

REPORTING

Note 1 - Summary of Significant Accounting Policies

The district 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 Water District was incorporated on January 1, 2009 and operates under Revised Code of Washington Title 57. The district supplies potable water to residential and commercial ratepayers in an unincorporated area located in Pacific County Washington State on the North Beach Peninsula generally consisting of the Loomis Lake, Klipsan, Ocean Park, and Nachotta areas. The district is governed by a three-member board of elected commissioners. The district uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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 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 district:

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 other than accounting principles generally accepted in the United States of America.

C. Budgets

The district adopts annual appropriated budgets for two 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 follow:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
401 - Operations			
Operations	1,527,806.00	1,534,591.99	-6,785.99
2013 Bond Fund		149,031.40	-149,031.40
DWSRF Loan Fund	3,081,754.00	214,459.40	2,867,294.60
Deposit Fund		524.73	-524.73
Total 401 - Operations	4,609,560.00	1,898,607.52	2,710,952.48

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 district’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.

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 2, *Investments*.

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 year's 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 per year without limit. Upon termination by the district the employee does not receive payment for unused sick pay. Any Employee who 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 employee rate of pay. On December 1st of each year any employee with 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 3, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The district's *Other Financing Sources* or *Uses* consist of inter-fund transfers and loan proceeds.

K. 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 Inter-local Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2013, there are 486 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, and 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.

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.

L. Reserved Fund Balance

The district maintains a reserve fund for debt payment.

Fund	Amount of Reserve	Description
401	\$275,965	Per Bond Directive One Year Payment Set Aside

Note 2 - Investments

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

Investments are presented at fair market value.

Investments by type at December 31, 2013 are as follows:

L.G.I.P ¹ .	\$1,503,598.34
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Note 3 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended December 31, 2013.

The debt service requirements for revenue bonds and loans, including both principle and interest, are as follows:

Year	General Obligation Debt	Revenue Debt	Other Debt	Total Debt
2014	\$0	\$271,060	\$111,579	\$382,639
2015	\$0	\$275,190	\$111,053	\$386,243
2016	\$0	\$274,065	\$267,940	\$542,005
2017	\$0	\$272,565	\$267,414	\$539,979
2018	\$0	\$270,765	\$266,888	\$537,653
2019 - 2023	\$0	\$1,370,900	\$1,326,544	\$2,697,444
2024 - 2028	\$0	\$1,369,790	\$999,175	\$2,368,965
2029 - 2033	\$0	\$1,093,575	\$787,070	\$1,880,645
2034 - 2038	\$0	\$0	\$787,070	\$787,070
2039 - 2040	\$0	\$0	\$314,828	\$314,828
Totals	\$0	\$5,197,910	\$5,239,561	\$10,437,471

Note 4 - Pension Plans

Substantially all district full-time and qualifying part-time employees participate in PERS 2 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 a system-wide basis and is not considered pertinent to the district's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

¹ Local Government Investment Pool

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

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

Note 5 - Other Disclosures

- The ending balance of \$2,711,639 stated in the 2012 Annual Report for the Cashmere Valley Bank Revenue Bond did not balance with the \$2,715,122 paid in 2013 to close the loan. The beginning balance in 2013 was changed to reflect the actual payoff amount.
- In 2013 North Beach Water District began drawing funds on Drinking Water State Revolving Fund Loan number DM12-9520121. These funds were used for the capital improvement project(s) of upgrading/adding water mains.
- In 2013 North Beach Water District began drawing funds on Drinking Water State Revolving Fund Loan number DM12-9520129. These funds were used for the capital improvement project(s) of upgrading/improving current water supply and treatment processes/facilities.
- In the budget section the Operations Fund was over budget by \$6,785.99 for the following reasons:
 - An insurance co-pay of \$22,854 that was not budgeted for, nor was the budget updated to reflect it.
 - The purchase of a vacuum excavator for \$16,614.97 that was not budgeted for, nor was the budget updated to reflect it.
 - Two water main projects totaling \$55,339.84 that was not budgeted for, nor was the budget updated to reflect it.
- In the budget section, the 2013 Bond Fund is \$149,031.40 over budget because the cost of bond issuance and initial payment that were made were a non-budgeted items and the budget was not updated to add it.
- In the budget section the deposit fund is over budget by \$524.73 because the district did not budget for deposit returns.
- A portion of the 2013 Water revenue bond went to pay off the entire balance of the Cashmere Valley Bond. This happened outside of the district's custody and control of the cash. Principal payments and bond proceeds reported on Schedule 1 do not reflect these non-cash portions of the district's financing reported on Schedule 9.