



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report
North Beach Water District

Pacific County

For the period January 1, 2011 through December 31, 2013

Published March 16, 2015

Report No. 1013772





Washington State Auditor
Troy Kelley

March 16, 2015

Board of Commissioners
North Beach Water District
Ocean Park, Washington

Report on Financial Statements

Please find attached our report on the North Beach Water District's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**North Beach Water District
Pacific County
January 1, 2011 through December 31, 2013**

Board of Commissioners
North Beach Water District
Ocean Park, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the North Beach Water District, Pacific County, Washington, as of and for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 25, 2015.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated February 25, 2015.

COMPLIANCE AND OTHER MATTERS


As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized 'X'.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 25, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

North Beach Water District Pacific County January 1, 2011 through December 31, 2013

Board of Commissioners
North Beach Water District
Ocean Park, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the North Beach Water District, Pacific County, Washington, for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the North Beach Water District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the North Beach Water District, for the years ended December 31, 2013, 2012 and 2011, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the North Beach Water District, as of December 31, 2013,

2012 and 2011, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

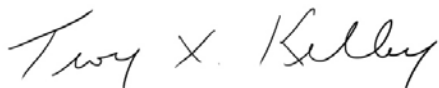
Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 25, 2015

FINANCIAL SECTION

**North Beach Water District
Pacific County
January 1, 2011 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fund Resources and Uses Arising from Cash Transactions – 2012
Fund Resources and Uses Arising from Cash Transactions – 2011
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013
Schedule of Liabilities – 2012
Schedule of Liabilities – 2011

North Beach Water District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		401 Operations
Beginning Cash and Investments		
30810	Reserved	378,940
30880	Unreserved	931,906
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
310	Taxes	-
320	Licenses & Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	1,673,046
350	Fines & Penalties	-
360	Miscellaneous Revenues	4,164
Total Operating Revenues:		1,677,210
Operating Expenditures		
530	Utilities	851,713
Total Operating Expenditures:		851,713
Net Operating Increase (Decrease):		825,497
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	3,292
391-393	Debt Proceeds	4,042,697
397	Transfers-In	-
Total Nonoperating Revenues:		4,045,989
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	21,096
591-593	Debt Service	2,983,581
594-595	Capital Expenditures	660,695
597	Transfers-Out	-
Total Nonoperating Expenditures:		3,665,372
Net Increase (Decrease) in Cash and Investments:		1,206,114
Ending Cash and Investments		
50810	Reserved	1,030,176
50880	Unreserved	1,486,783

The accompanying notes are an integral part of this statement.

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				
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	0		
520	Public Safety	0		
530	Physical Environment	821,534	821,534	
540	Transportation	0		
550	Economic Environment	0		
560	Mental and Physical Health	0		
570	Culture and Recreational	0		
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.

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				
330	Licenses and Permits			
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

The Accompanying Notes Are An Integral Part Of This Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE		Total for All Funds	Water Operations 412	Debt Reserve 483
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
	Reserved	\$81,329		\$81,329
	Unreserved	\$131,715	\$131,715	
	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	1,486,492	1,486,492	
350	Fines and Penalties			
360	Miscellaneous	3,771	3,771	
370	Capital Contributions			
390	Other Financing Sources	412,317	1,953	410,364
Total Revenues and Other Financing Sources		1,902,580	1,492,216	410,364
Total Resources		2,115,624	1,623,931	491,693
Operating Expenditures:				
510	General Government			
520	Public Safety			
530	Physical Environment	789,833	789,833	
540	Transportation			
550	Economic Environment			
560	Mental and Physical Health			
570	Culture and Recreational			
Total Operating Expenditures		789,833	789,833	0
591-593	Debt Service	141,821	98	141,723
594-595	Capital Outlay	86,048	86,048	
Total Expenditures		1,017,702	875,979	141,723
597-599	Other Financing Uses	410,364	410,364	
Total Expenditures and Other Financing Uses		1,428,066	1,286,343	141,723
Excess (Deficit) of Resources Over Uses		687,558	337,588	349,970
380	Nonrevenues (Except 384)	2,864	2,864	
580	Nonexpenditures (Except 584)	275,022	8,487	266,535
Ending Cash and Investments:		\$415,400	\$331,965	\$83,435
508.10	Reserved	83,435		83,435
508.80	Unreserved	\$331,965	\$331,965	

The Accompanying Notes Are An Integral Part Of This Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For The Year Ending December 31, 2012

	Total for All Funds	Cash Reserve 481	Cashmere Valley Reserve 482	Operating Reserve 483
	Total Amount	Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments	\$577,773	\$302,673	\$275,100	\$0
Prior Period Adjustments				
Revenue and Other Financing Sources	673,702	1,872		671,830
Total Resources	1,251,475	304,545	275,100	671,830
Expenditures And Other Financing Uses		0		
Excess (Deficit) of Resources Over Uses	1,251,475	304,545	275,100	671,830
Nonrevenues (Except 384)	0			
Nonexpenditures (Except 584)	0			
Ending Cash and Investments	\$1,251,475	\$304,545	\$275,100	\$671,830

The Accompanying Notes Are An Integral Part Of This Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For The Year Ending December 31, 2011

	Total for All Funds	Cash Reserve 481	Cashmere Valley Reserve 482
	Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments	\$575,725	\$300,625	\$275,100
Prior Period Adjustments			
Revenue and Other Financing Sources	2,048	2,048	
Total Resources	577,773	302,673	275,100
Expenditures And Other Financing Uses		0	
Excess (Deficit) of Resources Over Uses	577,773	302,673	275,100
Nonrevenues (Except 384)	0		
Nonexpenditures (Except 584)	0		
Ending Cash and Investments	\$577,773	\$302,673	\$275,100

The Accompanying Notes Are An Integral Part Of This Statement.

North Beach Water District
Notes to the Financials
For Year End December 31, 2013

REPORTING

Note 1 - Summary of Significant Accounting Policies

The North Beach Water District was incorporated on January 1, 2009 and operated under the laws of the state of Washington applicable to a water district. The district is a special purpose local government and provides waters service.

The district reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as prescribed below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defines by GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classification defined in 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

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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.

**North Beach Water District
Notes to the Financials
For Year End December 31, 2013**

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 Expenditures	Variance
Total 401 - Operations	\$4,609,560	\$4,517,085	\$92,475

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 and Investments

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. Capital Assets

Capital assets are long lived assets of the district and are recorded as expenditures when purchased.

F. 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

North Beach Water District
Notes to the Financials
For Year End December 31, 2013

employee elects to receive payment as herein provided, the balance of unused annual sick leave will remain in the employee's account.

G. Long-Term Debt

See Note 3, *Debt Service Requirements*.

H. Other Financing Sources or Uses

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

I. 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.

**North Beach Water District
Notes to the Financials
For Year End December 31, 2013**

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.

J. Reserved Portion of Ending Cash and Investments

Beginning and ending cash and investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Resolutions. When expenditures that meet restrictions are incurred, the district intends to use reserved resources first before using unreserved amounts.

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	\$818,865
Bank of the Pacific – Customer Deposits	\$1,721,795

**North Beach Water District
Notes to the Financials
For Year End December 31, 2013**

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	Revenue Debt	Interest	Total Debt
2014	\$250,263	\$132,376	\$382,639
2015	255,263	130,979	386,242
2016	255,263	129,328	384,591
2017	255,263	127,302	382,565
2018	255,263	124,976	380,239
2019-2023	1,351,316	559,058	1,910,374
2024-2028	1,205,527	376,369	1,581,895
2029-2033	3,526,843	1,059,002	4,585,845
Total	\$4,798,158	\$1,703,963	\$6,502,121

In 2013 North Beach Water District drew down funds on Drinking Water State Revolving Fund Loan number DM 12-952-129. These funds were used for the capital improvement project(s) of upgrading/improving current water supply and treatment processes/facilities. The loan agreement authorized the district to draw up to \$2,190,631 and 30% is forgivable. After the project is completed, the loan will be repaid over 24 years at 1.50% interest. As of December 31, 2013, \$144,213 was drawn down and the project was not complete.

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.

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

North Beach Water District
Notes to the Financials
For Year End December 31, 2013

Note 5 - Other Disclosures

- In the budget section, the Bond Fund was over budget by \$2,775,137 for the following reasons:
 - Cashmere Valley Bond payoff amount of \$2,631,900 was not budgeted for, nor was the budget updated to reflect it.
 - The cost of bond issuance and the beginning of a contraction project in the amount of \$143,236 was not budgeted for, nor was the budget updated to reflect it.
- In the budget section, the deposit fund is over budget by \$524.73 because the district did not budget for deposit returns.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Beach Water District was incorporated on January 1, 2009 and operated under the laws of the state of Washington applicable to a water district. The district is a special purpose local government and provides waters service.

The district reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as prescribed below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defines by GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classification defined in 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:

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

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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.

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 Expenditures	Variance
Water Operating Fund	\$ 924,520	\$ 952,313	\$ (27,793)
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 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.

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 year's vacation entitlement (ranging from five (5) to twenty (20)~~
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 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 District'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, 2012 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 2012. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 275,207.06	\$ 76,514.18
2014	279,671.54	71,523.38
2015	284,253.30	66,415.30
2016	288,955.43	61,186.85
2017	293,781.08	55,834.92
2018-2022	1,545,845.59	194,339.61
2023-2027	1,112,345.85	45,277.97
2028-2032	-	-
2033-2037	-	-
2038-2042	-	-
Total	<u>\$ 4,080,059.85</u>	<u>\$ 571,092.21</u>

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 in 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.

NORTH BEACH WATER DISTRICT
Notes to Financial Statements
January 1, 2011 to December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Beach Water District was incorporated on January 1, 2009 and operated under the laws of the state of Washington applicable to a water district. The district is a special purpose local government and provides waters service.

The district reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as prescribed below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defines by GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classification defined in 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:

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, 2011 to December 31, 2011

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

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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.

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	\$ 1,007,316	\$ 884,466	\$ 122,850
Debt Service Fund	\$ 408,258	\$ 408,258	\$ -

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, 2011 to December 31, 2011

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 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 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, 2011 to December 31, 2011

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

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

In March 2011 a former employee filed a standard tort claim against the district claiming discrimination on the basis of age and religion and asking for loss of past and future income and benefits of over \$300,000 plus general damages of over \$600,000. The district expects that this claim will be dismissed. There are no other 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.	\$ 661,208.37
U.S. Government Securities	-
Bank of Pacific - Customer Deposits	<u>331,965.64</u>
Total	<u>\$ 993,174.01</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, 2011.

NORTH BEACH WATER DISTRICT
Notes to Financial Statements
January 1, 2011 to December 31, 2011

NOTE 6 - LONG TERM DEBT

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:

	Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 335,442.00	\$ 81,619.00
2013	275,207.00	76,514.00
2014	279,672.00	71,523.00
2015	284,256.00	66,415.00
2016	288,955.00	61,187.00
2017-2021	1,519,748.00	223,069.00
2022-2026	1,432,225.00	72,384.00
Total	<u>\$ 4,415,505.00</u>	<u>\$ 652,711.00</u>

NORTH BEACH WATER DISTRICT
Notes to Financial Statements
January 1, 2011 to December 31, 2011

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

The District is a member of ENDURIS Washington formerly The Washington Governmental Entity Pool (WGEP). Under the laws of the State of Washington, specifically Chapter 48.62 RCW, various local entities are permitted to form together into an insurance purchasing pool, pursuant to the Interlocal Cooperation Act (Chapter 39.34 RCW) for joint self-insuring and risk sharing, and/or for the joint purchase of insurance.

The District coverage, as a member of ENDURIS, is subject to certain deductibles, and includes liability coverage for general, auto, public officers and Directors E&O, employment practices liability, as well as property damage auto liability and physical damage, and an employee dishonesty bond. Enduris currently has more than 451 local government or special purpose districts that pool resources to share risk and reduce cost. The financial statements for ENDURIS may be requested in writing to Rafaela Ortiz, Director of Administration, Enduris, PO Box 19330, Spokane, WA 99219.

NORTH BEACH WATER DISTRICT
Notes to Financial Statements
January 1, 2011 to December 31, 2011

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.

Subsequently, 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, of this, \$38,137.09 will be refunded to the employees for their portion when received.

**North Beach Water District
Schedule of Liabilities
For the Year Ended December 31, 2013**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Obligations						
252.11	PWTF Loan 05-691-PRE-117	1/1/2025	684,211.00	-	52,632	631,579
252.11	PWTF Loan 05-691-PRE-129	1/1/2025	684,211.00	-	52,632	631,579
252.11	Cashmere Valley Bank Revenue Bond	1/1/2026	2,711,639.00	-	2,711,639	-
252.11	2013 Water Revenue Bond	1/1/2032	-	3,600,000	65,000	3,535,000
263.82	DWSRF Loan DM12-952-121	1/1/2040	-	84,365	-	84,365
263.82	DWSRF Loan DM12-952-129	1/1/2040	-	144,213	-	144,213
259.12	Compensated Employee Absences - Prop	1/1/2013	9,408.00	1,407	-	10,815
Total Revenue Obligations:			4,089,469.00	3,829,985	2,881,903	5,037,551
Total Liabilities:			4,089,469.00	3,829,985	2,881,903	5,037,551

**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
TOTAL			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
SCHEDULE OF LONG TERM DEBT
For the Year Ended December 31, 2011**

ID No.	Description	Maturity/ Payment Due Date	Beginning Outstanding Debt 01/01/11	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Outstanding Debt 12/31/11
263.62	Modern Machinery Co. Komatsu Backhoe Lease- Purchase Agreement	2011	8,487.00	-	8,487.00	582.34.71	-
252.11	PWTF Loan 05-691-PRE 117	2025	789,473.69	-	52,631.58	582.34.70	736,842.11
252.11	PWTF Loan 06-691-PRE 129	2025	789,473.69	-	52,631.58	582.34.70	736,842.11
252.12	PWTF Loan 06-692-PWP 204	2012	40,000.00	-	20,000.00	582.34.70	20,000.00
252.11	Revenue Bond	2026	3,063,089.97	-	141,271.64	582.34.70	2,921,818.33
259.11	Compensated Employee Absences	2012	7,373.06	3,946.62	-	N/A	11,319.68
TOTAL			4,697,897.41	3,946.62	275,021.80		4,426,822.23

The Accompanying Notes Are An Integral Part Of This Schedule.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov