

Washington State Auditor's Office
Financial Statements Audit Report

City of Black Diamond
King County

Audit Period
January 1, 2011 through December 31, 2012

Report No. 1011306

Issue Date
February 20, 2014



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

February 20, 2014

Mayor and City Council
City of Black Diamond
Black Diamond, Washington

Report on Financial Statements

Please find attached our report on the City of Black Diamond's financial statements.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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**City of Black Diamond
King County
January 1, 2011 through December 31, 2012**

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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*

**City of Black Diamond
King County
January 1, 2011 through December 31, 2012**

Mayor and City Council
City of Black Diamond
Black Diamond, 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 City of Black Diamond, King County, Washington, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 7, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City'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 City'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 City'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.



TROY KELLEY
STATE AUDITOR

February 7, 2014

Independent Auditor's Report on Financial Statements

City of Black Diamond King County January 1, 2011 through December 31, 2012

Mayor and City Council
City of Black Diamond
Black Diamond, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Black Diamond, King County, Washington, for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 6.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting that demonstrates compliance with 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 City'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 City'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 opinion.

Opinion

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

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System (BARS)* manual prescribed by the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the States of America. Our opinion is not modified with respect to this matter.

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 Long-Term Liability 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.

Purpose of this Report

The report is intended for the information and use of the management and the Mayor and City Council of the City. 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014 on our consideration of the City'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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

February 7, 2014

Financial Section

**City of Black Diamond
King County
January 1, 2011 through December 31, 2012**

FINANCIAL STATEMENTS

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

Schedule of Long-Term Liability – 2012
Schedule of Long-Term Liability – 2011

City of Black Diamond (Utilities)

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		Total for	001	101
		All Funds 1/	CURRENT EXPENSE FUND	CITY STREET FUND
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
308.10	Reserved	\$1,141,094.12	\$0.00	\$328,144.63
308.80	Unreserved	\$2,949,311.05	\$921,213.52	\$0.00
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
Revenues and Other Sources				
310	Taxes	\$2,278,249.67	\$2,191,337.88	\$0.00
320	Licenses and Permits	\$124,766.91	\$121,116.91	\$3,650.00
330	Intergovernmental	\$638,635.18	\$216,310.76	\$85,007.09
340	Charges for Goods and Services	\$2,047,919.09	\$666,359.73	\$0.00
350	Fines and Penalties	\$100,628.79	\$100,628.79	\$0.00
360	Miscellaneous	\$1,782,856.19	\$1,513,386.31	\$44,700.69
370	Capital Contributions	\$1,116,579.38	\$0.00	\$0.00
390	Other Financing Sources	\$244,168.18	\$3,949.16	\$0.00
Total Revenues and Other Financing Sources		\$8,333,803.39	\$4,813,089.54	\$133,357.78
Total Resources		\$12,424,208.56	\$5,734,303.06	\$461,502.41
Operating Expenditures:				
510	General Government	\$1,261,430.09	\$1,261,430.09	\$0.00
520	Public Safety	\$2,193,959.22	\$2,193,959.22	\$0.00
530	Physical Environment	\$1,639,801.26	\$226,747.86	\$0.00
540	Transportation	\$170,902.37	\$0.00	\$168,918.13
550	Economic Environment	\$984,808.41	\$973,226.60	\$0.00
560	Mental and Physical Health	\$895.05	\$895.05	\$0.00
570	Culture and Recreational	\$67,030.70	\$67,030.70	\$0.00
Total Operating Expenditures		\$6,318,827.10	\$4,723,289.52	\$168,918.13
591-593	Debt Service	\$39,423.77	\$0.00	\$0.00
594-595	Capital Outlay	\$776,939.20	\$46,659.55	\$0.00
Total Expenditures		\$7,135,190.07	\$4,769,949.07	\$168,918.13
596-599	Other Financing Uses	\$234,665.00	\$0.00	\$30,000.00
Total Expenditures and Other Financing Uses		\$7,369,855.07	\$4,769,949.07	\$198,918.13
Excess (Deficit) of Resources Over Uses		\$5,054,353.49	\$964,353.99	\$262,584.28
380	Nonrevenues (Except 384)	\$116,000.00	\$0.00	\$0.00
580	Nonexpenditures (Except 584)	\$1,310,162.09	\$305,317.56	\$0.00
Ending Cash and Investments:				
508.10	Reserved	\$382,594.79	\$0.00	\$262,584.28
508.80	Unreserved	\$3,477,596.61	\$659,036.43	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond (Utilities)

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		310	320	401
		CIP FUND GENERAL GOVERNMENT	CIP FUND- STREETS	WATER FUND
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
308.10	Reserved	\$325,164.48	\$487,785.01	\$0.00
308.80	Unreserved	\$250,304.28	\$170,634.60	\$533,183.28
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
Revenues and Other Sources				
310	Taxes	\$43,455.91	\$43,455.88	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental	\$22,503.54	\$288,264.79	\$9,143.30
340	Charges for Goods and Services	\$0.00	\$0.00	\$457,553.37
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	\$528.65	\$716.15	\$66,498.79
370	Capital Contributions	\$0.00	\$0.00	\$1,070,463.62
390	Other Financing Sources	\$93,500.00	\$25,554.02	\$0.00
Total Revenues and Other Financing Sources		\$159,988.10	\$357,990.84	\$1,603,659.08
Total Resources		\$735,456.86	\$1,016,410.45	\$2,136,842.36
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Physical Environment	\$0.00	\$0.00	\$384,793.07
540	Transportation	\$1,984.24	\$0.00	\$0.00
550	Economic Environment	\$11,581.81	\$0.00	\$0.00
560	Mental and Physical Health	\$0.00	\$0.00	\$0.00
570	Culture and Recreational	\$0.00	\$0.00	\$0.00
Total Operating Expenditures		\$13,566.05	\$0.00	\$384,793.07
591-593	Debt Service	\$800.00	\$0.00	\$37,863.77
594-595	Capital Outlay	\$54,396.09	\$412,214.38	\$39,473.03
Total Expenditures		\$68,762.14	\$412,214.38	\$462,129.87
596-599	Other Financing Uses	\$81,165.00	\$93,500.00	\$10,000.00
Total Expenditures and Other Financing Uses		\$149,927.14	\$505,714.38	\$472,129.87
Excess (Deficit) of Resources Over Uses		\$585,529.72	\$510,696.07	\$1,664,712.49
380	Nonrevenues (Except 384)	\$0.00	\$0.00	\$0.00
580	Nonexpenditures (Except 584)	\$40,000.00	\$0.00	\$932,594.53
Ending Cash and Investments:				
508.10	Reserved	\$0.00	\$0.00	\$120,010.51
508.80	Unreserved	\$545,529.72	\$510,696.07	\$612,107.45

1/ This column summarizes ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond (Utilities)

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE		407	410	510
		SEWER FUND	STORMWATER FUND	INTERNAL SERVICE FUND
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
308.10	Reserved	\$0.00	\$0.00	\$0.00
308.80	Unreserved	\$846,934.70	\$57,827.09	\$169,213.58
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
Revenues and Other Sources				
310	Taxes	\$0.00	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental	\$0.00	\$17,405.70	\$0.00
340	Charges for Goods and Services	\$639,358.90	\$284,647.09	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	\$70,496.21	\$65,648.32	\$20,881.07
370	Capital Contributions	\$44,141.19	\$1,974.57	\$0.00
390	Other Financing Sources	\$0.00	\$0.00	\$121,165.00
Total Revenues and Other Financing Sources		\$753,996.30	\$369,675.68	\$142,046.07
Total Resources		\$1,600,931.00	\$427,502.77	\$311,259.65
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Physical Environment	\$741,122.78	\$287,137.55	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Mental and Physical Health	\$0.00	\$0.00	\$0.00
570	Culture and Recreational	\$0.00	\$0.00	\$0.00
Total Operating Expenditures		\$741,122.78	\$287,137.55	\$0.00
591-593	Debt Service	\$0.00	\$760.00	\$0.00
594-595	Capital Outlay	\$5,266.48	\$70,420.13	\$148,509.54
Total Expenditures		\$746,389.26	\$358,317.68	\$148,509.54
596-599	Other Financing Uses	\$10,000.00	\$10,000.00	\$0.00
Total Expenditures and Other Financing Uses		\$756,389.26	\$368,317.68	\$148,509.54
Excess (Deficit) of Resources Over Uses		\$844,541.74	\$59,185.09	\$162,750.11
380	Nonrevenues (Except 384)	\$116,000.00	\$0.00	\$0.00
580	Nonexpenditures (Except 584)	\$2,250.00	\$30,000.00	\$0.00
Ending Cash and Investments:				
508.10	Reserved	\$0.00	\$0.00	\$0.00
508.80	Unreserved	\$958,291.74	\$29,185.09	\$162,750.11

1/ This column summarizes ALL reported funds, not just funds listed on this page
The Accompanying Notes Are An Integral Part Of This Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

	Total for All Funds 1/	631		632		633		634		635	
		PAYROLL CLEARING FUND	CLAIMS CLEARING FUND	TREASURER'S TRUST FUND	TREASURER'S TRUST- RETAINAGE	TREASURER'S TRUST-COURT	Actual Amount				
Beginning Cash and Investments	\$25,056.90	\$362.24	\$7,834.89	\$16,859.77	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Prior Period Adjustments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Revenue and Other Financing Sources	\$4.10	\$0.00	\$0.00	\$0.00	\$4.10	\$0.00	\$4.10	\$0.00	\$0.00	\$0.00	\$0.00
Total Resources	\$25,061.00	\$362.24	\$7,834.89	\$16,859.77	\$4.10	\$0.00	\$4.10	\$0.00	\$0.00	\$0.00	\$0.00
Expenditures And Other Financing Uses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Excess (Deficit) of Resources Over Uses	\$25,061.00	\$362.24	\$7,834.89	\$16,859.77	\$4.10	\$0.00	\$4.10	\$0.00	\$0.00	\$0.00	\$0.00
Nonrevenues (Except 384)	\$318,403.75	\$0.00	\$0.00	\$90,059.32	\$31,769.18	\$0.00	\$8,992.08	\$196,575.25	\$0.00	\$0.00	\$0.00
Nonexpenditures (Except 584)	\$301,179.27	\$0.00	\$0.00	\$97,611.94	\$8,992.08	\$0.00	\$8,992.08	\$194,575.25	\$0.00	\$0.00	\$0.00
Ending Cash and Investments	\$42,285.48	\$362.24	\$7,834.89	\$9,307.15	\$22,781.20	\$0.00	\$22,781.20	\$2,000.00	\$0.00	\$0.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page
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	001	101
		All Funds 1/	CURRENT	CITY STREET
		Total Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
308.10	Reserved	\$1,269,330.75	\$0.00	\$323,853.96
308.80	Unreserved	\$2,649,874.39	\$342,349.99	\$0.00
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
Revenues and Other Sources				
310	Taxes	\$2,292,407.98	\$2,215,963.93	\$6,200.24
320	Licenses and Permits	\$121,673.70	\$118,373.70	\$3,300.00
330	Intergovernmental	\$701,814.45	\$192,650.52	\$87,345.27
340	Charges for Goods and Services	\$2,514,143.53	\$1,154,629.17	\$18,275.26
350	Fines and Penalties	\$134,417.96	\$134,417.96	\$0.00
360	Miscellaneous	\$1,733,171.41	\$1,448,379.72	\$42,914.85
370	Capital Contributions	\$745,988.14	\$0.00	\$0.00
390	Other Financing Sources	\$360,456.00	\$0.00	\$0.00
Total Revenues and Other Financing Sources		\$8,604,073.17	\$5,264,415.00	\$158,035.62
Total Resources		\$12,523,278.31	\$5,606,764.99	\$481,889.58
Operating Expenditures:				
510	General Government	\$1,252,486.81	\$1,252,486.81	\$0.00
520	Public Safety	\$2,060,655.89	\$2,060,655.89	\$0.00
530	Physical Environment	\$1,589,816.13	\$217,724.71	\$0.00
540	Transportation	\$161,113.62	\$0.00	\$160,992.95
550	Economic Environment	\$1,089,073.23	\$1,071,623.04	\$0.00
560	Mental and Physical Health	\$1,011.96	\$1,011.96	\$0.00
570	Culture and Recreational	\$65,136.45	\$65,136.45	\$0.00
Total Operating Expenditures		\$6,219,294.09	\$4,668,638.86	\$160,992.95
591-593	Debt Service	\$50,825.65	\$0.00	\$0.00
594-595	Capital Outlay	\$922,179.27	\$16,912.61	\$0.00
Total Expenditures		\$7,192,299.01	\$4,685,551.47	\$160,992.95
596-599	Other Financing Uses	\$360,456.00	\$0.00	(\$7,248.00)
Total Expenditures and Other Financing Uses		\$7,552,755.01	\$4,685,551.47	\$153,744.95
Excess (Deficit) of Resources Over Uses		\$4,970,523.30	\$921,213.52	\$328,144.63
380	Nonrevenues (Except 384)	\$116,000.00	\$0.00	\$0.00
580	Nonexpenditures (Except 584)	\$996,118.13	\$0.00	\$0.00
Ending Cash and Investments:				
508.10	Reserved	\$1,141,094.12	\$0.00	\$328,144.63
508.80	Unreserved	\$2,949,311.05	\$921,213.52	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page

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		104	105	122
		REET I FUND	REET II FUND	CRIMINAL
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
308.10	Reserved	\$401,485.59	\$543,991.20	\$0.00
308.80	Unreserved	\$0.00	\$0.00	\$0.00
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
Revenues and Other Sources				
310	Taxes	\$35,270.91	\$34,972.90	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental	\$0.00	\$0.00	\$0.00
340	Charges for Goods and Services	\$0.00	\$0.00	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	\$1,257.98	\$1,389.91	\$0.00
370	Capital Contributions	\$0.00	\$0.00	\$0.00
390	Other Financing Sources	\$70,000.00	\$0.00	\$0.00
Total Revenues and Other Financing Sources		\$106,528.89	\$36,362.81	\$0.00
Total Resources		\$508,014.48	\$580,354.01	\$0.00
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Physical Environment	\$0.00	\$0.00	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Mental and Physical Health	\$0.00	\$0.00	\$0.00
570	Culture and Recreational	\$0.00	\$0.00	\$0.00
Total Operating Expenditures		\$0.00	\$0.00	\$0.00
591-593	Debt Service	\$0.00	\$0.00	\$0.00
594-595	Capital Outlay	\$0.00	\$0.00	\$0.00
Total Expenditures		\$0.00	\$0.00	\$0.00
596-599	Other Financing Uses	\$182,850.00	\$92,569.00	\$0.00
Total Expenditures and Other Financing Uses		\$182,850.00	\$92,569.00	\$0.00
Excess (Deficit) of Resources Over Uses		\$325,164.48	\$487,785.01	\$0.00
380	Nonrevenues (Except 384)	\$0.00	\$0.00	\$0.00
580	Nonexpenditures (Except 584)	\$0.00	\$0.00	\$0.00
Ending Cash and Investments:				
508.10	Reserved	\$325,164.48	\$487,785.01	\$0.00
508.80	Unreserved	\$0.00	\$0.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page
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		310	320	401
		CIP FUND GENERAL GOVERNMENT	CIP FUND- STREETS	WATER FUND
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
308.10	Reserved	\$0.00	\$0.00	\$0.00
308.80	Unreserved	\$310,164.11	\$124,722.44	\$755,377.96
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
Revenues and Other Sources				
310	Taxes	\$0.00	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental	\$21,941.48	\$371,424.18	\$0.00
340	Charges for Goods and Services	\$700.00	\$0.00	\$447,673.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	\$0.00	\$79,007.02	\$48,908.95
370	Capital Contributions	\$0.00	\$0.00	\$739,265.97
390	Other Financing Sources	\$235,215.00	(\$28,609.00)	\$0.00
Total Revenues and Other Financing Sources		\$257,856.48	\$421,822.20	\$1,235,847.92
Total Resources		\$568,020.59	\$546,544.64	\$1,991,225.88
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Physical Environment	\$0.00	\$0.00	\$358,479.04
540	Transportation	\$120.67	\$0.00	\$0.00
550	Economic Environment	\$17,450.19	\$0.00	\$0.00
560	Mental and Physical Health	\$0.00	\$0.00	\$0.00
570	Culture and Recreational	\$0.00	\$0.00	\$0.00
Total Operating Expenditures		\$17,570.86	\$0.00	\$358,479.04
591-593	Debt Service	\$1,500.00	\$0.00	\$47,825.65
594-595	Capital Outlay	\$258,645.45	\$295,910.04	\$121,524.78
Total Expenditures		\$277,716.31	\$295,910.04	\$527,829.47
596-599	Other Financing Uses	\$0.00	\$80,000.00	\$4,095.00
Total Expenditures and Other Financing Uses		\$277,716.31	\$375,910.04	\$531,924.47
Excess (Deficit) of Resources Over Uses		\$290,304.28	\$170,634.60	\$1,459,301.41
380	Nonrevenues (Except 384)	\$0.00	\$0.00	\$0.00
580	Nonexpenditures (Except 584)	\$40,000.00	\$0.00	\$926,118.13
Ending Cash and Investments:				
508.10	Reserved	\$0.00	\$0.00	\$0.00
508.80	Unreserved	\$250,304.28	\$170,634.60	\$533,183.28

1/ This column summarizes ALL reported funds, not just funds listed on this page

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		407	410	510
		WASTEWATER CAPITAL PROJECTS	STORMWATER FUND	FIRE EQUIPMENT RESERVE FUND
		Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments				
308.10	Reserved	\$0.00	\$0.00	\$0.00
308.80	Unreserved	\$839,896.91	\$41,286.67	\$236,076.31
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
Revenues and Other Sources				
310	Taxes	\$0.00	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental	\$0.00	\$28,453.00	\$0.00
340	Charges for Goods and Services	\$625,600.78	\$267,265.32	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	\$55,188.98	\$47,812.96	\$8,311.04
370	Capital Contributions	\$6,722.17	\$0.00	\$0.00
390	Other Financing Sources	\$0.00	\$0.00	\$83,850.00
Total Revenues and Other Financing Sources		\$687,511.93	\$343,531.28	\$92,161.04
Total Resources		\$1,527,408.84	\$384,817.95	\$328,237.35
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Physical Environment	\$741,527.84	\$272,084.54	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Mental and Physical Health	\$0.00	\$0.00	\$0.00
570	Culture and Recreational	\$0.00	\$0.00	\$0.00
Total Operating Expenditures		\$741,527.84	\$272,084.54	\$0.00
591-593	Debt Service	\$0.00	\$1,500.00	\$0.00
594-595	Capital Outlay	\$44,946.30	\$25,216.32	\$159,023.77
Total Expenditures		\$786,474.14	\$298,800.86	\$159,023.77
596-599	Other Financing Uses	\$10,000.00	(\$1,810.00)	\$0.00
Total Expenditures and Other Financing Uses		\$796,474.14	\$296,990.86	\$159,023.77
Excess (Deficit) of Resources Over Uses		\$730,934.70	\$87,827.09	\$169,213.58
380	Nonrevenues (Except 384)	\$116,000.00	\$0.00	\$0.00
580	Nonexpenditures (Except 584)	\$0.00	\$30,000.00	\$0.00
Ending Cash and Investments:				
508.10	Reserved	\$0.00	\$0.00	\$0.00
508.80	Unreserved	\$846,934.70	\$57,827.09	\$169,213.58

1/ This column summarizes ALL reported funds, not just funds listed on this page

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

	631		632		633		634	
	Total for All Funds 1/	PAYROLL CLEARING FUND	CLAIMS CLEARING FUND	TREASURER'S TRUST FUND	TREASURER'S TRUST- RETAINAGE	Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments	\$35,204.76	\$362.24	\$7,834.89	\$11,819.95	\$15,187.68	\$0.00	\$0.00	\$0.00
Prior Period Adjustments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Revenue and Other Financing Sources	\$204.56	\$0.00	\$0.00	\$77.42	\$127.14	\$0.00	\$0.00	\$0.00
Total Resources	\$35,409.32	\$362.24	\$7,834.89	\$11,897.37	\$15,314.82	\$0.00	\$0.00	\$0.00
Expenditures And Other Financing Uses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Excess (Deficit) of Resources Over Uses	\$35,409.32	\$362.24	\$7,834.89	\$11,897.37	\$15,314.82	\$0.00	\$0.00	\$0.00
Nonrevenues (Except 384)	\$109,477.18	\$0.00	\$0.00	\$97,784.12	\$11,693.06	\$0.00	\$0.00	\$0.00
Nonexpenditures (Except 584)	\$119,829.60	\$0.00	\$0.00	\$92,821.72	\$27,007.88	\$0.00	\$0.00	\$0.00
Ending Cash and Investments	\$25,056.90	\$362.24	\$7,834.89	\$16,859.77	\$0.00	\$0.00	\$0.00	\$0.00

1/ This column summarizes ALL reported funds, not just funds listed on this page

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CITY OF BLACK DIAMOND
NOTES TO FINANCIAL STATEMENTS
January 1, 2012 to December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Black Diamond reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System contained in the *Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State Law, Chapter 43.09 RCW.

The City of Black Diamond was incorporated in 1959, and operates under the laws of the State of Washington applicable to a Non-Charter code City classification adopted in 1990 with a Mayor-Council form of government. The City is a general-purpose governmental entity that provides general government services including law enforcement, fire services, street improvements, parks and recreation, cemetery, and general administrative services. In addition, the City owns and operates Water, Sewer and Stormwater Utilities. The City of Black Diamond uses single-entry, cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City 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 accounts that comprise its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended use. The following are the fund types and account groups used by the City.

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions typically are financed.

General (Current Expense) Fund 001

This fund is the general operating fund of the City. It accounts for and reports all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds (Funds in the 100 Series)

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes of Black Diamond other than debt service or capital projects.

Capital Projects Funds (Funds in the 300 Series)

These funds account for and report financial resources which are restricted, committed or assigned (intended) for capital expenditure for capital outlays including the acquisition or construction of capital facilities or other capital assets. Enterprise funds (400) account for capital projects related to utilities.

Permanent Funds

These Funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

Enterprise Funds (Funds in the 400 Series)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Also provides for debt service and Capital Projects for Utility Funds.

Internal Service Funds (500 Series)

These funds are used to report any activity that provides goods or services to other City funds or departments on a cost reimbursement basis.

FIDUCIARY FUND TYPES (funds in the 600 series)

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Agency Funds (Funds in the 600 Series)

These funds are used to account assets that the City holds for others in an agency capacity.

Fund Reclassification

Per requirements from the State Auditor's office the following funds were reclassified in 2012. Fund 104(Formerly REET I Fund) and Fund 105 (Formerly REET II Fund) have been combined with the Capital Improvement Plan Funds. Fund 104 combined with the 310 Capital Improvement Plan Fund for General Government and Fund 105 is combined with the 320 CIP Fund for Streets.

b. Basis of Accounting

Basis of Accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received. Expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law. In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of fixed assets are expensed during the year of acquisition. There is no capitalization of fixed assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America.

c. Budgets

Annual appropriated budgets are adopted for all funds except Fiduciary and Agency Funds. Budgets are adopted at the Fund level. The table below shows the 2012 adopted Fund Level budgets and actual expenditures at the fund level.

The budgets constitute the legal authority for expenditures at fund level. Annual appropriations for general, special revenue, capital and proprietary funds lapse at year-end. There were no significant variances in expenditures from the 2012 Budget Ordinances.

The Mayor, City Administrator or Finance Director are authorized to transfer budgeted amounts between departments within any fund and between 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 Ordinance by the City Council. The appropriated and actual expenditures (including ending fund balance) for the legally adopted budgets for 2012 were as follows:

Fund	Fund Name	Final Approp. Amount	Actual Expenses	Variance
001	General Fund	6,217,498	5,733,903	483,595
101	Street Fund	460,871	461,502	(631)
104	REET I Fund	458,365	462,649	(4,284)
105	REET II Fund	528,285	531,957	(3,672)
310	General Government Capital Fund	732,083	370,308	361,775
320	Street & Public Works Capital Fund	678,164	593,236	84,928
401	Water Operating Fund	1,485,175	1,463,038	22,137
402	Water-WSFFA Project Fund	333,262	122,649	210,613
404	Water Capital Project Fund	869,342	701,155	168,187
407	Wastewater Operating fund	854,148	838,860	15,288
408	Wastewater Capital Project Fund	942,623	928,071	14,552
410	Stormwater Operating Fund	536,615	427,503	109,112
510	Equipment Replacement Fund	290,780	311,260	(20,480)
	Total	14,387,211	12,946,092	1,441,119

Funds are budgeted at the city fund level, but are shown as combined funds on the Financial Statements per the Washington State Auditor's reporting requirements. Funds 104 REET I and 105 REEET were budgeted in Special Revenue Funds, but were reclassified as 310 and 320 Capital Project Funds per the State Auditor's office in the Financial Statements. Internal transfers are budgeted at the City Fund Level, but are eliminated in the Financial Statements if they are within combining funds. An example if the funds 401(Water Operations), 402 Water WSFFA projects) and 404 (Water Capital Projects and Reserves) are all combined and reported as one Water Fund in the Financial Statements such as the state C-4 report.

d. Cash

It is the City's policy to invest all temporary cash surpluses. At December 31, 2012 the City was holding \$258,931 in short-term cash at Columbia Bank. This amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The total includes \$400 in petty cash as authorized by ordinance 08-860 in 2008. Interest earned on bank cash partially offsets bank costs. The remaining bank costs are prorated to the various funds.

e. Deposits

The City's deposits and savings are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission

f. Investments

All Black Diamond funds are at the General/State Investment Pool (LGIP). Interest earned is distributed to the various funds in proportion to their investment amounts. The balance in the State Local Investment Pool saving account as of December 31, 2012 was \$ 3,643,546. **See Note #3**

g. Derivatives and Similar Transactions

The City does not invest in these types of instruments.

h. Capital or Fixed Assets

General fixed assets are long-lived assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than three years. The Capital Assets of the City and are recorded under cash basis accounting, as expenditures when purchased.

Compensated Absences and Future LEOFF 1 Liability

Vacation leave for regular employees may be accumulated based on years of service with the City, and is payable upon separation or retirement.

VACATION LEAVE

Length of Service	Days per Year	Maximum Accrual at any Time*	
0 - 5 Years	12	144 hours	
6 - 9 Years	15	180 hours	* <i>The Mayor may adjust</i>
10-15 Years	18	216 hours	<i>maximum accruals during</i>
16-19 Years	21	252 hours	<i>periods when furlough hours</i>
Over 20 Years	24	288 hours	<i>are used to help balance the Budget</i>

Sick leave for regular employees may be accumulated up to 1040 hours. Upon separation or retirement employees are compensated for unused sick leave as follows:

0-1 Year	0%
1-5 Year	10%
6-12 Year	20%
13-20 Year	30%
Over 20 Years	40%

Sick leave for retiring Police Officers Association employees is cashed out at 25% of accumulated hours at their current rate of pay as long as their LEOFF plan requirements are fulfilled.

Comp time is overtime compensated for in time off rather than overtime pay. It can be accrued by non-exempt employees up to 40 hours at any given time and should be taken as time off within 90 days. Any balance of comp time hours remaining at separation or retirement are paid at 100%.

The following table illustrates the potential total liability if all compensated absences were paid as of December 31, 2012. The totals include the liability costs of required Taxes. The total of \$236,745 represents a \$2,871 increase from 2011. Compensated absence liabilities for enterprise funds are shown in Note 1i, and on **Schedule S9 and S10**.

Group	Sick Leave	Comp Time	Annual Leave	Total
General Government	23,616	3,716	52,557	79,889
Police Department	30,932	5,992	69,981	106,905
Street	3,042	13	4,194	7,249
GG Total Compensated Absences	57,590	9,721	126,732	194,043
Water	5,246	76	8,912	14,234
Wastewater	5,246	76	8,912	14,234
Stormwater	5,246	76	8,912	14,234
ENTERPRISE FUNDS	15,738	228	26,736	42,702
Total Compensated Absences	73,328	9,949	153,468	236,745

The State Actuary tables suggest that the LEOFF 1 retiree will live approximately 16 more years, resulting in an estimated \$353,927 of medical insurance obligation at a 3% annual increase.

j. Long Term Debt See Note #6 (Debt Service Requirements)

k. Other Financing Sources or uses

The Cities other Financing Sources or Uses consists of Internal Transfers and Insurance Refunds.

I. Risk Management

The City of Black Diamond is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of September 1, 2012 there are 240 CIAW members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive, and collision, equipment breakdown and crime protection, and liability, including general, automobile, and wrongful acts, is included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield. That is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$2,815,000 to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The pool bears the \$25,000 self-insured retention in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim. There is no pool self-insured retention on this coverage.

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31 2012, were \$1,099,472.

m. RESERVED FUND BALANCE

Per GASB 54, the State has updated the definitions of Special Revenue Funds to focus on resources received and clarified that if more than 20% of resources received can only be spent for the specific purposed stipulated by enabling legislation, the funds are Special Revenue Funds and the ending Cash & Investment balances are restricted for the uses designated by the legislature. Black Diamond has one Special Revenue Fund, the Street Fund, where Gas Tax Resources can only be used for Street purposed. The Fund Balance of \$ 262,584.43 is designated as Reserved under the resources guidelines.

Per the State Auditor's Office, previous funds 104 REET I and 105 REET II were reclassified in the 2012 Financial Reports from Special Revenue Fund to Capital Project Funds (310 General Government Capital Projects and 320 Street Capital Projects). Their respective Fund Balances were also reclassified as unreserved under the fund resources guidelines.

The Water Utility Fund has one Developer Capital Project 402 WSFFA that retains a reserve of Fund Balance of \$120,584.

All Other Funds in the City have unreserved year end Cash & Investment balances per the Washington State Auditor's Office guidelines under GASB 54.

m. OTHER FINANCING RESOURCES AND USES

Other Financing Resources and uses include current year insurance reimbursements and transfers between funds, primarily from the Street Fund and REET (Real Estate Excise Tax) Fund to the Capital Project Funds. The total transfers between funds for 2012 are \$234,665.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

The City of Black Diamond's two year State Audit for 2009 and 2010 was completed in 2011. The Audit found no material violations of finance related or legal or contractual provisions in any of the funds of the City of Black Diamond.

NOTE 3 – INVESTMENTS

The City's investments are insured, registered or held by the City or its agent in the City's name. Investments by type at December 31, 2012 are as follows:

Type of Investment	Balance
BD General Acct LGIP 00160	3,165,127.19
BD Soos Creek LGIP 00161	478,418.91
Total Investments	<u>3,643,546.10</u>

NOTE 4 – PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed by King County daily following the receipt of collections. Property tax revenues are recognized when the City receives cash. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied. The City's levy for 2012 was approximately \$2.59 per \$1,000 of an assessed valuation of \$536,580,666 for a total levy of \$1,391,562.

NOTE 5 – INTER-FUND LOANS AND ADVANCES

In 2008 Council authorized Ordinance 08-863, a \$100,000 loan from Sewer Capital to the new Stormwater utility to initially fund the department beginning operation. The loan is to be paid back with five annual installments of \$20,000 plus interest at the current LGIP rate at the time of payment. In 2009 Council authorized Ordinance 09-902 for an additional loan of \$50,000 from Sewer Capital to the Stormwater Utility for needed working cash flow. This is a five year loan with annual payment of \$10,000 per year plus interest at the current LGIP rate at time of payment.

In 2008 Council authorized Ordinance 08-886, a \$200,000 loan from Sewer Capital to the General Fund to finance the new police records system. This interfund loan will be paid back with five annual installments of \$40,000 plus interest at the current LGIP rate at the time of payment. This loan was paid in full as of the end of 2012.

In 2010 Council authorized Ordinance 10-953, a \$230,000 loan from the Sewer Capital Fund to the Water Fund to fund the replacement and upgrading of the Water Meter system. The interfund loan will be paid back with five annual installments of \$46,000 plus interest at the current LGIP pool rate.

Loan Originated	Lending Fund	Receiving Fund	Balance of Loan 2011	Repayment 2012	Balance 12/31/12
2008	Sewer	SS Stormwater	40,000	20,000	20,000
2008	Sewer	CIP-Police S/W	40,000	40,000	-
2009	Sewer	Stormwater	20,000	10,000	10,000
2010	Sewer	Water	184,000	46,000	138,000
Total			284,000	116,000	168,000

NOTE 6 – DEBT SERVICE REQUIREMENTS

The City of Black Diamond has no General Obligation or Revenue Bond Debt.

The Water fund has other Long Term Debt for Three Public Works Trust Fund Loans for Water Projects and a debt contract with City of Tacoma for Water Purchase for the Developed. The Water Purchase Debt is 100% reimbursed by the Developer with a Bank Line of Credit as backing, and a portion of one of the Public Works Trust Loans is also reimbursed by a developer and the city holds a Bank letter of Credit for their portion.

The accompanying Schedule of Other Long-Term Debt (Schedule 09) provides a listing of the outstanding long term debt of the Water Fund which includes both Principal and Interest and the amount the developer reimbursed toward the debt.

Water Fund Other Long Term Debt is as follows:

Year	Total	Developer Debt Reimbursement	Net City Debt Principal & Interest
2012	958,301	721,615	236,686
2013	899,077	661,632	237,445
2014	335,212	99,361	235,851
2015	333,145	98,890	234,255
2016	320,429	98,419	222,010
2017 - 2021	1,579,141	485,032	1,094,108
2022 - 2024	906,636	285,679	620,958
Total	5,331,941	2,450,628	2,881,313

Private developers reimburse the City annually for their portion of Public Works trust debt payment and for the City of Tacoma debt payment at 100%. Developer lines of credit cover their portion of the debt service. The Bank Credit Lines are reduced each year after their portion of the debt is paid. See schedule of debt on the next page.

#	Water Fund Debt	Original Date of	Year of Final	Original Amount	Interest Rate	Purpose of Loan	Principal Only Debt Balance
1	PW Trust Loan 5 95 791 ELP 061	1995	2015	200,000	5%	Emergency Water Repair	31,950
2	PW Trust Loan 02 691 005	2006	2022	180,000	0.5%	Corrosion Control	112,500
3	PW Trust Loan 5 691 006	2005	2025	5,447,820	0.5%	\$3,407,063 - 500 mp Tacoma Water \$2,040,757 - Reservoir Pump & Waterline * Developer reimburses \$2,053,160 at \$94,182 per year plus interest for 20 years. Letter of Credit held for security.	3,545,865 *
4	City of Tacoma Water Department	2004	2013	11,334,510	Prime less 2%	City & Partners purchased 1,712,000 GPD WTR **Partner owes the total balance and pays \$562,730 plus interest each yr. Letter of Credit held for security.	561,799 **
Total Water Debt (principal only)				\$17,162,330			\$ 4,252,114.00
Less * Public Works Trust Fund Loan - Developer Reimbursed						Loan 3	(1,130,183)
Less ** Public Works Trust Fund Loan - Developer Reimbursed						Loan 4	(561,799)
Net City Debt Responsibility							\$ 2,560,132.00

NOTE 7- PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in PERS 1, 2 or 3, or LEOFF 2 as administered by the 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 City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by the plan.

The City also has a commitment to pay for post employment medical benefits for one employee belonging to LEOFF1. The amount paid to Regence Insurance in 2012 was \$17,005.20.

Historical trend information showing each system's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's Comprehensive Annual Financial Report. Please refer to said report for detailed information.

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

OTHER DISCLOSURES

In the opinion of the management, the City of Black Diamond has adequate insurance policies to pay all known or pending claims.

STORMWATER UTILITY

On December 20, 2012 Council passed Ordinance #12-989 authorizing a Stormwater rate increase from \$13.00 per month per ERU to \$14.00 per month beginning January 1, 2013 and a further increase to \$14.00 per month beginning January 1, 2014. Council also passed ordinance #12-990 authorizing an increase in Stormwater Utility Tax Expense from 6% (of

operating Revenue) to go to 12% in January 1, 2013 and to 18% in 2014. This Utility Tax is expenditure to the Stormwater Utility Fund that is remitted to the General fund monthly to provide revenue to cover Public Safety Expenditures.

On April 5, 2013 Council authorized Resolution #13-846 for a professional Service Agreement with Peninsula Financial consulting to conduct a long range rate study for the Stormwater Utility Fund. Results will be reviewed with council mid-2013.

The formation of this utility fund in 2009 provides for a stormwater management program as required by the State Department of Ecology. Acquiring a National Pollutant Discharge Elimination System (NPDES) Western Washington Phase II permit is necessary and mandated by the Federal Clean Water Act. Other required components of the stormwater utility program includes public education and outreach, public involvement and participation, illicit discharge detection and elimination, controlling runoff from new development and redevelopment and pollution prevention, maintenance and operation.

SEWER UTILITY

On September 14, 2012 Council passed Ordinance 10-956 authorized a pass-through rate increase for the King County Metro portion to increase to \$58.95 per month beginning January 1, 2013. Council did not increase the Cities portion of the Sewer rate at that time. The City Council continued the Lifeline Utility Discount Program for low income qualifying seniors and disabled residents allowing a 50% discount on the City share of water, sewer and stormwater. This program helps to alleviate the impact of the increased rates for those residents on modest and fixed incomes.

On April 5, 2013 Council authorized Resolution #13-846 for a professional Service Agreement with Peninsula Financial consulting to conduct a long range rate study for the Sewer Utility Fund. Results will be reviewed with council mid-2013.

WATER UTILITY

Council did not authorize a rate increase during the 2012 Budget cycle, but asked that a rate study be conducted in 2013.

On April 5, 2013 Council authorized Resolution #13-846 for a professional Service Agreement with Peninsula Financial consulting to conduct a long range rate study for the Water Utility Fund. Results will be reviewed with council mid-2013. A potential rate increase is anticipated.

FUNDING AGREEMENT

On June 21, 2007, Council passed ordinance 07-451 authorizing a Funding Agreement between BD Lawson Partners, LP and BD Village Partners, LP and the City of Black Diamond. This was a major implementation step in our “growth pays for growth” philosophy providing funds for Core City staff, modular facilities on Roberts Drive and other resources required to respond to the large developments planned for our community. On April 16, 2009 Council amended ordinance 09-589 clarifying some definitions.

On December 12, 2011, Council passed ordinances 11-970 and 11-971 adopting the Development Agreements for the two Master Planned Developments. This included Exhibit N for the replaced Funding Agreement.

In March 2013, the City of Black Diamond received a proposed funding reduction notice from Master Plan Developer. The notice outlined their proposed reduction of \$20,000 per month beginning July 1, 2013 and an increase in the reduction to \$40,000 a month beginning July 1, 2014. The City has flexibility to achieve this reduction in reimbursement during the cities Fiscal January-December years. The amount will be reviewed annually and may be amended during the budget cycle. Options to offset this revenue reduction cover both General Fund and Utility Funds and may include keeping vacant positions vacant, reducing FTE hours or staff, and Utility Funds absorbing the cost of Utility Staff previously funded by Funding Agreement Revenue. Permitted Master Plan Development growth will generate revenue to help offset a portion of the revenue loss. A financial option is being developed to demonstrate the city’s ability to smoothly incorporate the funding reduction.

CITY OF BLACK DIAMOND
NOTES TO FINANCIAL STATEMENTS
January 1, 2011 to December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Black Diamond reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System contained in the *Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State Law, Chapter 43.09 RCW.

The City of Black Diamond was incorporated in 1959, and operates under the laws of the State of Washington applicable to a Non-Charter code City classification adopted in 1990 with a Mayor-Council form of government. The City is a general-purpose governmental entity that provides general government services including law enforcement, fire services, street improvements, parks and recreation, cemetery, and general administrative services. In addition, the City owns and operates Water, Wastewater and Stormwater Utilities. The City of Black Diamond uses single-entry, cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City 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 accounts that comprise its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended use. The following are the fund types and account groups used by the City.

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions typically are financed.

General (Current Expense) Fund 001

This fund is the general operating fund of the City. It accounts for and reports all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds (Funds in the 100 Series)

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes of Black Diamond other than debt service or capital projects.

Capital Projects Funds (Funds in the 300 Series)

These funds account for and report financial resources which are restricted, committed or assigned (intended) for capital expenditure for capital outlays including the acquisition or construction of capital facilities or other capital assets. Enterprise funds (400) account for capital projects related to utilities.

Enterprise Funds (Funds in the 400 Series)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Also provides for debt service and Capital Projects for Utility Funds.

Internal Service Funds (500 Series)

These funds are used to report any activity that provides goods or services to other City funds or departments on a cost reimbursement basis.

FIDUCIARY FUND TYPES

Fiduciary funds (Series 600)

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Agency Funds (Funds in the 600 Series)

These funds are used to account assets that the City holds for others in an agency capacity.

Fund Reclassification

Per requirements from the State Auditor’s office the following funds were reclassified in 2010. Fund 002 (Formerly Fire Equipment Replacement) and Fund 102 (Formerly Street and Public Works Equipment Replacement) funds were reclassified to an internal Service Fund, Fund 510 Equipment Replacement Fund. Costs for shared equipment replacements are allocated or reimbursed by the sharing Fund or Departments and therefore do not meet General Fund or Special Revenue Fund accounting requirements. Fund 122 (formerly Criminal Justice Fund) was reclassified December 31,2010 and is now combined with the Police Department in the General Fund since these funds are for Criminal Justice activities.

b. Basis of Accounting

Basis of Accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received. Expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law.

Purchases of fixed assets are expensed during the year of acquisition. There is no capitalization of fixed assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America.

c. Budgets

Annual appropriated budgets are adopted for all funds except Fiduciary and Agency Funds. Budgets are adopted at the Fund level. The table below shows the 2011 adopted budgets and actual expenditures at the fund level.

The budgets constitute the legal authority for expenditures at fund level. Annual appropriations for general, special revenue, capital and proprietary funds lapse at year-end. There were no significant variances in expenditures from the 2011 Budget Ordinances.

The Mayor, City Administrator or Finance Director are authorized to transfer budgeted amounts between departments within any fund and between 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 Ordinance by the City Council. The appropriated and actual expenditures (less ending fund balance) for the legally adopted budgets for 2011 were as follows:

Fund	Fund Name	Final Approp. Amount	Actual Expenses	Variance
001	General Fund	5,400,029	4,685,551	714,478
101	Street Fund	469,192	153,745	315,447
104	REET I Fund	503,086	182,850	320,236
105	REET II Fund	577,491	92,569	484,922
310	General Government Capital Fund	584,034	317,716	266,318
320	Street & Public Works Capital Fund	873,041	375,910	497,131
401	Water Operating Fund	1,508,735	1,370,007	138,728
402	Water-WSFFA Project Fund	168,881	0	168,881
404	Water Capital Project Fund	805,342	213,035	592,307
407	Wastewater Operating fund	870,369	751,528	118,841
408	Wastewater Capital Project Fund	872,857	94,946	777,911
410	Stormwater Operating Fund	490,652	326,991	163,661
510	Equipment Replacement Fund	328,551	159,024	169,527
	Total	13,452,260	8,723,872	4,728,388

Funds are budgeted at the city fund level, but are shown as combined funds on the Financial Statements per the Washington State Auditor's reporting requirements. An example is funds 401 (Water Operations), 402 Water WSFFA Projects) and 404 (Water Capital Projects) are all reported as Water Fund on the Financial Reports. Internal transfers within the Water and Wastewater Funds are not eliminated as they are on the State C-4 reports.

d. Cash

It is the City's policy to invest all temporary cash surpluses. At December 31, 2011 the City was holding \$479,039 in short-term cash at Columbia Bank. This amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The total does not include \$700 in petty cash as authorized by ordinance 08-860 in 2008.

e. Deposits

The City's deposits and savings are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission

f. Investments

The General/State Investment Pool interest and interest from the primary checking/savings fund is distributed to the various funds in proportion to their investment amounts. The balance in the State Local Investment Pool saving account as of December 31, 2011 was \$3,636,423. **See Note #3**

g. Derivatives and Similar Transactions

The City does not invest in these types of instruments.

h. Capital or Fixed Assets

General fixed assets are long-lived assets of the City and are recorded under cash basis accounting, as expenditures when purchased. Capital Outlay for Capital Projects and equipment totaled \$922,179.27 for 2011.

i. Compensated Absences and Future LEOFF 1 Liability

Vacation leave for regular employees may be accumulated based on years of service with the City, and is payable upon separation or retirement.

VACATION LEAVE

Length of Service	Days per Year	Maximum Accrual at any Time*	
0 - 5 Years	12	144 hours	
6 - 9 Years	15	180 hours	* <i>The Mayor may adjust</i>
10-15 Years	18	216 hours	<i>maximum accruals during</i>
16-19 Years	21	252 hours	<i>periods when furlough hours</i>
Over 20 Years	24	288 hours	<i>are used to help balance the Budget</i>

Sick leave for regular employees may be accumulated up to 1040 hours. Upon separation or retirement employees are compensated for unused sick leave as follows:

0-1 Year	0%
1-5 Year	10%
6-12 Year	20%
13-20 Year	30%
Over 20 Years	40%

Sick leave for retiring Police Officers Association employees is cashed out at 25% of accumulated hours at their current rate of pay as long as their LEOFF plan requirements are fulfilled.

Comp time is overtime compensated for in time off rather than overtime pay. It can be accrued by non-exempt employees up to 40 hours at any given time and should be taken as time off within 90 days. Any balance of comp time hours remaining at separation or retirement are paid at 100%.

The following table illustrates the potential total liability if all compensated absences were paid as of December 31, 2011. The total of \$233,875 represents a \$30,494 decrease from 2010.

Group	Sick Leave	Comp Time	Annual Leave	Total
General Government	20,124	1,595	55,222	76,941
Police Department	29,635	4,455	74,486	108,577
Street	2,748	30	5,345	8,123
GG Total Compensated Absences	52,507	6,080	135,053	193,641
Water	4,633	51	8,727	13,411
Wastewater	4,633	51	8,727	13,411
Stormwater	4,633	51	8,727	13,411
ENTERPRISE FUNDS Total Compensated Absences	13,899	153	26,181	40,233
Total Compensated Absences	66,406	6,233	161,234	233,875

The State Actuary tables suggest that the LEOFF 1 retiree will live approximately 17 more years, resulting in an estimated \$376,047 of medical insurance obligation at a 3% annual increase.

j. Long Term Debt See Note #6

k. Risk Management

The City of Black Diamond is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for

risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of September 1, 2011 the CIAW had 254 members in the pool.

The pool provides the following forms of joint self-insurance and excess coverage for its members: property including automobile comprehensive and collision, equipment breakdown, and crime protection, and liability, including general, automobile and wrongful acts, are included to fit members' various needs.

The pool acquires liability insurance through their administrator, Canfield, is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of self-insurance retention. The pool, also purchases a Stop Loss Policy with a limit of \$2,545,000 to cap the total claims paid by the pool in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The pool bears the \$25,000 self-insured retention in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim. There is no pool self-insured retention on this coverage.

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the pool. The pool has no employees, but has contracted with a third-party administrator, Canfield, to perform the daily administration of the pool, including underwriting, brokerage, account education, risk management and claims administration.

I. Reserved Fund Balance

Per GASBE 54, the State has updated the definitions of Special Revenue Funds to focus on resources received and clarified that if more than 20% of resources received can only be spent for the specific purposed stipulated by enabling legislation, the funds are Special Revenue Funds and the ending Cash & Investment balances are restricted for the uses designated by the legislature. Black Diamond has three Special Revenue Funds: one for the Street Department where Gas Tax Resources can only be used for Street purposed, and two REET (Real Estate Excise Tax) Funds where resources can only be used for capital or operations per the state legislature. Per the new definition, Black Diamond has three funds with Restricted Year-end Cash & Investment balances of: Street Fund \$328, 145, REET I Fund, \$325,164, REET II Fund \$487,785 as of December 31, 2011

All Other Funds in the City has unreserved year end Cash & Investment balances per the Washington State Auditor's Office guidelines.

M. Other Financing Sources and Uses

Other Financing Resources and uses are Transfers between funds, primarily from the Street Fund and REET (Real Estate Excise Tax) Fund to the Capital Project Funds. The total transfers between funds for 2011 are \$360,456.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

The City of Black Diamond's two year State Audit for 2009 and 2010 was completed in 2011. The Audit found no material violations of finance related or legal or contractual provisions in any of the funds of the City of Black Diamond.

NOTE 3 – INVESTMENTS

The City’s investments are insured, registered or held by the City or its agent in the City’s name. Investments by type at December 31, 2011 are as follows:

Type of Investment	Balance
BD General Acct LGIP 00160	3,158,937.21
BD Soos Creek LGIP 00161	477,485.76
Total Investments	<u>3,636,422.97</u>
Columbia Bank - Short Term Cash	479,039.10
TOTAL CASH AND INVESTMENT	<u>4,115,462.07</u>

NOTE 4 – PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed by King County daily following the receipt of collections. Property tax revenues are recognized when the City receives cash. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied. The City’s levy for 2011 was approximately \$2.57 per \$1,000 of an assessed valuation of \$532,997,258 for a total levy of \$1,369,593.

NOTE 5 – INTER-FUND LOANS AND ADVANCES

In 2008 Council authorized Ordinance 08-863, a \$100,000 loan from Wastewater Capital to the new Stormwater utility to initially fund the department beginning operation. The loan is to be paid back with five annual installments of \$20,000 plus interest at the current LGIP rate at the time of payment. In 2009 Council authorized Ordinance 09-902 for an additional loan of \$50,000 from Wastewater Capital to the Stormwater Utility for needed working cash flow. This is a five year loan with annual payment of \$10,000 per year plus interest at the current LGIP rate at time of payment.

In 2008 Council authorized Ordinance 08-886, a \$200,000 loan from Wastewater Capital to the General Fund to finance the new police records system. This interfund loan will be paid back with five annual installments of \$40,000 plus interest at the current LGIP rate at the time of payment.

In 2010 Council authorized Ordinance 10-953, a \$230,000 loan from the Wastewater Capital Fund to the Water Fund to fund the replacement and upgrading of the Water Meter system. The interfund loan will be paid back with five annual installments of \$46,000 plus interest at the current LGIP pool rate.

Loan Originated	Lending Fund	Receiving Fund	Balance of Loan 2010	Repayment 2011	Balance 12/31/11
2008	Wastewater	SS Stormwater	60,000	20,000	40,000
2008	Wastewater	CIP-Police S/W	80,000	40,000	40,000
2009	Wastewater	Stormwater	30,000	10,000	20,000
2010	Wastewater	Water	230,000	46,000	184,000
Total			400,000	116,000	284,000

NOTE 6 – LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (Schedule 09) provides a listing of the outstanding long term debt of the Water Fund. The City’s future Water Fund debt service responsibilities are shown as “Total Debt” and include interest. Developer reimbursements and net city debt are shown in the last two columns of the following chart:

Year	Total	Developer Debt Reimbursement	Net City Debt Principal & Interest
2011	925,069	684,433	240,636
2012	922,074	683,005	239,069
2013	919,508	683,005	236,503
2014	335,212	102,658	232,554
2015	333,146	102,658	230,488
2016-2020	1,586,809	513,291	1,073,518
2021-2024	1,219,397	422,633	796,764
Total	6,241,215	3,191,683	3,049,532

Black Diamond’s debt is for three Public Works Trust Fund loans for water projects and for debt for 500,000 mg of water purchased from the City of Tacoma plus a debt payment to the City of Tacoma for developer water purchase and improvements. Private developers reimburse the City annually for their portion of Public Works trust debt payment and for the City of Tacoma debt payment at 100%. Developer lines of credit cover their portion of the debt service. It is reduced each year after their portion of the debt is paid. See schedule of debt on the next page.

#	Water Fund Debt	Original Date of	Year of Final	Original Amount	Interest Rate	Purpose of Loan	Principal Only Debt Balance as of 12/31/2011
1	PW Trust Loan 5 95 791 ELP 061	1995	2015	200,000	5%	Emergency Water Repair	42,600
2	PW Trust Loan 02 691 005	2006	2022	180,000	0.5%	Corrosion Control	123,750
3	PW Trust Loan 5 691 006	2005	2025	5,447,820	0.5%	\$3,407,063 - 500 mp Tacoma Water \$2,040,757 - Reservoir Pump & Waterline * Developer reimburses \$2,053,160 at \$94,182 per year plus interest for 20 years. Letter of Credit held for security.	3,841,353
4	City of Tacoma Water Department	2004	2013	11,334,510	Prime less 2%	City & Partners purchased 1,712,000 GPD WTR **Partner owes the total balance and pays \$562,730 plus interest each yr. Letter of Credit held for security.	1,124,529 **
Total Water Debt (principal only)				\$ 17,162,330			\$ 5,132,232.00
Less * Public Works Trust Fund Loan - Developer Reimbursed Loan 3							(1,334,558)
Less ** Public Works Trust Fund Loan - Developer Reimbursed Loan 4							(1,124,529)
Net City Debt Responsibility							\$ 2,673,145.00

Compensated absence liabilities for enterprise funds are shown in Note 1i, and on Schedule S9 and S10.

NOTE 7 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in PERS 2 or 3, or LEOFF 2 as administered by the 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 City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by the plan.

The City also has a commitment to pay for post employment medical benefits for one employee belonging to LEOFF1. The amount paid to Regence Insurance in 2011 was \$17,005.20.

Historical trend information showing each system's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's Comprehensive Annual Financial Report. Please refer to said report for detailed information.

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

OTHER DISCLOSURES

In the opinion of the management, the City of Black Diamond has adequate insurance policies to pay all known or pending claims.

STORMWATER UTILITY

In late 2008, City Council through Ordinance 08-872 approved a new Stormwater Utility. A rate study was performed and new rates were approved for January 2009 and lowered in April 2009 to phase rate increases over three years due to the fragile economy. The last year of increases will take place with the January 2011 billing.

The formation of this utility funds a stormwater management program as required by the State Department of Ecology. Acquiring a National Pollutant Discharge Elimination System (NPDES) Western Washington Phase II permit is necessary and mandated by the Federal Clean Water Act. Other required components of the stormwater utility program includes public education and outreach, public involvement and participation, illicit discharge detection and elimination, controlling runoff from new development and redevelopment and pollution prevention, maintenance and operation.

WATER AND WASTEWATER UTILITY

In December 2010 Council adopted Ordinance 10-956 providing for a water rate increase of approximately 15% to the base charge. The water usage charge was not increased. The rate increase took effect with the first billing in January 2011.

Ordinance 10-956 authorized a pass-through rate increase for the King County Metro portion as well as the City portion of approximately 8% effective with the first billing in 2011. The City Council continued the Lifeline Utility Discount Program for low income qualifying seniors and disabled residents allowing a 50% discount on the City share of water, wastewater and stormwater. This program helps to alleviate the impact of the increased rates for those residents on modest and fixed incomes.

YARROWBAY COMMUNITIES FUNDING AGREEMENT

On June 21, 2007 Council passed ordinance 07-451 authorizing a Funding Agreement between BD Lawson Partners, LP and BD Village Partners, LP and the City of Black Diamond. This was a major implementation step in our “growth pays for growth” philosophy providing funds for Core City staff, modular facilities on Roberts Drive and other resources required to respond to the large developments planned for our community. On April 16, 2009 Council amended ordinance 09-589 clarifying some definitions.

On December 12, 2011 Council passed ordinances 11-970 and 11-971 adopting the Development Agreements for the two Master Planned Developments. This included Exhibit N for the replaced Funding Agreement.

City of Black Diamond MCAG No. 0379
 SCHEDULE OF LONG TERM LIABILITY
 For the Year Ending December 31, 2012

ID No.	Description	Beginning			BARS Code for Redemption	Ending Balance Debt 12/31/11
		Outstanding Debt 01/01/11	Additions	Reductions		
	General Government					
259.11	Compensated Absences	\$193,641	\$402			\$194,043
Total		\$193,641	\$402			\$194,043
	Water Utility Fund					
263.82	Issued in 1995 for \$200,000-State PWFT Loan 595 791-elp 061 for Water repairs	\$42,600		\$10,650	582.34.72.02	\$31,950
263.82	Loan from City of Tacoma in 2003 for \$11,334,510 to purchase water	\$1,124,529		\$562,730	582.34.72.04	\$561,799
263.82	PW Trust Loan 02 691 005 for \$5,447,820 in 2005 to purchase water and intertie system development	\$3,841,353		\$295,488	582.34.72.00	\$3,545,865
263.82	PW Trust Loan 5 691 005 for 180,000 in 2006 for Corrosion Control	\$123,750		\$11,250	582.34.72.03	\$112,500
259.11	Compensated Absences	\$13,411	\$823			\$14,234
Total		\$5,145,643	\$823	\$880,118		\$4,266,348
	Sewer Utility Fund					
259.11	Compensated Absences	\$13,411	\$823			\$14,234
Total		\$13,411	\$823			\$14,234
	Stormwater Utility Fund					
259.11	Compensated Absences	\$13,411	\$823			\$14,234
Total		\$13,411	\$823			\$14,234
TOTAL		\$5,366,106	\$2,871	\$880,118		\$4,488,859

City of Black Diamond
SCHEDULE OF LONG TERM LIABILITY
For the Year Ended December 31, 2011

ID No.	Description	Beginning Outstanding Debt 01/01/11	Additions	Reductions	BARS Code for Redemption	Ending Balance Debt 12/31/11
	General Government					
259.11	Compensated Absences	\$220,186		\$26,545		\$193,641
Total	General Government	\$220,186	\$0	\$26,545		\$193,641
	Water Utility Fund					
	Issued in 1995 for \$200,000-State PWFT Loan 595 791 -elp 061 for Water repairs	\$53,250		\$10,650	582.34.72.02	\$42,600
263.82	Loan from City of Tacoma in 2003 for \$11,334,510 to purchase water	\$1,687,258		\$562,729	582.34.72.04	\$1,124,529
263.82	PW Trust Loan 02 691 005 for \$5,447,820 in 2005 to purchase water and intertie system development	\$4,136,841		\$295,488	582.34.72.00	\$3,841,353
263.82	PW Trust Loan 5 691 005 for 180,000 in 2006 for Corrosion Control	\$135,000		\$11,250	582.34.72.03	\$123,750
259.11	Compensated Absences	\$14,727		\$1,316		\$13,411
Total	Water Utility Fund	\$6,027,076		\$881,433		\$5,145,643
	Wastewater Utility Fund					
	Compensated Absences	\$14,727		\$1,316		\$13,411
Total	Wastewater Utility Fund	\$14,727		\$1,316		\$13,411
	Stormwater Utility Fund					
	Compensated Absences	\$14,727		\$1,316		\$13,411
Total	Stormwater Utility Fund	\$14,727		\$1,316		\$13,411
TOTAL	ALL FUNDS	\$6,276,716		\$910,610		\$5,366,106

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 as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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