



North Beach Water District

General Manager's Report to Board of Commissioners

Date: 6/17/2013

Re: Press Releases

There have been two recent events at North Beach Water District that are news worthy.

The Washington State Auditor's Office completed an independent accountability audit of the District on April 22, 2013 for January 1, 2011 through December 31, 2012. The audit report showed that the District, in most areas, complied with state laws and regulation and its own policies and procedures. The general manager has prepared a press release to inform the community of the results of the audit.

The District received a very favorable inaugural credit rating from Standard and Poor's in June, 2013. In addition, the District successfully completed its first bond issuance resulting in the refinancing of its variable rate debt to a 20 year fixed rate term at historically low interest rates. In addition, the bond issuance provided funds for the District to purchase real estate for a new wellfield, purchase or build a business office, and build an equipment building to protect the District's equipment from the elements and vandalism. The general manager prepared a press release to inform the community of these important actions.

The general manager is asking the board to approve the attached press releases for distribution to the media.

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NORTH BEACH WATER DISTRICT

PRESS RELEASE

North Beach Water District Announces Results of Accountability Audit

State Auditors did not identify any conditions to report as findings.

Ocean Park, June 18, 2013: North Beach Water District today announced the Washington State Auditor has completed an accountability audit for the period January 1, 2011 through December 31, 2012.

State Auditors evaluated internal controls and preformed audit procedures on the activities of the District. State Auditors also determined whether the District complied with state laws and regulations and its own policies and procedures. Compliance with Washington States Open Public Meetings Act, controls over utility billing and cash receipting, gifting of public funds, small and attractive assets, and payroll were reviewed.

In most areas, the District complied with state laws and regulations and its own policies and procedures. State Auditors did identify conditions that resulted in a management letter being issued.

The conditions identified in the management letter were: inadequate controls in the water billing software and customer account filing procedures inconsistent with state record retention laws. The management letter was issued in lieu of a finding because the District had taken action to correct the conditions prior to the audit.

The District had identified the problems in the water billing software in June, 2012 and started a process to select new water billing software. In November, 2012 the District approved the purchase of new water billing and accounting software that has strong internal controls.

The District has implemented customer account filing procedures consistent with State record retention laws in July of 2012. All customers files were in compliance by May, 2013.

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NORTH BEACH WATER DISTRICT

PRESS RELEASE

A+ Stable Credit Rating for North Beach Water District

North Beach Water Districts scores an A+ Stable Credit Rating with Standard and Poor's Rating Services due to its credit strengths and stable outlook.

Ocean Park, June 18, 2013: Working with Martin Nelson and Company, North Beach Water District secured an inaugural A+ Stable credit rating from Standard and Poor's Rating Service.

In a report released May 29, 2013, Standard and Poor's noted the District's credit strengths and stable outlook. Credit strengths included , a good to strong financial risk profile and no additional debt plans which contributed to an A+ credit rating. The District's strong cash position and very strong Debt Service Coverage contributed to the stable rating.

The Standard and Poor's Ratings Report was part of a revenue bond issuance process adopted by the District's Board of Commissioners. The purpose of the bond issuance is to refinance an adjustable rate loan used to purchase the Ocean Park Water Company and Pacific Water Company in 2006 and to purchase property for a new wellfield, purchase or build a business office and build an equipment storage building at the North Wellfield.

The A+ Stable rating allowed the District to fix an average interest rate of 3.36% with a 20 year repayment term on the replacement debt.

"The District's Commissioners are committed to seeking ways to minimize potential costs increases to our ratepayers" said General Manager, Bill Neal. "The Commissioners understand that their ratepayers are very concerned about the cost of living and they are pleased to have removed the risk of future costs increases due to rising interest rates on an adjustable rate loan". The Commissioners chose to enter the bond market now and fix the District's interest cost at historically low rates for the next 20 years.