

# ANNUAL REPORT CERTIFICATION

## NORTH BEACH WATER DISTRICT

MCAG No. 2840

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the Fiscal Year Ended December 31, 2012


### GOVERNMENT INFORMATION:

Official Mailing Address P. O. Box 618, Ocean Park, WA 98640-0618

Official Website Address [www.northbeachwater.com](http://www.northbeachwater.com)

Official E-mail Address [generaldelivery@northbeachwater.com](mailto:generaldelivery@northbeachwater.com)

Official Phone Number (360) 665-4144

General Manager: William Neal 

### PREPARER INFORMATION and CERTIFICATION:

Preparer Name & Title John W. Powell CPA

Contact Phone Number 360-642-4425

Contact E-mail Address [johnp@willapabay.org](mailto:johnp@willapabay.org)

I do hereby certify 29th day of May, 2013, that the annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification.

Moreover, I acknowledge and understand that management and the governing body are responsible for:

- The design and implementation of policies and procedures to safeguard public resources and ensure compliance with applicable laws and regulations, including internal controls to prevent and detect fraud.
- Compliance with applicable state and local laws and regulations.
- Immediately submitting corrected annual report information if any error in submitted information is subsequently identified.

Preparer Signature:



# 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 10 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.

	Special Purpose District
Certification	X
Financial Statements (including notes)	X
Schedule 01, <i>Revenues/Expenditures/Expenses</i>	X
Schedule 09, <i>Liabilities</i>	X
Schedule 10, <i>Limitation of Indebtedness</i>	NA
Schedule 16, <i>Expenditures of Federal Awards and State/Local Assistance</i>	
Schedule 19, <i>Labor Relations Consultants</i>	X
Schedule 21, <i>Risk Management</i>	
Schedule 22, <i>Annual Questionnaire for Audit Assessment</i>	NA

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Combined Funds Resources and Uses Arising From Cash Transactions - Detailed (C-4)

### Operating Schedules

Revenues/Expenditures/Expenses - (Schedule 01)

### Supplemental Schedules

Liabilities (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, 2012

BARS CODE		Total for All Funds	Water Operations 412	Debt Reserve 483
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
	Reserved	\$661,208		\$83,435
	Unreserved	\$331,965	\$331,965	
	Prior Period Adjustments (388.80 and 588.80)	\$0		
Revenues and Other Sources		\$0		
310	Taxes	\$0		
320	Licenses and Permits	\$0		
330	Intergovernmental	\$0		
340	Charges for Goods and Services	\$1,611,030	1,611,030	
350	Fines and Penalties	\$0		
360	Miscellaneous	\$3,973	2,212	
370	Capital Contributions	\$0		
390	Other Financing Sources	\$1,178,304	95,969	410,394
Total Revenues and Other Financing Sources		2,793,307	1,709,211	410,394
Total Resources		3,786,480	2,041,176	493,829
Operating Expenditures:				
510	General Government			
520	Public Safety			
530	Physical Environment	821,534	821,534	
540	Transportation			
550	Economic Environment			
560	Mental and Physical Health			
570	Culture and Recreational			
Total Operating Expenditures		821,534	821,534	0
591-593	Debt Service	54,546		54,546
594-595	Capital Outlay	130,779	130,779	
Total Expenditures		1,006,859	952,313	54,546
597-599	Other Financing Uses	1,178,304	1,082,335	
Total Expenditures and Other Financing Uses		2,185,163	2,034,648	54,546
Excess (Deficit) of Resources Over Uses		1,601,317	6,528	439,283
380	Nonrevenues (Except 384)	44,972	44,972	
580	Nonexpenditures (Except 584)	335,443		335,443
Ending Cash and Investments:		\$1,310,846	\$51,500	\$103,840
508.10	Reserved	\$ 683,485		\$ 103,840
508.80	Unreserved	\$ 627,361	\$ 51,500	

The Accompanying Notes Are An Integral Part Of This Statement.



(ENTITY NAME)

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## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		Cash Reserve 481	Cashmere Valley Reserve 482	Operating Reserve 484
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
	Reserved	\$302,673	\$275,100	
	Unreserved			\$0
	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			
350	Fines and Forfeits			
360	Miscellaneous	1,761		
370	Capital Contributions			
390	Other Financing Sources	111		671,830
Total Revenues and Other Sources		1,872	0	671,830
Total Resources		304,545	275,100	671,830
Operating Expenditures:				
510	General Government			
520	Public Safety			
530	Physical Environment			
540	Transportation			
550	Economic Environment			
560	Mental and Physical Health			
570	Culture and Recreation			
Total Operating Expenditures		0	0	0
591-593	Debt Service			
594-595	Capital Outlay			
Total Expenditures		0	0	0
597-599	Other Financing Uses			95,969
Total Expenditures and Other Financing Uses		0	0	95,969
Excess (Deficit) of Resources Over Uses		304,545	275,100	575,861
380	Nonrevenues (Except 384 )			
580	Nonexpenditures (Except 584 )			
Ending Cash and Investments:		\$304,545	\$275,100	\$575,861
508.10	Reserved 1/	\$ 304,545	\$ 275,100	
508.80	Unreserved 1/			\$ 575,861

1/ Disclosure of reserved/unreserved fund balances is optional

The Accompanying Notes Are An Integral Part Of This Statement.

## For the Year Ended December 31, 2012

[illegible]

NORTH BEACH WATER DISTRICT  
SCHEDULE OF LIABILITIES  
For the Year Ended December 31, 2012

ID No.	Description	Maturity/ Payment Due Date	Beginning Outstanding Debt 01/01/12	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Outstanding Debt 12/31/12
252.11	PWTF Loan 05-691-PRE 117	2025	736,842.11	-	52,631.58	582.34.70	684,210.53
252.11	PWTF Loan 06-691-PRE 129	2025	736,842.11	-	52,631.58	582.34.70	684,210.53
252.12	PWTF Loan 06-692-PWP 204	2012	20,000.00	-	20,000.00	582.34.70	-
252.11	Revenue Bond	2026	2,921,818.33		210,179.54	582.34.70	2,711,638.79
259.11	Compensated Employee Absences	2012	11,319.68	-	1,912.14	N/A	9,407.54
<b>TOTAL</b>			4,426,822.23	-	337,354.84		4,089,467.39

The Accompanying Notes Are An Integral Part Of This Schedule.

NORTH BEACH WATER DISTRICT

MCAG NO. 2840

SCHEDULE 19

**LABOR RELATIONS CONSULTANT(S)**

**For the Year Ended December 31, 2012**

Has your government engaged labor relations consultants?

\_\_\_\_\_ Yes      X   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 _____
_____
_____



**NORTH BEACH WATER DISTRICT**  
**Notes to Financial Statements**  
**January 1, 2012 to December 31, 2012**

**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, 2012 to December 31, 2012**

#### **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	\$ 924,520	\$ 955,696	\$ (31,176)
Debt Service Fund	\$ 408,258	\$ 389,990	\$ 18,268

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, 2012 to December 31, 2012**

**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, 2012 to December 31, 2012**

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

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

There are no 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.	\$ 1,259,345.59
U.S. Government Securities	-
Bank of Pacific - Customer Deposits	<u>51,500.00</u>
Total	<u>\$ 1,310,845.59</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, 2012.



**NORTH BEACH WATER DISTRICT**  
**Notes to Financial Statements**  
**January 1, 2012 to December 31, 2012**

**NOTE 6 - DEBT SERVICE REQUIREMENTS**

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		Other Debt		Assessment Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014			-	-	-	-
2015			-	-	-	-
2016			84,675.77	36,368.48	-	-
2017			85,945.91	35,098.34	-	-
2018-2022			449,458.52	155,762.73	-	-
2023-2027			484,194.47	121,026.78	-	-
2028-2032			521,614.96	83,606.29	-	-
2033-2037			561,927.45	43,293.80	-	-
2038-2042	-	-	236,747.92	5,340.04	-	-
Total	\$ -	\$ -	\$ 2,424,565.00	\$ 480,496.46	\$ -	\$ -

	Revenue Bonds		Total Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 275,207.06	\$ 76,514.18	\$ 275,207.06	\$ 76,514.18
2014	279,671.54	71,523.38	279,671.54	71,523.38
2015	284,253.30	66,415.30	284,253.30	66,415.30
2016	288,955.43	61,186.85	373,631.20	97,555.33
2017	293,781.08	55,834.92	379,726.99	90,933.26
2018-2022	1,545,845.59	194,339.61	1,995,304.11	350,102.34
2023-2027	1,112,345.85	45,277.97	1,596,540.32	166,304.75
2028-2032	-	-	521,614.96	83,606.29
2033-2037	-	-	561,927.45	43,293.80
2038-2042	-	-	236,747.92	5,340.04
Total	\$ 4,080,059.85	\$ 571,092.21	\$ 6,504,624.85	\$ 1,051,588.67

**NORTH BEACH WATER DISTRICT**  
**Notes to Financial Statements**  
**January 1, 2012 to December 31, 2012**

**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**

North Beach Water District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2012, there are 477 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides "per occurrence" based policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.



# **NORTH BEACH WATER DISTRICT**

## **Notes to Financial Statements**

### **January 1, 2012 to December 31, 2012**

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis:

\$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss; \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss. Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

#### **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.

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, the District received \$85,351.44 which included interest; of this, \$40,379.08 was refunded to the employees for their portion.

The district received notice on October 2012 from Cashmere Valley Bank which services the revenue bond stating that the interest rate should have been reset or adjusted by back in June of 2011. The bank retroactively adjusted the interest rate from 4.25% to 2.61% beginning June 1, 2011 which resulted in \$27,072.36 of 2011 interest being reclassified as principal and reducing the balance. The semi-annual principal and interest payment was reduced from \$137,550 to \$119,808. In June 2016 and June 2021 the bank will reset the interest rates based on the current index.

The District has been approved for financing to fund 2 major construction projects that will begin in 2013. The projects are: 1) Design and construction of approximately 5000 feet of water mains. 2) Design and construction of improvements to the north and south well fields and treatment facilities, and integrate telemetry so that the north and south well fields will operate as one unit. These two projects will be funded through financing provided by EPA funds available through the Washington Department of Commerce, Public Works Board. There will be two loans, of \$2,190,631 (less a 30% discount/forgiveness for a net loan of \$1,533,442) and \$891,123, for the respective projects. Both loans have an interest rate of 1.50% and term of 24 years with payment to begin after completion of the project which is scheduled for 2016. These loan obligations are shown above in Note 6 - Debt Service Requirements under other debt.