



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

North Beach Water District

For the period January 1, 2019 through December 31, 2021

Published April 13, 2023

Report No. 1032400



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**Office of the Washington State Auditor
Pat McCarthy**

April 13, 2023

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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Commissioners
Brian Sheldon – Gwen Brake – Glenn Ripley

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

North Beach Water District January 1, 2019 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2016 – December 31, 2018	Report Ref. No.: 1025261	Finding Ref. No.: 2018-001
Finding Caption: The District's internal controls over accounting and financial statement preparation were inadequate to ensure complete and accurate financial reporting.		
Background: The District Commissioners, state and federal agencies, and the public rely on the information included in governmental financial statements and reports to make decisions. District management is responsible for designing and following internal controls to ensure financial statements are fairly presented and provide reasonable assurance regarding the reliability of financial reporting. The District prepares its financial statements in accordance with the cash basis accounting method as prescribed by the State Auditor's Office <i>Budgeting, Accounting and Reporting System</i> (BARS) Manual. Our audit identified deficiencies in the District's internal controls over financial reporting that hindered the District's ability to produce reliable financial statements. Government Auditing Standards requires that the auditor communicate material weaknesses in internal controls, as defined in the Applicable Laws and Regulations section below, as a finding.		
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The District is using a CPA for our annual report as well as for any questions that arise throughout the year. I have also been helping with the budget which has helped myself get more familiar with the financials. I have also been doing webinars through BIAS to make sure that I am reporting everything that needs to be reported and that they get reported correctly.</i>		

INDEPENDENT AUDITOR'S REPORT

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 January 1, 2019 through December 31, 2021

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, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 6, 2023.

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 state law 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.

REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted certain other matters that we have reported to the management of the District in a separate letter dated April 6, 2023.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

April 6, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

North Beach Water District January 1, 2019 through December 31, 2021

Board of Commissioners
North Beach Water District
Ocean Park, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the North Beach Water District, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the North Beach Water District, and its changes in cash and investments, for the years ended December 31, 2021, 2020 and 2019, on the basis of accounting described in Note 1.

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, 2021, 2020 and 2019, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 state law and the BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2023 on our consideration of the District's internal control over financial reporting and on the 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 the effectiveness of the District's 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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

April 6, 2023

FINANCIAL SECTION

North Beach Water District January 1, 2019 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
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SUPPLEMENTARY AND OTHER INFORMATION

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Schedule of Liabilities – 2019

North Beach Water District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

Beginning Cash and Investments

308	Beginning Cash and Investments	1,388,613
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	2,241,249
350	Fines and Penalties	-
360	Miscellaneous Revenues	4,878
Total Revenues:		<u>2,246,127</u>

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	1,390,052
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>1,390,052</u>
Excess (Deficiency) Revenues over Expenditures:		856,075

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	2,439,690
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	810
Total Other Increases in Fund Resources:		<u>2,440,500</u>

Other Decreases in Fund Resources

594-595	Capital Expenditures	116,855
591-593, 599	Debt Service	2,974,574
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	(385)
Total Other Decreases in Fund Resources:		<u>3,091,044</u>

Increase (Decrease) in Cash and Investments: 205,531

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	275,965
50841	Committed	12,177
50851	Assigned	1,306,005
50891	Unassigned	-
Total Ending Cash and Investments		<u>1,594,147</u>

The accompanying notes are an integral part of this statement.

North Beach Water District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

Beginning Cash and Investments

308	Beginning Cash and Investments	1,325,602
388 / 588	Net Adjustments	(45)

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	2,121,904
350	Fines and Penalties	-
360	Miscellaneous Revenues	9,857
Total Revenues:		<u>2,131,761</u>

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	1,376,342
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>1,376,342</u>
Excess (Deficiency) Revenues over Expenditures:		755,419

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	6,895
Total Other Increases in Fund Resources:		<u>6,895</u>

Other Decreases in Fund Resources

594-595	Capital Expenditures	127,967
591-593, 599	Debt Service	539,730
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	31,559
Total Other Decreases in Fund Resources:		<u>699,256</u>

Increase (Decrease) in Cash and Investments: 63,058

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	275,965
50841	Committed	24,097
50851	Assigned	1,088,551
50891	Unassigned	-
Total Ending Cash and Investments		<u>1,388,613</u>

North Beach Water District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

Beginning Cash and Investments

30810	Reserved	275,965
30880	Unreserved	1,657,457
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	2,030,808
350	Fines and Penalties	-
360	Miscellaneous Revenues	36,531
Total Revenues:		<u>2,067,339</u>

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	1,291,168
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>1,291,168</u>
Excess (Deficiency) Revenues over Expenditures:		776,171

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	29,697
Total Other Increases in Fund Resources:		<u>29,697</u>

Other Decreases in Fund Resources

594-595	Capital Expenditures	684,171
591-593, 599	Debt Service	651,715
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	1,256
581, 582	Other Uses	76,552
Total Other Decreases in Fund Resources:		<u>1,413,694</u>

Increase (Decrease) in Cash and Investments: **(607,826)**

Ending Cash and Investments

5081000	Reserved	275,965
5088000	Unreserved	1,049,637
Total Ending Cash and Investments		<u>1,325,602</u>

The accompanying notes are an integral part of this statement.

North Beach Water District Notes
to the Financial Statements
For the year ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

The North Beach Water District was incorporated on January 1, 2009 and operates under the laws of the State of Washington applicable to a Water District. The district is a special purpose local government and provides water utility service to its customers.

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 described below.
- Component units are required to be disclosed, but are not included in the financial statements (see *Notes to the Financial Statements*).
- Government-wide statements, as defined in 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 presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

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 and Measurement Focus

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 Financial Statements
For the year ended December 31, 2021

C. Cash and Investments

See Note 4 - *Deposits and Investments*.

D. Capital Assets

Capital assets and inventory are recorded as capital expenditures when purchased. The District has no formal capitalization policy.

E. 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 1.6 hours for every 40 hours worked 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.

Comp time must be used in the week it was accrued or paid out on the next pay period. The total compensated absences liability as of December 31, 2021 was \$31,159.

F. Long-Term Debt

See Note 5 – *Debt Service Requirements*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

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

North Beach Water District Notes
to the Financial Statements
For the year ended December 31, 2021

Note 2 - Budget Compliance

The district adopts annual appropriated budgets for all 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:

Table Below:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
401 - Operations			
Operations	\$2,132,732	\$2,040,815	\$91,917
DWSRF Loan Fund	\$0	\$0	\$0
Deposit Fund	\$0	\$589	(\$589)
Retainage	\$0	\$0	\$0
Total 401 - Operations	\$2,132,732	\$2,041,404	\$91,328

Budgeted amounts are authorized to be transferred between object classes within funds, 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.

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Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Given the importance of hygiene and sanitation in fighting the spread of COVID-19, North Beach Water District board of commissioners approved a resolution to waive late fees, to discontinue shutting services off and any customers who were disconnected for nonpayment prior to the pandemic were contacted to restore water to their property. The cost of waiving late fees and water shutoffs is between \$8,500 to \$10,000 per month. These measures were started April 2020 and were discontinued October 1, 2021.

North Beach Water District Notes
to the Financial Statements
For the year ended December 31, 2021

The length of time these measures will continue to be in place, and the full extent of the financial impact on the district is unknown at this time.

Note 4 – Deposits and Investments

Investments are reported at fair market value. Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	District's own deposits and investments
P.C.I.P. – Bank Deposits	\$1,594,147

Table Above:

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in Pacific County Investment Pool

The District is an involuntary participant in the Pacific County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with [RCW 36.48.070](#). The District reports its investment in the pool at fair value which is the same as the value of the pool per share. The Pool does not impose liquidity fees or redemption gates on participant withdrawals/disclose any liquidity fees or redemption gates.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the district or its agent in the government's name.

Note 5 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended December 31, 2021.

North Beach Water District Notes
to the Financial Statements
For the year ended December 31, 2021

The debt service requirements for revenue bonds and other debt are as follows:

Table Below:

Year	Revenue Debt	Interest	Total Debt
2022	\$440,159	\$80,538	\$520,697
2023	\$450,158	\$70,937	\$521,095
2024	\$455,157	\$66,338	\$521,495
2025	\$450,158	\$62,082	\$512,240
2026	\$349,895	\$57,175	\$407,070
2027 - 2031	\$1,804,476	\$193,703	\$1,998,179
2031 - 2036	\$879,475	\$34,697	\$914,172
Totals	\$4,829,478	\$565,470	\$5,394,948

Debt Refunding

The water district issued \$2,430,000 of revenue refunding bonds to retire \$2,140,000 of existing revenue bonds. This refunding was undertaken to reduce total debt service payments over the next 12 years by \$314,212. The financial statements reflect other financing sources of \$2,439,689 and other financing uses of \$2,439,689 pertaining to this transaction.

Significant Debt Agreement Terms

The following financial instruments contain debt agreement terms with finance related consequences:

USDA Guaranteed Revenue Bond – The District must maintain restricted balances equal to one year of payments and a balance for repair and capital replacement. As of December 31, 2021, this balance is \$275,965.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the district's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plan PERS 2/3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes

North Beach Water District Notes
to the Financial Statements
For the year ended December 31, 2021

financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2021 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Table Below:

	Employer Contribution	Allocation %	Liability (Asset)
PERS 1 UAAL	\$25,635	.003441	\$ 42,023
PERS 2/3	\$41,918	.004425	(\$440,801)

Note 7 – Risk Management

North Beach Water District is a member of the Enduris Washington (Pool). 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. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two 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. For the Pool's fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris' program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a "claims made" coverage form. All other coverage is provided on an "occurrence" coverage form.

North Beach Water District Notes
to the Financial Statements
For the year ended December 31, 2021

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices	Per Occurrence	\$1 million	\$20 million	20% Copay ⁽³⁾
Liability	Member Aggregate		\$20 million	

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs up to a maximum of \$100,000. By meeting established guidelines, the co-pay may be waived.

North Beach Water District Notes
to the Financial Statements
For the year ended December 31, 2021

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ ⁽¹⁾ Co-Pays
Property ⁽²⁾:				
Buildings and Contents	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁵⁾:				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5%; \$500,000 maximum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million/ Pool member \$200 million	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence	\$500,000	\$600 million/Pool member \$1.2 billion/APIP \$1.4 billion/APIP	\$0
Automobile Physical Damage⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles	\$800 million	\$250 - \$1,000

North Beach Water District Notes
to the Financial Statements
For the year ended December 31, 2021

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$25 million	20% Copay
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$1 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

North Beach Water District Notes
to the Financial Statements
For the year ended December 31, 2021

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. 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 Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2020

Note 1 - Summary of Significant Accounting Policies

The North Beach Water District was incorporated on January 1, 2009 and operates under the laws of the State of Washington applicable to a Water District. The district is a special purpose local government and provides water utility service to its customers.

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 described below.
- Component units are required to be disclosed, but are not included in the financial statements (see *Notes to the Financial Statements*).
- Government-wide statements, as defined in 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 presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

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 and Measurement Focus

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.

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2020

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. Cash and Investments

See Note 4 - *Deposits and Investments*.

D. Capital Assets

Capital assets and inventory are recorded as capital expenditures when purchased. The District has no formal capitalization policy.

E. 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 1.6 hours for every 40 hours worked 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.

Comp time must be used in the week it was accrued or paid out on the next pay period. The total compensated absences liability as of December 31, 2020 was \$27,519.

F. Long-Term Debt

See Note 5 – *Debt Service Requirements*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Table Below:

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
Fund 401	275,965		275,965	USDA Bond Covenant Compliance
<i>Totals</i>	\$ 275,965	0	\$ 275,965	

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2020

Note 2 - Budget Compliance

The district adopts annual appropriated budgets for all 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:

Table Below:

Fund/Department	Final Appropriated		
	Amounts	Actual Expenses	Variance
Operations	1,986,121	2,042,665	(56,544)
DWSRF Loan Fund			
Deposit Fund		8,837	(8,837)
Retainage Fund		24,097	(24,097)
Total 401 - Operations	\$ 1,986,121	\$ 2,075,599	\$ (89,478)

Budgeted amounts are authorized to be transferred between object classes within funds, 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.

The District overexpended its budget due to increased costs of PPE, supplies, and maintenance parts for its treatment plant. It also had overexpenditures due to administrative salary costs, new hiring, as well as unbudgeted but board approved capital project expenditures.

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2020

Given the importance of hygiene and sanitation in fighting the spread of COVID-19, North Beach Water District board of commissioners approved a resolution to waive late fees, to discontinue shutting services off and any customers who were disconnected for nonpayment prior to the pandemic were contacted to restore water to their property. The cost of waiving late fees and water shutoffs is between \$8,500 to \$10,000 per month. These measures have been in place since April 2020.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the district is unknown at this time.

Note 4 – Deposits and Investments

Investments are reported at fair market value. Deposits and investments by type at December 31, 2020 are as follows:

Table Below:

Type of Deposit or Investment	District's own deposits & investments		Deposits & investments held by the District as custodian for other local governments, individuals, or private organizations.	Combined
Deposits		731,895		731,895
PCIP		656,718		656,718
	<i>Totals</i>	1,388,613	0	1,388,613

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds (or if not prorated, explain your unique circumstances).

Investments in Pacific County Investment Pool

The District is an involuntary participant in the Pacific County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with [RCW 36.48.070](#). The District reports its investment in the pool at fair value which is the same as the value of the pool per share. The Pool does not impose liquidity fees or redemption gates on participant withdrawals/disclose any liquidity fees or redemption gates.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the district or its agent in the government's name.

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2020

Note 5 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended December 31, 2020.

The debt service requirements for revenue bonds and other debt are as follows:

Table Below:

Year	Principle	Interest	Total Debt Service
2021	395,158	143,571	538,730
2022	400,158	134,572	534,730
2023	405,158	125,372	530,530
2024	415,158	115,972	531,131
2025	420,158	106,172	526,331
2026 – 2030	1,704,476	370,439	2,074,915
2031 – 2035	1,134,476	75,969	1,210,445
2036	124,895	1,839	126,734
Totals	\$4,999,637	\$1,073,906	\$6,073,546

Significant Debt Agreement Terms

The following financial instruments contain debt agreement terms with finance related consequences:

USDA Guaranteed Revenue Bond – The District must maintain restricted balances equal to one year of payments and a balance for repair and capital replacement. As of December 31, 2020, this balance is \$275,965.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the district's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plan PERS 2.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2020

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2020 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Table Below:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL
PERS 1 UAAL	26,206.63	0.00003616	3,530,540,000	127,664
PERS 2/3	43,204.11	0.0000469	1,278,943,000	59,982
		<i>Totals</i>		\$ 187,647

Note 7 – 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. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two 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, 2020, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

\$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2020

\$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim. Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is 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, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one 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 the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool’s 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.

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2019

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 described below.
- Component units are required to be disclosed, but are not included in the financial statements. (see note to the financial statements)
- Government-wide statements, as defined in 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 classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

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 and Measurement Focus

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. Cash and Investments

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2019

See Note 4 - Deposits and Investments.

D. Capital Assets

Capital assets and inventory are recorded as capital expenditures when purchased. The District has no formal capitalization policy

E. 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 1.6 hours for every 40 hours worked 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.

Comp time must be used in the week it was accrued or paid out on the next pay period. The total compensated absences liability as of December 31, 2019 was \$23,838.

F. Long-Term Debt

See Note 3 - Debt Service Requirements.

G. 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 the District's Commissioners. When expenditures that meet restrictions are incurred, the district intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

<u>Fund Name</u>	<u>Amount Reserved</u>	<u>Reason for Restriction</u>
Fund 401	\$275,965	USDA Bond Covenant Compliance

Note 2 – Budget Compliance

The district adopts annual appropriated budgets for all 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.

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2019

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:

Table Below:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
Operations	\$ 2,236,904	\$ 2,628,306	\$ (391,402)	Overages due to unbudgeted capital projects and underbudgeting for debt service payments
Deposit Fund		\$ 360	\$ (360)	
Retainage Fund		\$ 76,192	\$ (76,192)	Payment of Retainage not budgeted in 2019
Total 401 - Operations	\$ 2,236,904	\$ 2,704,857	\$ (467,953)	

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; 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.

Note 3 – Debt Service Requirements

Debt Service

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, 2019.

The debt service requirements for revenue bonds and other debt are as follows:

Table Below:

Year	Principle	Interest	Total Debt Service
2020	390,158	149,571	539,730
2021	395,158	143,571	538,730
2022	400,158	134,572	534,730
2023	405,158	125,372	530,530
2024	415,158	115,972	531,131
2025 – 2029	1,764,739	426,248	2,190,987
2030 – 2034	1,369,476	122,586	1,492,062
2035 – 2039	249,790	5,586	255,377
Totals	\$5,389,795	\$1,223,478	\$6,613,277

Note 4 – Deposits and Investments

Investments are reported at fair market value. Investments by type at December 31, 2019 are as follows:

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2019

Table Below:

Type of Deposit or Investment	(City/town/district's own deposits & investments	Deposits & investments held by the county as an agent for other local governments, individuals, or private organizations.	Total
Deposits	1,325,555		1,325,555
<i>Totals</i>	\$ 1,325,555	\$ -	\$ 1,325,555

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in Pacific County Investment Pool

The District is an involuntary participant in the Pacific County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with [RCW 36.48.070](#). The District reports its investment in the pool at fair value which is the same as the value of the pool per share. The Pool does not impose liquidity fees or redemption gates on participant withdrawals/disclose any liquidity fees or redemption gates.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The city's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the city or its agent in the government's name.

Note 5 - Other Disclosures

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. Given the importance of hygiene and sanitation in mitigating the spread of COVID-19, NBWD board of commissioners approved a resolution to waive late fees and to suspend any disconnections of water service. Also, all customers who were disconnected for nonpayment prior to this pandemic were contacted to restore water to the dwelling. The cost of waiving late fees and water shutoffs is about \$7,500 per month. The length of time these measures will be in place, and the full extent of the financial impact is unknown at this time.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2019

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2019 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Table Below:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1 UAAL	27,667.60	3,845,355,000	0.00385900%	148,392	
PERS 2/3	40,714.01	971,340,000	0.00498500%	48,421	
			<i>Totals</i>	\$ 196,814	\$ -

Note 7 – 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. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two 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, 2019, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

North Beach Water District
Notes to the Financial Statements
For the year ended December 31, 2019

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is 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, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one 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 the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool’s 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.

**North Beach Water District
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PWTF Loan 05-691-PRE-117	1/1/2025	263,157	-	52,632	210,525
263.88	PWTF Loan 05-691-PRE-129	1/1/2025	263,157	-	52,632	210,525
252.11	2013 Water Revenue Bond	1/1/2032	2,480,000	-	2,310,000	170,000
252.11	2021 Water Revenue Refunding Bonds	1/1/2032	-	2,430,000	65,000	2,365,000
263.84	DWSRF Loan DM 12-952-121	1/1/2036	714,930	-	45,957	668,973
263.84	DWSRF Loan DM 12-952-129	1/1/2036	1,903,239	-	78,939	1,824,300
259.12	Compensated Employee Absences	12/31/2021	27,519	3,640	-	31,159
264.30	Net Pension Liability	12/31/2021	187,647	-	145,624	42,023
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,839,649	2,433,640	2,750,784	5,522,505
Total Liabilities:			5,839,649	2,433,640	2,750,784	5,522,505

**North Beach Water District
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PWTF Loan 05-691-PRE-117	1/1/2025	315,789	-	52,632	263,157
263.88	PWTF Loan 05-691-PRE-129	1/1/2025	315,789	-	52,632	263,157
252.11	2013 Water Revenue Bond	1/1/2032	2,640,000	-	160,000	2,480,000
263.84	DWSRF Loan DM12-952-121	1/1/2036	760,887	-	45,957	714,930
263.84	DWSRF Loan DM12-952-129	1/1/2036	1,982,178	-	78,939	1,903,239
259.12	Compensated Employee Absences		23,838	3,681	-	27,519
264.30	Net Pension Liability		196,814	-	9,167	187,647
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,235,295	3,681	399,327	5,839,649
Total Liabilities:			6,235,295	3,681	399,327	5,839,649

**North Beach Water District
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	2013 Water Revenue Bond	1/1/2032	2,790,000	-	150,000	2,640,000
263.84	DWSRF Loan DM12-952-121	1/1/2036	837,744	-	76,857	760,887
263.84	DWSRF Loan DM12-952-129	1/1/2036	2,113,959	-	131,781	1,982,178
263.88	PWTF Loan 05-691-PRE-117	1/1/2025	368,421	-	52,632	315,789
263.88	PWTF Loan 05-691-PRE-129	1/1/2025	368,421	-	52,632	315,789
259.12	Compensated Employee Absences		21,854	1,984	-	23,838
264.30	Net Pension Liability		242,143	-	45,329	196,814
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,742,542	1,984	509,231	6,235,295
Total Liabilities:			6,742,542	1,984	509,231	6,235,295

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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webmaster@sao.wa.gov