



General Manager's Report to Board of Commissioners

Date: 4/19/2013

Re: Resolution 10-2013 Establishing Fiscal Policies and
Repealing Resolution 08-2012

Resolution 10-2013:

Resolution 10-2013 was recommended by Martin & Nelson, Inc. Our rating agency, Standard and Poor's, will be reviewing the District's Board Policies as part of their rating process. Standard and Poor's will be looking for a fiscal policy adopted by the Board. The District will receive a higher rating from Standard and Poor's by having a Board approved Fiscal Policy.

Jim Blumenthal, Martin Nelson, Inc. provided assistance in drafting Resolution 10-2013. Mr. Blumenthal has reviewed and approved Resolution 10-2013.

The general manager recommends the Board of Commissioners approve Resolution 10-2013.



**NORTH BEACH WATER DISTRICT
PACIFIC COUNTY**

RESOLUTION 10-2013

**A RESOLUTION OF THE NORTH BEACH WATER DISTRICT OF PACIFIC
COUNTY, WASHINGTON, ESTABLISHING FISCAL POLICIES AND
REPEALING RESOLUTION 08-2012**

WHEREAS, North Beach Water District provides municipal water service to its rate payers; and

WHEREAS, North Beach Water District Board of Commissioners deems it a high priority to deliver municipal water service in a manner consistent for all rate payers and with maximum efficiency and financial prudence; Now, Therefore,

Be It Resolved, by the Board of Commissioners of North Beach Water District, Pacific County, Washington, as follows:

Section 1. To approve the "North Beach Water District Fiscal Policy" attached to this resolution and identified as Exhibit A

Section 2. The North Beach Water District Board of Commissioners repeals Resolution 08-2012 - Directing Funding Limits and maintenance of Operations Account, Operations Reserve Account, and Capital Reserve Account.

Adopted by the Board of Commissioners of North Beach Water District, Pacific County, Washington at its regular meeting held on the 23RD day of April, 2013.

Brian Sheldon, Commissioner
Position #1

Gwen Brake, Commissioner
Position #2

RD Williams, Commissioner
Position #3

Official Seal of North Beach
Water District

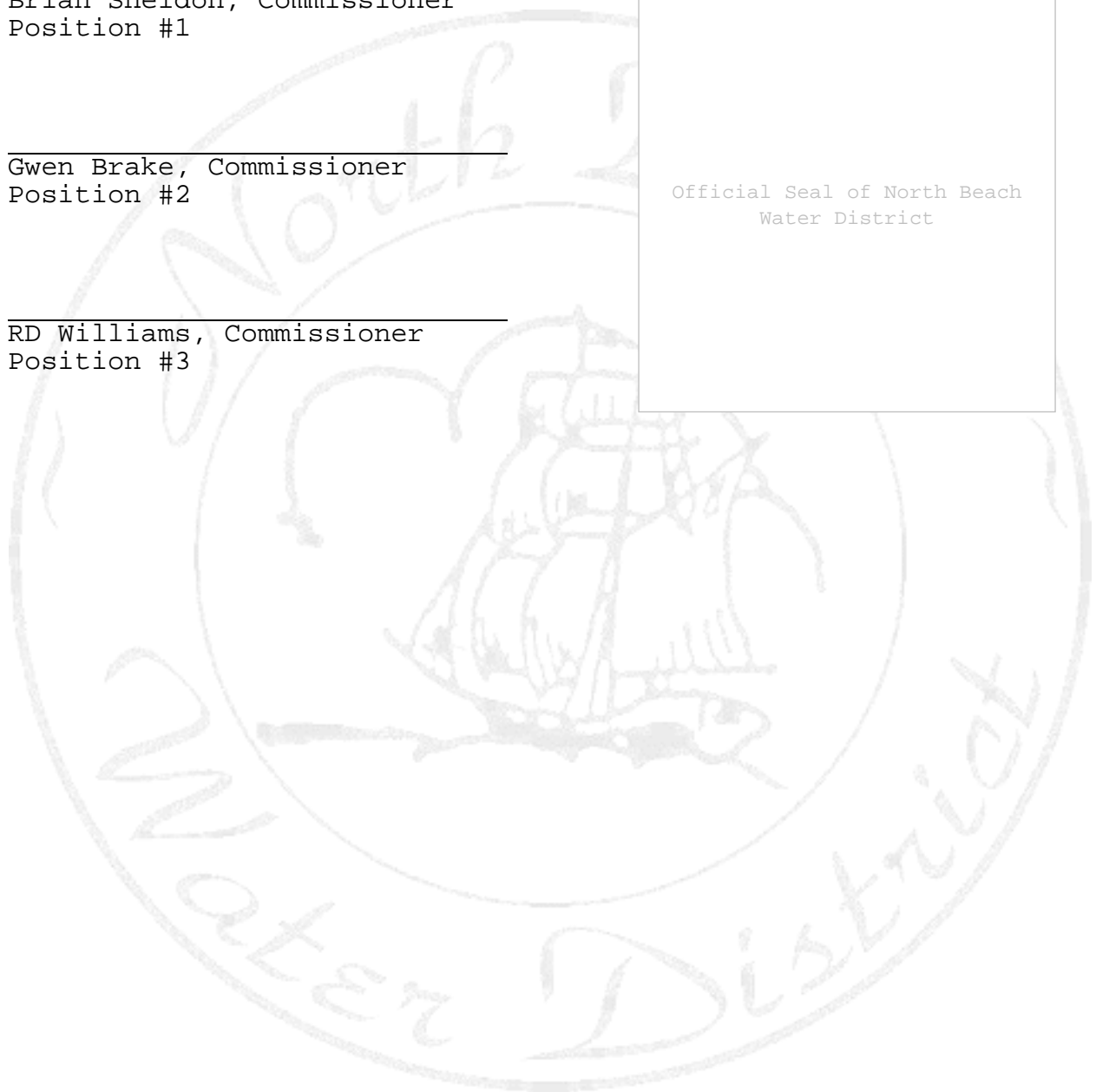


EXHIBIT A

North Beach Water District Fiscal Policy

As a special purpose district formed under Chapter 57.04 RCW, North Beach Water District does not collect taxes to fund our operations. Revenues for operations are collected from rate payers for water service provided. North Beach Water District's Board of Commissioners understand the importance of government accountability, openness, and transparency; and, appreciates their responsibility to North Beach Water District rate payers and the press regarding government oversight and fiscal responsibility.

The District will achieve and maintain financial capacity in these areas:

Revenue Sufficiency - Ensure that all costs and revenues of the District are known and measurable. Ensure that all of the District's assets are properly valued and inventoried. Ensure rates are set so that sufficient revenues are collected to cover all costs.

Credit Worthiness - Ensure that the District is financially healthy as measured by industry specific indicators, ratios, and ratings. Ensure assurance of repayment by maintaining Debt Reserve Accounts as directed by lenders and maintaining detailed financial records including annual financial projections.

Fiscal Controls - Ensure that District records including financial are maintained, protected and open to public inspection. Ensure that an annual operating budget is prepared and adopted by the Board of Commissioners. Ensure that financial planning is performed as part of the water system comprehensive plan and rate studies. Ensure the District has sufficient internal controls to prevent and detect fraud.

1. Operating Budget Policies

- a. The general manager will prepare an annual operating budget based on the priorities and objectives of the District and in harmony with the District's approved Water System Plan. The general manager will prepare

the budget each year in the months of Septembers and October. The general manager will present the budget to North Beach Water District's Board of Commissioners at their regular meeting in November. The Board of Commissioners will conduct a public hearing on the annual budget in conjunction with their regular meeting in December.

- b. In preparing the annual budget the general manager will:
 - i. Project all revenue and expenditures for the ensuing year.
 - ii. Provide for acceptable design, construction, maintenance, and replacement of the District's plant, equipment, and appurtenances consistent with the Water System Plan.
- c. All operating expenditures will be paid from current revenues and cash carried over from the prior year. Current revenues and operating expenditures will be reviewed quarterly during the year. The District will avoid budgetary and accounting procedures which balance the current budget at the expense of future budgets. All budgetary procedures will conform to existing state and local regulations.

2. Revenue Policy

- a. Because revenues are sensitive to both local and regional economic conditions, revenue estimates provided by the general manager will be conservative.
- b. The District will estimate its annual revenues by an objective, analytical process using best practices.

3. Expenditure Policy

- a. The operating budget will provide for a sustainable level of operations and maintenance of the public water system.
- b. The District will not use one-time revenue for ongoing operating expenses.

- c. The District will maintain expenditure categories according to the Washington State Budgeting, Accounting, and Reporting System (BARS).

4. Capital Improvement Policy

- a. The District will make capital improvements in accordance with its Water System Plan.
- b. The Districts' capital improvement program will be an element of the Water System Plan. The Water System Plan will identify capital improvement projects and revenue sources for each project in the capital improvement program. The Water System Plan is updated every six years.
- c. Capital improvement projects will be incorporated in the annual operating budget identified as a "Capital Improvement Project". The general manager will identify the estimated costs and potential funding sources for each capital improvement project with the annual operating budget. Capital improvement projects will not be funded at the expense of operation and maintenance of the water system.
- d. The Board of Commissioners will determine the most appropriate financing method for all new projects.

5. Short Term Debt

- a. The District considers short term debt to be obligations of three years or less.
- b. All short term debt obligations will be subject to Board of Commissioner approval by resolution.

6. Long Term Debt

- a. The District will utilize long term debt for capital improvements that cannot be financed on a pay as you go basis from anticipated cash flows.
- b. Acceptable uses of bond proceeds are items which can be capitalized and depreciated. Refunding bond issues

designed to restructure currently outstanding debt is also an acceptable use of bond proceeds.

- c. The District will not use long term debt for current operations.
- d. The District will maintain good communication with bond rating agencies about its financial condition. The District will follow a policy of full disclosure on every financial report and bond prospectus including proactive compliance with disclosure to the secondary market.
- e. Every capital improvement project proposed for financing through general obligation debt shall be accompanied by a full analysis of the future operating and maintenance cost associated with the project.

7. District Accounts Policy

Each day the District deposits all revenue collected that day into Pacific County Treasurer's general fund. The Pacific County Treasurer maintains five accounts for North Beach Water District. The Operation Account, the Operations Reserve Account, the Capital Reserve Account, the Debt Reserve Account, and the Cashmere Valley Debt Reserve Account.

- a. **Operation Account** - Funds in the Operation Account are used for the day to day operations of North Beach Water District. The Pacific County Treasurer is requested to allocate all funds deposited into the Treasurer's general fund by North beach Water District into their Operation Account. The Pacific County Treasurer is further requested to adjust the balance of the Operation Account on the first business day of each month, or as soon thereafter as possible, to \$50,000.00 by transferring funds into or from the Operation Reserve Account. For the purpose of these transfers, balances will be rounded to the nearest \$1,000.

- b. **Operation Reserve Account** - Funds in the Operation Reserve Account are used for emergency repairs or replacement of failed or failing equipment of vehicles. On the first business day of each month, or as soon thereafter as possible, the General Manager, or his designee, will total the balance of the Operation Account and the Operation Reserve Account. When the combined total of the Operations Account and the Operation Reserve Account is \$500,000 or more the Board of Commissioners, at its next regular meeting, shall adopt a resolution transferring funds into the Capital Reserve Account sufficient to reduce the combined balance of the Operations Account and the Operation Reserve Account to \$450,000 dollars. For the purpose of these transfers, balances will be rounded to the nearest \$1,000
- c. **Capital Reserve Account** - Funds in the Capital Reserve Account are used to fund Capital Improvement projects identified in the Water System Plan. Funds shall only be deposited into or withdrawn from the Capital Reserve Account by resolution of the Board of Commissioners of North Beach Water District.
- d. **Debt Reserve Account** - No later than the last business day of each month the Pacific County Treasurer is requested to transfer \$34,200.00 from the Operation Account into the Debt Reserve Account. The Pacific County Treasurer is further requested to make payments on District loans, when due, from the Debt Reserve Account. The Board of Commissioners shall adjust the debt transfer amount by resolution as loans mature or new loans are established.
- e. **Cashmere Valley Debt Reserve Account** - The Pacific County Treasurer is requested to maintain \$275,100.00 in the Cashmere Valley Debt Reserve Account. The Pacific County Treasurer is further requested on the first business day of each month, or as soon thereafter as possible, to transfer interest accrued in the Cashmere Valley Debt Reserve Account the previous year into the Operation Reserve Account.

- f. **Petty Cash** - The petty cash account is authorized in the amount of One Thousand Five hundred dollars (\$1,500.00) that will be deposited in a checking account with the Bank of the Pacific titled "North Beach Water District Petty Cash Account". The Petty Cash account is established by District Resolution 03-2012 and is operated in accordance with Washington State Budgeting, Accounting, and Reporting System (BARS).

8. Accounting Auditing and Financial Reporting

- a. The District will establish and maintain a high standard of accounting practices.
- b. The accounting system will maintain records on a basis consistent with accepted standards for local government accounting and the Washington State Budgeting, Accounting, and Reporting System (BARS).
- c. Regular quarterly and annual financial reports will be prepared and preserved for public inspection that present a summary of financial activity of the District.
- d. A fixed assets system will be maintained to identify all District assets, their location and condition.
- e. The District will ensure that the District records are audited biennially and will result in the issuance of a financial opinion.