

**NORTH BEACH WATER DISTRICT
PACIFIC COUNTY, WASHINGTON**

RESOLUTION 04-2015

**A RESOLUTION OF THE NORTH BEACH WATER DISTRICT
OF PACIFIC COUNTY, WASHINGTON, AMENDING FISCAL
POLICY AND REPEALING RESOLUTION 10-2013**

WHEREAS, on April 23, 2013 North Beach Water District's Board of Commissioners adopted Resolution 10-2013 establishing a fiscal policy that emphasized revenue sufficiency, credit worthiness, and fiscal controls and provided guidance on the management of District accounts; and

WHEREAS, The Pacific County Treasurer's Office amended the systems by which they maintain the District's accounts; and

WHEREAS, the North Beach Water District's Board of Commissioners desires to expand the scope of the fiscal policy to include prudent investment policies and procedures that; 1) ensure the safety of District investments and deposits while maximizing earnings on money that is not required for day to day operations; 2) to ensure that sufficient liquidity is available to support operations; 3) invest District funds within the statutory framework established for local governments by Washington State; now, therefore

BE IT RESOLVED by the Board of Commissioners of North Beach Water District, Pacific County, as follows:

Section 1 The North Beach Water District Board of Commissioners hereby adopts the amended fiscal policy attached hereto and incorporated herein as Exhibit A.

Section 2 Resolution 10-2013 is hereby repealed.

ADOPTED BY the Board of Commissioners of North Beach Water District, Pacific County, Washington at this regular meeting held on the 16th day of March, 2015

Brian Sheldon, Commissioner
Position #1

Glenn Ripley, Commissioner
Position #3

Gwen Brake, Commissioner
Position #2

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 operations. Revenues for operations are collected from rate payers for water service provided. North Beach Water District's Board of Commissioners understands the importance of government accountability, openness, and transparency. Therefore, they consider it their responsibility to North Beach Water District rate payers and the press to adopt, implement and maintain a fiscal policy that meets those standards regarding government oversight and fiscal responsibility.

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

1. General Financial Goals

- a. **Revenue Sufficiency** - Ensure that all costs and revenues of the District are known and measurable.
- b. **Asset Protection** - Ensure that all of the District's assets are properly valued and inventoried.
- c. **Full-Cost Rate Setting** - Ensure rates are set so that sufficient revenues are collected to cover all operating costs.
- d. **Credit Worthiness** - Ensure that the District is financially healthy as measured by industry specific indicators, ratios, and ratings.
- e. **Debt Reserve Accounts** - Ensure assurance of repayment by maintaining Debt Reserve Accounts as directed by lenders and maintaining detailed financial records including annual financial projections.
- f. **Fiscal Controls** - Ensure that District records including financial are maintained, protected and open to public inspection.
- g. **Annual Operating Budget** - Ensure that an annual operating budget is prepared and adopted by the Board of Commissioners.
- h. **Financial Planning** - 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.

2. 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. The operating budget will provide for sustainable levels of operations and maintenance of the public water system.
- c. 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.

3. 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.
- c. The General Manager will estimate revenue based on scheduled rates, historic water use, and the number of rate payers on July 31 of the previous year.

4. Expenditure Policy

- a. The District will maintain expenditure categories according to the Washington State Budgeting, Accounting, and Reporting System (BARS).
- b. 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 monthly during the year.
- c. The General Manager will estimate expenditures based on historic costs, inflation, competitive labor factors, preventive maintenance records, observations, and infrastructure life cycle projections for the ensuing year.
- d. The District will not use one-time revenue for ongoing operating expenses.

5. 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 in accordance with WAC 246-290-100.

- 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 within 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.

6. 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.

7. 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.

8. District Accounts Policy

- a. Each day the District deposits all revenue collected for that day into North Beach Water District's Operations Account at the Back of the Pacific which is administered by the Pacific County

Treasurer. The Pacific County Treasurer maintains all accounts for North Beach Water District except the petty cash account.

- b. **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. In addition to day to day operations, these funds are used for emergency repairs or replacement of failed or failing equipment or vehicles. When the total of the Operations Account is \$550,000 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 balance of the Operations Account to \$450,000 dollars. For the purpose of 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 funds 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. **Bond Debt Reserve Account** - The Pacific County Treasurer is requested to maintain \$275,965.00 in the Bond Debt Reserve Account. The Pacific County Treasurer is further requested on the first business day of June, or as soon thereafter as possible, to transfer interest accrued in the Bond Debt Reserve Account the previous year into the Operation Account.
- f. **Bond Project Account** - The Pacific County Treasurer is requested to maintain, in accordance with chapter 57.20 RCW, funds from the issuance of Bonds in 2013 for the purpose of refunding debt and the purchasing of real property for a Wellfield and the construction of an office and storage facility at the District's North Wellfield. This is a temporary account that will be maintained until the project is complete. The project is scheduled to be complete in December, 2015.
- g. **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).

9. Investment Policy

- a. **Policy:** The District primary objective is to manage its total cash and cash equivalent assets in a manner that conforms to the principles of this fiscal policy while maximizing the interest earnings of the District. Notwithstanding, investment of District assets will be to support its primary purpose of providing rate payers water quality at a high standard.
- b. **Standards:** In evaluating investment opportunities the District shall keep the following standards:
 - a. **Legality:** The District's investments will be in compliance with all statutes governing the investment of public funds. This includes the Revised Code of Washington (RCW), the BARS manual, this investment policy and Washington Administrative Codes (WAC).
 - b. **Safety:** Safety of principal is of primary importance to the District. Investments of the District will be undertaken in a manner that seeks to guard the preservation of capital in the overall portfolio.
 - c. **Liquidity:** The District's investments will remain sufficiently liquid to facilitate the District's need to meet all operating and debt requirements which might be reasonably anticipated.
 - d. **Yield:** The District's investments will be established with the objective of achieving a market rate of return throughout budgetary and economic cycles, taking into account the District's investment risk constraints and cash flow characteristics of the portfolio.
 - e. **Investment Purchases:** The District has also determined to limit investment purchases to the following investment types, which the District has determined best meet their overall investment strategy.
 - i. Washington State Local Government Investment Pool;
 - ii. Investment deposits, including certificates of deposit, with qualified public depositories as defined in Chapter 39.58 RCW.
 - iii. Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States (such as the Government National Mortgage Association). However, this authorization will

specifically exclude Collateralized Mortgage Obligations (CMOs), Real Estate Mortgage Investment Conduits (REMICs), and other Principal Only (POs) and Interest Only (IOs) obligations that are secured with mortgages issued by any federal agency, instrumentality or private firm.

10. 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.

EXHIBIT A

North Beach Water District
Fiscal Policy

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1. General Financial Goals

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b. Asset Protection - Ensure that all of the District's assets are properly valued and inventoried.

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~~Full-Cost Rate Setting~~ Ensure - Ensure rates are set so that sufficient revenues are collected to cover all operating costs.

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d. Credit Worthiness - Ensure that the District is financially healthy as measured by industry specific indicators, ratios, and ratings.

~~Debt Reserve Accounts~~ - Ensure assurance of repayment by maintaining Debt Reserve Accounts as directed by lenders and maintaining detailed financial records including annual financial projections.

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f. Fiscal Controls - Ensure that District records including financial are maintained, protected and open to public inspection.

g. Annual Operating Budget - Ensure that an annual operating budget is prepared and adopted by the Board of Commissioners.

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h. Financial Planning - 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.

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2. Operating Budget Policies

- a. ~~The general~~ General manager ~~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~~ General manager ~~Manager~~ will prepare the budget each year in the months of Septembers and October. The ~~general~~ General manager ~~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. The operating budget will provide for a sustainable levels of operations and maintenance of the public water system.
- c. 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.

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3. Revenue Policy

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

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~~In preparing the annual budget the general manager will:~~

- c. ~~The ~~g~~General ~~m~~anager will estimate~~ reject all revenue based on scheduled rates, historic water use, and the number of rate payers on July 31 of the previous year.

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4. Expenditure Policy

- ~~The District will maintain expenditure categories according to the Washington State Budgeting, Accounting, and Reporting System (BARS).~~
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 - b. 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 monthly during the year.

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c. The ~~g~~General ~~m~~Manager will estimate expenditures based on historic costs, inflation, competitive labor factors, preventive maintenance records, observations, and infrastructure life cycle projections for the ensuing 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.~~

~~**Revenue Policy**~~

~~Because revenues are sensitive to both local and regional economic conditions, revenue estimates provided by the general manager will be conservative.~~

~~The District will estimate its annual revenues by an objective, analytical process using best practices.~~

~~**Expenditure Policy**~~

~~The operating budget will provide for a sustainable level of operations and maintenance of the public water system.~~

d. The District will not use one-time revenue for ongoing operating expenses.

~~**5. The District will maintain expenditure categories according to the Washington State Budgeting, Accounting, and Reporting System (BARS).**~~

6. 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~~in accordance with WAC 246-290-100.

c. Capital improvement projects will be incorporated in the annual operating budget identified as a "Capital Improvement Project". The ~~G~~General ~~M~~Manager will identify the estimated costs and potential funding sources for each capital improvement project ~~within~~ 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.

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7. Short Term Debt

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- 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.

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8. Long Term Debt

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- 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.

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- a. Each day the District deposits all revenue collected for that day into North Beach Water District's Operations Account at the Back of the Pacific which is administered by the Pacific County Treasurer's general fund. The Pacific County Treasurer maintains five all accounts for North Beach Water District except the petty cash account.

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~~The Operation Account, the Operations Reserve Account, the Capital Reserve Account, the Debt Reserve Account, and the Gashmere Valley Debt Reserve Account.~~

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~~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~~

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~~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~~In addition to day to day operations, these funds are used for emergency repairs or replacement of failed or failing equipment of ~~fr~~ 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~~550,000 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~~ 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 ~~\$24,200.00~~ funds 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 ValleyBond~~ **Debt Reserve Account** - The Pacific County Treasurer is requested to maintain ~~\$275,100.00~~\$275,965.00 in the ~~Cashmere ValleyBond~~ Debt Reserve Account. The Pacific County Treasurer is further requested on the first business day of ~~each month~~June, or as soon thereafter as possible, to transfer interest accrued in the ~~Cashmere ValleyBond~~ Debt Reserve Account the previous year into the Operation ~~Reserve~~ Account.

f. **Bond Project Account** - The Pacific County Treasurer is requested to maintain, in accordance with chapter 57.20 RCW, funds from the issuance of Bonds in 2013 for the purpose of refunding debt and the purchasing of real property for a wWellfield and the construction of an office and storage facility at the District's North Wellfield. This is a temporary account that will be maintained until the project is complete. The project is scheduled to be complete in December, 2015.

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g. 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).

10. Investment Policy

a. Policy: The District primary objective is to manage its total cash and cash equivalent assets in a manner that conforms to the principles of this fiscal policy while maximizing the interest earnings of the District. Notwithstanding, investment of District assets will be to support its primary purpose of providing rate payers water quality at a high standard.

b. Standards: In evaluating investment opportunities the District shall keep the following standards:

a. Legality: The District's investments will be in compliance with all statutes governing the investment of public funds. This includes the Revised Code of Washington (RCW), the BARS manual, this investment policy and Washington Administrative Codes (WAC).

b. Safety: Safety of principal is of primary importance to the District. Investments of the District will be undertaken in a manner that seeks to guard the preservation of capital in the overall portfolio.

c. Liquidity: The District's investments will remain sufficiently liquid to facilitate the District's need to meet all operating and debt requirements which might be reasonably anticipated.

d. Yield: The District's investments will be established with the objective of achieving a market rate of return throughout budgetary and economic cycles, taking into account the District's investment risk constraints and cash flow characteristics of the portfolio.

e. Investment Purchases: The District has also determined to limit investment purchases to the following investment types, which the District has determined best meet their overall investment strategy.

i. Washington State Local Government Investment Pool;

ii. Investment deposits, including certificates of deposit, with qualified public depositories as defined in Chapter 39.58 RCW.

iii. Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or

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of any corporation wholly owned by the government of the United States (such as the Government National Mortgage Association). However, this authorization will specifically exclude Collateralized Mortgage Obligations (CMOs), Real Estate Mortgage Investment Conduits (REMICs), and other Principal Only (POs) and Interest Only (IOs) obligations that are secured with mortgages issued by any federal agency, instrumentality or private firm.

11. 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.

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