

ANNUAL REPORT

NORTH BEACH WATER DISTRICT


MCAG No. 2840

Submitted pursuant to RCW 43.09.230 to the STATE AUDITOR'S OFFICE

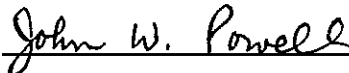
FOR THE FISCAL YEAR ENDED: December 31, 2011

Certified correct the 29th day of May, 2012 to the best of my knowledge and belief:

GOVERNMENT INFORMATION:

Manager	<u>William Neal</u>
Signature	<u></u>
Official Mailing Address	<u>P.O. Box 618, Ocean Park, WA 98640-0618</u>
Official Web Site Address	<u>www.northbeachwater.com</u>

PREPARER INFORMATION and CERTIFICATION:

Preparer Name & Title	<u>John W. Powell CPA</u>
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Contact E-mail Address	<u>johnp@willapabay.org</u>
Signature	<u></u>

Annual Report Disclosure Form

MCAG No. 2840

NORTH BEACH WATER DISTRICT

Please check if the statements/schedules are attached. Use the column which is appropriate for your government type. If financial statements and/or Schedules 04, 05, 17 and 22 are not applicable mark the spot NA (*not applicable*). An unmarked spot in your government type column will indicate that a schedule is not attached due to lack of activities described in this schedule in reported year.

	City	County	Special Purpose District
Certification			X
Financial Statements (including notes)			X
Schedule 04/05, Details of Revenues and Expenditures			X
Schedule 07, <i>Warrant Activity</i>			
Schedule 09, <i>Long-Term Debt</i>			X
Schedule 10, <i>Limitation of Indebtedness</i>			
Schedule 11, <i>Cash Activity</i>			
Schedule 12, <i>Investment Activity</i>			
Schedule 16, <i>Expenditures of Federal Awards and State/Local Assistance</i>			
Schedule 17, <i>Public Works</i>			
Schedule 19, <i>Labor Relations Consultants</i>			X
Schedule 20, <i>Sales and Use Tax for Public Facilities</i>			
Schedule 21, <i>Risk Management</i>			
Schedule 22, <i>Annual Questionnaire for Audit Assessment</i>			NA

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Supplemental Schedules

Long - Term Debt (Schedule 09)

Labor Relations Consultant(s) (Schedule 19)

Notes to Financial Statements

(ENTITY NAME)

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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE		Total for All Funds	Water Operations 412	Debt Reserve 483
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
	Reserved	\$81,329		\$81,329
	Unreserved	\$131,715	\$131,715	
	Prior Period Adjustments (388.80 and 588.80)			
Revenues and Other Sources				
310	Taxes			
320	Licenses and Permits			
330	Intergovernmental			
340	Charges for Goods and Services	1,486,492	1,486,492	
350	Fines and Penalties			
360	Miscellaneous	3,771	3,771	
370	Capital Contributions			
390	Other Financing Sources	412,317	1,953	410,364
Total Revenues and Other Financing Sources		1,902,580	1,492,216	410,364
Total Resources		2,115,624	1,623,931	491,693
Operating Expenditures:				
510	General Government			
520	Public Safety			
530	Physical Environment	789,833	789,833	
540	Transportation			
550	Economic Environment			
560	Mental and Physical Health			
570	Culture and Recreational			
Total Operating Expenditures		789,833	789,833	0
591-593	Debt Service	141,821	98	141,723
594-595	Capital Outlay	86,048	86,048	
Total Expenditures		1,017,702	875,979	141,723
597-599	Other Financing Uses	410,364	410,364	
Total Expenditures and Other Financing Uses		1,428,066	1,286,343	141,723
Excess (Deficit) of Resources Over Uses		687,558	337,588	349,970
380	Nonrevenues (Except 384)	2,864	2,864	
580	Nonexpenditures (Except 584)	275,022	8,487	266,535
Ending Cash and Investments:		\$415,400	\$331,965	\$83,435
508.10	Reserved	83,435		83,435
508.80	Unreserved	\$331,965	\$331,965	

The Accompanying Notes Are An Integral Part Of This Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For The Year Ending December 31, 2011

	Total for All Funds	Cash Reserve 481	Cashmere Valley Reserve 482	Fund Number and Title	Fund Number and Title	Fund Number and Title
	Total Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments	\$575,725	\$300,625	\$275,100			
Prior Period Adjustments						
Revenue and Other Financing Sources	2,048	2,048				
Total Resources	577,773	302,673	275,100	0	0	0
Expenditures And Other Financing Uses		0				
Excess (Deficit) of Resources Over Uses	577,773	302,673	275,100	0	0	0
Nonrevenues (Except 384)	0					
Nonexpenditures (Except 584)	0					
Ending Cash and Investments	\$577,773	\$302,673	\$275,100	\$0	\$0	\$0

The Accompanying Notes Are An Integral Part Of This Statement.

NORTH BEACH WATER DISTRICT
 SCHEDULE OF LONG TERM DEBT
 For the Year Ended December 31, 2011

ID No.	Description	Maturity/ Payment Due Date	Beginning Outstanding Debt 01/01/11	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Outstanding Debt 12/31/11
263.62	Modern Machinery Co. Komatsu Backhoe Lease- Purchase Agreement	2011	8,487.00	-	8,487.00	582.34.71	-
252.11	PWTF Loan 05-691-PRE 117	2025	789,473.69	-	52,631.58	582.34.70	736,842.11
252.11	PWTF Loan 06-691-PRE 129	2025	789,473.69	-	52,631.58	582.34.70	736,842.11
252.12	PWTF Loan 06-692-PWP 204	2012	40,000.00	-	20,000.00	582.34.70	20,000.00
252.11	Revenue Bond	2026	3,063,089.97	-	141,271.64	582.34.70	2,921,818.33
259.11	Compensated Employee Absences	2012	7,373.06	3,946.62	-	N/A	11,319.68
TOTAL			4,697,897.41	3,946.62	275,021.80		4,426,822.23

The Accompanying Notes Are An Integral Part Of This Schedule.

NORTH BEACH WATER DISTRICT

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SCHEDULE 19

LABOR RELATIONS CONSULTANT(S)

For the Year Ended December 31, 2011

Has your government engaged labor relations consultants? Yes No

If yes, please provide the following information for each consultant(s):

Name Of Firm
Name Of Consultant
Business Address
Amount Paid To Consultant During Fiscal Year
Terms And Conditions, As Applicable, Including: Rates (E.g., Hourly, Etc) _____ Maximum Compensations Allowed _____ Duration Of Service _____ Services Provided _____

Certified Correct this _____ day of _____, _____ to the best of my knowledge and belief:
Signature
Name
Title

NORTH BEACH WATER DISTRICT
Notes to Financial Statements
January 1, 2011 to December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

North Beach Public Development Authority (NBPDA) was formed on October 26, 2004. The purpose of the Authority is to provide an independent legal entity under RCW 35.21.730 through RCW 35.21.759, and Pacific County Ordinance No. 155, to undertake, assist with, and otherwise facilitate the improvement of municipal water and/or fire suppression service, provided to the unincorporated communities on the North Beach Peninsula, north of Cranberry Road. The North Beach Water District uses single-entry cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

On February 20, 2006 the NBPDA purchased the Ocean Park Water Company, Inc. and Pacific Water Company, and combined these two privately-owned water utilities into a single publicly-owned water utility, under the NBPDA. The PDA operated under the trade name of North Beach Water.

In December 2008, the PDA and North Beach Water District (NBWD) signed the Agreement for Transfer of Water Supply System Assets in which all assets and liabilities and operations of the PDA would be transferred to and operated by the District, a Washington municipal corporation formed by a special election on February 19, 2008. Effective January 1, 2009 the District took over management of all operations under the name North Beach Water District. The Board of Directors of NBPDA passed Resolution 02-2009 in January 2009 requesting the Pacific County Board of Commissioners dissolve NBPDA which passed Resolution 2009-004 in February 2009 to dissolve NBPDA.

A. Fund Accounting:

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

GOVERNMENTAL FUND TYPES:

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 Project 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.

NORTH BEACH WATER DISTRICT
Notes to Financial Statements
January 1, 2011 to December 31, 2011

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

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

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

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

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

C. Budgets

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

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

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

Fund/ Department	Final Appropriated Amounts	Actual Expenditures	Variance
Water Operating Fund	\$ 1,007,316	\$ 884,466	\$ 122,850
Debt Service Fund	\$ 408,258	\$ 408,258	\$ -

Budgeted amounts are authorized to be transferred between departments within any fund; 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 NBWD's legislative body.

D. Cash

It is the district's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

NORTH BEACH WATER DISTRICT
Notes to Financial Statements
January 1, 2011 to December 31, 2011

E. Deposits

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

F. Investments

See Note 3

G. Capital Assets

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

H. Compensated Absences

Vacation leave may be accumulated up to one years vacation entitlement (ranging from five (5) to twenty (20) days) and is payable upon separation or retirement. Employees will be paid for any vacation accrued in excess of one (1) year's entitlement as of November 30th of each year. Sick leave may be accumulated at the rate of eighty (80) hours a year without limit. Upon termination by the district the employees do not receive payment for unused sick pay. Any employee who is retires with either service or disability retirement, or resigns with at least two weeks written notice will be paid for unused sick leave up to four hundred (400) hours at one half (1/2) the employees rate of pay. On December 1st of each year any employee with a balance of at least four hundred (400) hours may elect to be paid for one half (1/2) of the unused sick leave that accrued during the past 12 months, provided that if payment is made, the remaining balance will not be less than four hundred (400) hours. If the employee elects to receive payment as herein provided, the balance of unused annual sick leave will remain in the employee's account.

I. Long-Term Debt

See Note 6

J. Other Financing Sources Or Uses

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

K. Risk Management

See note 8

L. Reserved Fund Balance

The district maintains two reserve funds for debt payment.

NORTH BEACH WATER DISTRICT
Notes to Financial Statements
January 1, 2011 to December 31, 2011

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

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

In March 2011 a former employee filed a standard tort claim against the district claiming discrimination on the basis of age and religion and asking for loss of past and future income and benefits of over \$300,000 plus general damages of over \$600,000. The district expects that this claim will be dismissed. There are no other lawsuits pending.

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

NOTE 3 - INVESTMENTS

The district's deposits and surplus cash are controlled and managed by the Pacific County Treasurer, and earn interest at current market rate.

Investments are presented at cost.

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

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P.	\$ 661,208.37
U.S. Government Securities	-
Bank of Pacific - Customer Deposits	<u>331,965.64</u>
Total	<u>\$ 993,174.01</u>

NOTE 4 - PROPERTY TAXES

The district has no taxing authority and collects no property tax revenues.

NOTE 5 - INTERFUND LOANS AND ADVANCES

There has been no interfund loan activity for the year ended December 31, 2011.

NORTH BEACH WATER DISTRICT
Notes to Financial Statements
January 1, 2011 to December 31, 2011

NOTE 6 - LONG TERM DEBT

The accompanying Schedules of Liabilities (09) provides more details of the outstanding debt and liability of the district and summarizes the district's debt transactions for 2011. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	General Obligation Bonds		Assessment Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ -	\$ -	\$ -
2013			-	-
2014			-	-
2015			-	-
2016			-	-
2017-2021			-	-
2022-2026			-	-
2027-2031	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Revenue Bonds		Total Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 272,831.00	\$ 134,901.00	\$ 272,831.00	\$ 134,901.00
2013	259,425.00	127,780.00	259,425.00	127,780.00
2014	266,315.00	120,364.00	266,315.00	120,364.00
2015	273,512.00	112,641.00	273,512.00	112,641.00
2016	281,031.00	104,596.00	281,031.00	104,596.00
2017-2021	1,530,234.00	39,003.00	1,530,234.00	39,003.00
2022-2026	1,532,155.00	131,574.00	1,532,155.00	131,574.00
2027-2031	-	-	-	-
Total	<u>\$ 4,415,503.00</u>	<u>\$ 770,859.00</u>	<u>\$ 4,415,503.00</u>	<u>\$ 770,859.00</u>

NORTH BEACH WATER DISTRICT
Notes to Financial Statements
January 1, 2011 to December 31, 2011

NOTE 7 - DEFERRED COMPENSATION

On November 16th, 2009 the NBWD authorized participation in the Department of Retirement Systems, Deferred Compensation Program (DCP) in accordance with RCW 41.50.770. The plan, available to eligible employees, permits them to defer a portion of their salary until termination, retirement, death or unforeseeable emergency. The DCP plan is administered by the State of Washington and all amounts deferred are held in trust by the Washington State Investment Board for the exclusive benefit of the program participants and their beneficiaries. The district has no liability for losses in the retirement trust.

NOTE 8 - PENSION PLAN

On April 20th 2009, the NBWD authorized participation as of June 1, 2009 of substantially all full-time and qualifying part-time employees to participate in PERS local government retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both the employee and the employer are based upon gross wages covered by plan benefits.

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

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

NOTE 9 - RISK MANAGEMENT

The District is a member of ENDURIS Washington formerly The Washington Governmental Entity Pool (WGEP). Under the laws of the State of Washington, specifically Chapter 48.62 RCW, various local entities are permitted to form together into an insurance purchasing pool, pursuant to the Interlocal Cooperation Act (Chapter 39.34 RCW) for joint self-insuring and risk sharing, and/or for the joint purchase of insurance.

The District coverage, as a member of ENDURIS, is subject to certain deductibles, and includes liability coverage for general, auto, public officers and Directors E&O, employment practices liability, as well as property damage auto liability and physical damage, and an employee dishonesty bond. Enduris currently has more than 451 local government or special purpose districts that pool resources to share risk and reduce cost. The financial statements for ENDURIS may be requested in writing to Rafaela Ortiz, Director of Administration, Enduris, PO Box 19330, Spokane, WA 99219.

NORTH BEACH WATER DISTRICT
Notes to Financial Statements
January 1, 2011 to December 31, 2011

NOTE 10 - JOINT VENTURES

The district does not participate in any joint ventures.

NOTE 11 - OTHER DISCLOSURES

In November 2011 the District voted to opt the employees out of the Social Security system. Government employees participating in a qualified government retirement plan may elect not to pay social security taxes. The District employees began participating in PERS as of June 2009.

Subsequently, in January of 2012 the District amended the prior payroll reports with the Internal Revenue Service and requested refunds of the previously paid social security tax. The total amount of refund requested for the overpayment was \$80,853.36, of this, \$38,137.09 will be refunded to the employees for their portion when received.