. Plexiglass shields were installed to provide barrier between employees and customers. All late fees and shut offs were suspended until released by the Governor, resulting in less revenue from fees. Some customers were unable to pay their bills due to loss of income in their homes. All revenue inducing events were cancelled (e.g., Deutschesfest, Spring Fling, Desert 100 and others). Eventually the office its self was closed to the public, resulting in a hardship on our customer's trying to make their utility payments. The fiscal impact of Covid-19 and the mandated close to the small business in our community is yet to be determined as we do not know the length of time these measures will be in place, and the full extent of the financial impact on the Town of Odessa is unknown at this time.

The length of time these measures have been in place is a couple years and continues to be in place, and the full extent of the financial impact on the Town of Odessa is unknown at this time.

### Note 4 – Deposits and Investments

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

Type of deposit or investment	Town of Odessa <b>own</b> deposits and investments	Deposits and investments held by the Town of Odessa as custodian for other local governments, individuals, or private organizations	Total
Checking & Money Market	1,603,775	2,852	1,606,627
Local Government Investment Pool	256,703	-	256,703
Police Drug Buy Account	3,000	-	3,000
<b>Total</b>	<b>1,863,478</b>	<b>2,852</b>	<b>1,866,330</b>

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

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

#### Investments in the State Local Government Investment Pool (LGIP)

The Town of Odessa is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with [Chapter 43.250 RCW](#). Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

#### **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 of Odessa and summarizes the Town's debt transactions for year ended December 31, 2021.

The debt service requirements for general obligation bonds, revenue bonds, USDA loans, DOH loan are as follows:

Year	Principal	Interest	Total
2022	\$86,851.46	\$79,247.54	\$166,099.00
2023	\$89,780.44	\$76,318.56	\$166,099.00
2024	\$101,840.84	\$81,714.16	\$166,099.00
2025	\$105,131.20	\$78,423.80	\$166,099.00
2026	\$105,292.01	\$78,262.99	\$166,099.00

2027 – 2031	\$530,569.24	\$299,925.76	\$830,495.00
2032 - 2036	\$626,601.11	\$203,893.89	\$830,495.00
2037 - 2041	\$732,358.01	\$90,224.85	\$822,582.86
2042 - 2046	\$86,092.48	\$12,400.83	\$98,493.31
2047	\$495.45	\$23.35	\$518.80
<b>Total</b>			
	<b>\$2,267,417.</b>	<b>\$1,000,435.73</b>	<b>\$3,413,079.97</b>

## **Note 6– Paid Family Medical Leave Act Self-Insurance**

The Town of Odessa administers a voluntary plan for paid family medical leave benefits for its employees. Voluntary plans are approved by the Employment Security Department and are available for employers who wish to opt out of the State of Washington’s Paid Family & Medical Leave Program for either family leave benefit, medical leave benefit, or both, and instead administer their own internal plan. Employers with voluntary plans are required to offer benefits that are equal to or exceed the benefits offered by the State’s program and must report employee hours, wages, premiums deducted from employee pay, and other information to the Employment Security Department on a quarterly basis.

The Town of Odessa paid \$0 in claims during 2021 and held \$799.42 of employee premiums at fiscal year-end.

## **Note 7 – Pension Plans**

### A. State Sponsored Pension Plans

Substantially all Town of Odessa’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 Public Employees Retirement System and Law Enforcement Officers and Fire Fighters Retirement System (LEOFF)

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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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



Also, the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The Town of Odessa also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington ACFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.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	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$11,537	0.001549%	18,917
PERS 2/3	\$18,819	0.001987%	(197,937)
LEOFF 2	\$2,501	0.001255%	(72,896)
VFFRPF	\$750.00	0.39%	(84,843)

#### LEOFF Plan 2

The Town of Odessa also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

### Note 8 - Property Tax

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

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

The Town of Odessa's regular levy for the year 2021 was \$2.6543275 per \$1,000 on an assessed valuation of \$46,259,985 for a total regular levy of \$122,789.

### Note 9 – 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 by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, 98 municipalities/entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits, an excess liability policy is purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2016, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

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.

**NOTE 10 – 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 \$20,145.00. The town continues to comply with all testing requirements associated with post-closure landfill requirements in accordance with state guidelines. There is an ongoing obligation until the test results are within DOE parameters.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.83	DOH	10/1/2022	18,888	-	9,444	9,444
	<b>Total General Obligation Debt/Liabilities:</b>		<b>18,888</b>	<b>-</b>	<b>9,444</b>	<b>9,444</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.82	USDA #3	3/25/2044	148,652	-	3,584	145,068
263.82	USDA #5	9/27/2044	136,901	-	3,181	133,720
264.30	Net Pension Liability		80,875	-	61,958	18,917
259.12	Compensated Absences		59,048	-	11,025	48,023
263.82	USDA #1	10/8/2039	2,059,054	-	79,870	1,979,184
263.22	Odessa Landfill Post Closure		20,145	-	-	20,145
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>2,504,675</b>	<b>-</b>	<b>159,618</b>	<b>2,345,057</b>
	<b>Total Liabilities:</b>		<b>2,523,563</b>	<b>-</b>	<b>169,062</b>	<b>2,354,501</b>

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

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
RURAL UTILITIES SERVICE, AGRICULTURE, DEPARTMENT OF	Water and Waste Disposal Systems for Rural Communities	10.760	0572-0121	-	416,000	416,000	-
<b>Economic Development Cluster</b>							
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	Economic Adjustment Assistance	11.307	07 79 07498; 113023	-	1,211,442	1,211,442	-
<b>Total Economic Development Cluster:</b>				-	<b>1,211,442</b>	<b>1,211,442</b>	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT,	Community Development Block Grants/State's program and Non- Entitlement Grants in	14.228	18-62210-028	-	712,500	712,500	-
<b>Total Federal Awards Expended:</b>				-	<b>2,339,942</b>	<b>2,339,942</b>	-

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

TOWN OF ODESSA

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 Odessa financial statements. The Town uses the Cash Basis method of accounting.

NOTE 2 - PROGRAM COSTS

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

Note 3 – INDIRECT COST RATIO

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

William Crossley, Mayor

Meri Jane Bohn, Clerk-Treasurer

Ericka Rose, Police Chief



PO Box 218

Odessa, WA 99159-0218

Phone: 509-982-2401

**Town of ODESSA, Washington**

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

**Town of Odessa**

**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).

<b>Finding ref number:</b> 2021-001	<b>Finding caption:</b> The Town's controls over preparing and reviewing financial statements were insufficient for ensuring the statements were accurate and consistent with underlying accounting records
<b>Name, address, and telephone of Town contact person:</b> William F. Crossley, Mayor P.O. Box 218 Odessa, WA 99159 (509) 982-2401	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>This is to address the findings reported in the Town of Odessa audit for the year 2021. We acknowledge the concerns raised regarding the Town's controls over preparing and reviewing financial statements, specifically noting insufficiencies in ensuring the accuracy and consistency of the statements with underlying accounting records.</i> <i>Multiple staff turnover was a big factor and one of the main reasons for the finding. Unknown errors from the year 2020 were a major factor in the preparation and reviewing of financial statements.</i>	

*In response to these findings, the Town of Odessa is committed to implementing a comprehensive corrective action plan to rectify the identified issues and strengthen our financial controls. The following steps outline our proposed corrective actions:*

**1. Conduct a Thorough Review:**

- The town will engage an external financial consultant to conduct an independent and comprehensive review of our financial statements for the year 2021.*
- The town will ensure the review encompasses a detailed examination of the underlying accounting records to identify discrepancies and inaccuracies.*

**2. Enhance Internal Controls:**

- Revise and strengthen internal control procedures related to financial statement preparation and review.*
- Implement segregation of duties to ensure that multiple individuals are involved in the preparation and review process, mitigating the risk of errors and discrepancies.*

**3. Engage External Audit Services for future preparations of financials:**

- Engaging external audit services for an independent assessment of our financial statements on an annual basis from here on out.*
- Leverage the expertise of external auditors to identify and address any remaining weaknesses in our financial controls.*

**4. Staff Training and Development:**

- Provide additional training to staff involved in financial reporting, emphasizing the importance of accuracy and consistency in financial statements.*
- Seek out workshops/training/seminars/schooling to enhance the employee's understanding of relevant accounting standards and reporting requirements.*

*We are fully committed to addressing the deficiencies identified in the audit findings and are confident that the proposed corrective action plan will lead to significant improvements in our financial control environment.*

*We will ensure that the corrective actions outlined above are promptly implemented and will keep your office informed of our progress.*

**Anticipated date to complete the corrective action: 2024**



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