

North Beach Water District
Notes to the Financials
For Year End December 31, 2014

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.

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 follows:

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Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
401 - Operations			
Operations	1,581,398.00	1,485,983.72	95,414.28
2013 Bond Fund		10,489.21	-10,489.21
DWSRF Loan Fund	2,844,353.00	849,879.38	1,994,473.62
Total 401 - Operations	4,425,751.00	2,346,352.31	2,079,398.69

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 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

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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, 2014, there are 491 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 crime coverage up to a limit of \$1,000,000 per occurrence.

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 on 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
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401	\$275,965	Per Bond Directive One Year Payment Set Aside
402	\$1,002,872	Bond Construction Project Funds
602	\$9,215	Retainage Withheld for DWSRF Loan Projects

Note 2 – Deposits and 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, 2014 are as follows:

L.G.I.P ¹	\$655,322
2014 Investment Bond	\$500,000
Bank of the Pacific – Customer Deposits	\$1,589,761

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, 2014.

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

Year	Revenue Debt	Interest	Total Debt
2015	\$255,263	\$130,979	\$386,243
2016	\$356,287	\$165,697	\$521,983
2017	\$356,287	\$163,670	\$519,957
2018	\$356,287	\$161,344	\$517,631
2019	\$361,287	\$158,493	\$519,779
2020 - 2024	\$1,886,433	\$710,394	\$2,596,827
2025 - 2029	\$1,645,381	\$514,419	\$2,159,799
2030 – 2034	\$1,250,118	\$257,592	\$1,507,710
2035 - 2039	\$505,118	\$181,842	\$686,960
Totals	\$6,972,459	\$2,444,430	\$9,416,889

Note 4 - Pension Plans

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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

Note 5 - Other Disclosures

Legal and Financial Compliance

- In the budget section, the Bond Fund was over budget by \$10,489 because the beginning of the Bond Construction Project was not budgeted nor was the budget updated to reflect it.

General Notes

- In 2014 North Beach Water District drew down funds on Drinking Water State Revolving Fund Loan number DM12-952-129. 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, 2014, \$414,622.75 was drawn down and the project was not complete.
- In 2014 North Beach Water District drew down funds on Drinking Water State Revolving Fund Loan number DM12-952-121. These funds were used for the capital improvement project(s) of upgrading/improving current water mains. The loan agreement authorized the district to draw up to \$891,123. After the project is completed, the loan will be repaid over 24 years at 1.50% interest. As of December 31, 2014, \$649,716.03 was drawn down and the project was not complete.
- In 2015 North Beach Water District will commence and conclude the Bond Construction Project. Funds up to the full amount remaining on the fund balance (\$1,002,872.03) will be expended during the project.
- In the Debt Service section, it is assumed that North Beach Water District will draw the full \$891,123 from the DM12-952-121 loan and start repayment in 2016.
- In the Debt Service section, it is assumed that North Beach Water District will draw the full \$2,190,631 from the DM12-952-129 loan, 30% forgiveness will be granted as per the contract, and start repayment in 2016.