

Washington State Auditor's Office
Financial Statements Audit Report

City of Black Diamond
King County

Audit Period
January 1, 2009 through December 31, 2010

Report No. 1006940

Issue Date
December 27, 2011



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

December 27, 2011

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,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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**City of Black Diamond
King County
January 1, 2009 through December 31, 2010**

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**Independent Auditor's Report on Internal
Control over Financial Reporting and on
Compliance and Other Matters in Accordance
with *Government Auditing Standards***

City of Black Diamond
King County
January 1, 2009 through December 31, 2010

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

We have audited the financial statements of the City of Black Diamond, King County, Washington, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated November 23, 2011.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended for the information and use of management and the Mayor and City Council. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

November 23, 2011

Independent Auditor's Report on Financial Statements

**City of Black Diamond
King County
January 1, 2009 through December 31, 2010**

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

We have audited the accompanying financial statements of the City of Black Diamond, King County, Washington, for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the City prepares its financial statements on 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 comprehensive basis of accounting other than generally accepted accounting principles.

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, 2010 and 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and the last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

November 23, 2011

Financial Section

**City of Black Diamond
King County
January 1, 2009 through December 31, 2010**

FINANCIAL STATEMENTS

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Schedule of Long-Term Liabilities – 2010
Schedule of Long-Term Liabilities – 2009

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

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	\$0.00	\$0.00	\$0.00
308.80	Unreserved	\$4,935,815.03	\$354,527.05	\$386,427.33
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
Revenues and Other Sources				
310	Taxes	\$1,911,581.36	\$1,735,153.48	\$5,349.39
320	Licenses and Permits	\$113,257.90	\$105,737.90	\$7,520.00
330	Intergovernmental	\$1,399,176.88	\$261,965.25	\$90,570.86
340	Charges for Goods and Services	\$1,782,647.46	\$534,685.39	\$0.00
350	Fines and Penalties	\$139,067.03	\$139,067.03	\$0.00
360	Miscellaneous	\$1,799,488.99	\$1,661,521.76	\$21,139.52
370	Capital Contributions	\$692,659.53	\$0.00	\$0.00
390	Other Financing Sources	\$891,958.12	\$102,000.00	\$0.00
Total Revenues and Other Financing Sources		\$8,729,837.27	\$4,540,130.81	\$124,579.77
Total Resources		\$13,665,652.30	\$4,894,657.86	\$511,007.10
Operating Expenditures:				
510	General Government	\$1,230,633.36	\$1,230,633.36	\$0.00
520	Public Safety	\$1,944,560.65	\$1,928,491.26	\$0.00
530	Physical Environment	\$1,452,172.74	\$206,040.79	\$0.00
540	Transportation	\$193,664.79	\$0.00	\$157,153.14
550	Economic Environment	\$1,210,717.50	\$1,183,913.99	\$0.00
560	Mental and Physical Health	\$1,119.15	\$1,044.15	\$0.00
570	Culture and Recreational	\$100,632.16	\$61,472.26	\$0.00
Total Operating Expenditures		\$6,133,500.35	\$4,611,595.81	\$157,153.14
591-593	Debt Service	\$54,301.50	\$0.00	\$0.00
594-595	Capital Outlay	\$1,663,155.94	\$13,051.02	\$0.00
Total Expenditures		\$7,850,957.79	\$4,624,646.83	\$157,153.14
597-599	Other Financing Uses	\$891,958.12	\$0.00	\$30,000.00
Total Expenditures and Other Financing Uses		\$8,742,915.91	\$4,624,646.83	\$187,153.14
Excess (Deficit) of Resources Over Uses		\$4,922,736.39	\$270,011.03	\$323,853.96
380	Nonrevenues (Except 384)	\$469,935.72	\$0.00	\$0.00
580	Nonexpenditures (Except 584)	\$1,438,262.21	\$0.00	\$0.00
Ending Cash and Investments:				
508.10	Reserved	\$0.00	\$0.00	\$0.00
508.80	Unreserved	\$3,954,409.90	\$270,011.03	\$323,853.96

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, 2010

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	\$0.00	\$0.00	\$0.00
308.80	Unreserved	\$710,482.56	\$819,236.80	\$101,608.21
388.80 or 588.80	Prior Period Adjustments	\$0.00	\$0.00	\$0.00
Revenues and Other Sources				
310	Taxes	\$45,475.69	\$45,475.65	\$80,127.15
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental	\$0.00	\$0.00	\$5,549.82
340	Charges for Goods and Services	\$0.00	\$0.00	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	\$2,202.46	\$2,561.75	\$3,123.17
370	Capital Contributions	\$0.00	\$0.00	\$0.00
390	Other Financing Sources	\$0.00	\$0.00	\$0.00
Total Revenues and Other Financing Sources		\$47,678.15	\$48,037.40	\$88,800.14
Total Resources		\$758,160.71	\$867,274.20	\$190,408.35
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$16,069.39
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	\$16,069.39
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	\$16,069.39
597-599	Other Financing Uses	\$356,675.12	\$323,283.00	\$102,000.00
Total Expenditures and Other Financing Uses		\$356,675.12	\$323,283.00	\$118,069.39
Excess (Deficit) of Resources Over Uses		\$401,485.59	\$543,991.20	\$72,338.96
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	\$0.00	\$0.00	\$0.00
508.80	Unreserved	\$401,485.59	\$543,991.20	\$72,338.96

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, 2010

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	\$86,178.35	\$149,741.38	\$794,001.33
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	\$47,843.81	\$971,200.58	\$0.00
340	Charges for Goods and Services	\$6,000.00	\$0.00	\$405,627.20
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	\$2,555.78	\$0.00	\$35,308.21
370	Capital Contributions	\$0.00	\$0.00	\$692,659.53
390	Other Financing Sources	\$356,675.12	\$383,283.00	\$0.00
Total Revenues and Other Financing Sources		\$413,074.71	\$1,354,483.58	\$1,133,594.94
Total Resources		\$499,253.06	\$1,504,224.96	\$1,927,596.27
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	\$317,253.84
540	Transportation	\$0.00	\$36,511.65	\$0.00
550	Economic Environment	\$26,803.51	\$0.00	\$0.00
560	Mental and Physical Health	\$0.00	\$0.00	\$0.00
570	Culture and Recreational	\$39,159.90	\$0.00	\$0.00
Total Operating Expenditures		\$65,963.41	\$36,511.65	\$317,253.84
591-593	Debt Service	\$0.00	\$0.00	\$54,301.50
594-595	Capital Outlay	\$82,325.54	\$1,342,990.87	\$140,544.82
Total Expenditures		\$148,288.95	\$1,379,502.52	\$512,100.16
597-599	Other Financing Uses	\$0.00	\$0.00	\$10,000.00
Total Expenditures and Other Financing Uses		\$148,288.95	\$1,379,502.52	\$522,100.16
Excess (Deficit) of Resources Over Uses		\$350,964.11	\$124,722.44	\$1,405,496.11
380	Nonrevenues (Except 384)	\$0.00	\$0.00	\$230,000.00
580	Nonexpenditures (Except 584)	\$40,800.00	\$0.00	\$880,118.15
Ending Cash and Investments:				
508.10	Reserved	\$0.00	\$0.00	\$0.00
508.80	Unreserved	\$310,164.11	\$124,722.44	\$755,377.96

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, 2010

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	\$1,105,785.92	\$84,402.38	\$220,185.00
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	\$22,046.56	\$0.00
340	Charges for Goods and Services	\$599,017.01	\$237,317.86	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous	\$36,553.31	\$33,677.34	\$596.31
370	Capital Contributions	\$0.00	\$0.00	\$0.00
390	Other Financing Sources	\$10,000.00	\$0.00	\$40,000.00
Total Revenues and Other Financing Sources		\$645,570.32	\$293,041.76	\$40,596.31
Total Resources		\$1,751,356.24	\$377,444.14	\$260,781.31
Operating Expenditures:				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Physical Environment	\$673,370.64	\$255,507.47	\$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		\$673,370.64	\$255,507.47	\$0.00
591-593	Debt Service	\$0.00	\$0.00	\$0.00
594-595	Capital Outlay	\$59,538.69	\$0.00	\$24,705.00
Total Expenditures		\$732,909.33	\$255,507.47	\$24,705.00
597-599	Other Financing Uses	\$20,000.00	\$50,000.00	\$0.00
Total Expenditures and Other Financing Uses		\$752,909.33	\$305,507.47	\$24,705.00
Excess (Deficit) of Resources Over Uses		\$998,446.91	\$71,936.67	\$236,076.31
380	Nonrevenues (Except 384)	\$71,450.00	\$0.00	\$0.00
580	Nonexpenditures (Except 584)	\$230,000.00	\$30,650.00	\$0.00
Ending Cash and Investments:				
508.10	Reserved	\$0.00	\$0.00	\$0.00
508.80	Unreserved	\$839,896.91	\$41,286.67	\$236,076.31

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, 2010

	Total for		631		632		633		634	
	All Funds 1/		CLAIMS CLEARING FUND		CLAIMS CLEARING FUND		TREASURER'S TRUST FUND		TREASURER'S TRUST-RETAINAGE	
	Actual Amount		Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments	\$4,935,815.03		\$362.24	\$8,801.98	\$15,190.77	\$98,883.73				
Prior Period Adjustments	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00				
Revenue and Other Financing Sources	\$8,729,837.27		\$0.00	\$0.00	\$75.00	\$174.38				
Total Resources	\$13,665,652.30		\$362.24	\$8,801.98	\$15,265.77	\$99,058.11				
Expenditures And Other Financing Uses	\$8,742,915.91		\$0.00	\$0.00	\$75.00	\$0.00				
Excess (Deficit) of Resources Over Uses	\$4,922,736.39		\$362.24	\$8,801.98	\$15,190.77	\$99,058.11				
Nonrevenues (Except 384)	\$469,935.72		\$0.00	(\$967.09)	\$102,578.31	\$66,874.50				
Nonexpenditures (Except 584)	\$1,438,262.21		\$0.00	\$0.00	\$105,949.13	\$150,744.93				
Ending Cash and Investments	\$3,954,409.90		\$362.24	\$7,834.89	\$11,819.95	\$15,187.68				

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

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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ending December 31, 2009

BARS CODE		Fund Number and Name 001 CURRENT EXPENSE FUND		Fund Number and Name	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	1,018,742	1,017,467		
	Prior Period Adjustments				
	Revenues and Other Sources				
310	Taxes	1,742,363	1,728,092		
320	Licenses and Permits	145,140	105,209		
330	Intergovernmental	270,169	227,285		
340	Charges for Goods and Services	798,553	508,994		
350	Fines and Forfeits	213,000	161,663		
360	Miscellaneous	2,488,094	2,030,089		
370	Capital Contributions				
390	Other Financing Sources	102,223	102,223		
	Total Revenues and Other Sources	5,759,542	4,863,555		
	Total Resources	6,778,284	5,881,021		
	Operating Expenditures				
510	General Government	1,736,484	1,575,648		
520	Public Safety	2,185,736	2,048,494		
530	Physical Environment	200,285	194,331		
540	Transportation				
550	Economic Environment	1,716,907	1,506,432		
560	Mental and Physical Health	1,000	995		
570	Culture and Recreational	54,053	58,901		
	Total Operating Expenditures	5,894,465	5,384,801		
591-93	Debit Service	0	0		
594-595	Capital Outlay	116,119	85,184		
	Total Expenditures	6,010,584	5,469,984		
597-599	Other Financing Uses	0			
	Total Expenditures and Other Uses	6,010,584	5,469,984		
	Excess (Deficit) of Resources Over Uses	757,295	411,037		
380	Nonrevenues	0	765,682		
580	Nonexpenditures	0	765,682		
	Ending Net Cash and Investments	757,295	411,037		

City of Black Diamond

MCAG NO. 0379

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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ending December 31, 2009

BARS CODE		Fund Number and Name 101 CITY STREET FUND		Fund Number and Name 102 STREET RESERVE	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	428,450	425,006	122,725	122,725
	Prior Period Adjustments				
	Revenues and Other Sources				
310	Taxes				
320	Licenses and Permits	4,000	12,940		
330	Intergovernmental	85,000	90,390		
340	Charges for Goods and Services	0	-6		
350	Fines and Forfeits				
360	Miscellaneous	25,411	21,358	1,200	950
370	Capital Contributions				
390	Other Financing Sources	0	0	40,000	40,000
	Total Revenues and Other Sources	114,411	124,682	41,200	40,950
	Total Resources	542,861	549,688	163,925	163,675
	Operating Expenditures				
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation	161,985	147,705		
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreational				
	Total Operating Expenditures	161,985	147,705		
591-93	Debit Service				
594-595	Capital Outlay	0	0	0	0
	Total Expenditures	161,985	147,705	0	0
597-599	Other Financing Uses	15,447	15,556		
	Total Expenditures and Other Uses	177,432	163,261	0	0
	Excess (Deficit) of Resources Over Uses	365,429	386,427	163,925	163,675
380	Nonrevenues				
580	Nonexpenditures				
	Ending Net Cash and Investments	365,429	386,427	163,925	163,675

See accompanying notes to the financial statements.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ending December 31, 2009

BARS CODE		Fund Number and Name 104 REET I FUND		Fund Number and Name 105 REET II FUND	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	932,882	932,882	1,097,802	1,097,802
	Prior Period Adjustments				
	Revenues and Other Sources				
310	Taxes	30,000	38,446	30,000	38,446
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	9,800	8,240	10,300	7,988
370	Capital Contributions				
390	Other Financing Sources	0	0	0	0
	Total Revenues and Other Sources	39,800	46,686	40,300	46,434
	Total Resources	972,682	979,569	1,138,102	1,144,237
	Operating Expenditures				
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreational				
	Total Operating Expenditures				
591-93	Debit Service				
594-595	Capital Outlay				
	Total Expenditures	0	0	0	0
597-599	Other Financing Uses	309,200	269,086	325,000	325,000
	Total Expenditures and Other Uses	309,200	269,086	325,000	325,000
	Excess (Deficit) of Resources Over Uses	663,482	710,483	813,102	819,237
380	Nonrevenues				
580	Nonexpenditures				
	Ending Net Cash and Investments	663,482	710,483	813,102	819,237

See accompanying notes to the financial statements.

City of Black Diamond

MCAG NO. 0379

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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ending December 31, 2009

BARS CODE		Fund Number and Name 122 CRIMINAL JUSTICE		Fund Number and Name 310 CIP FUND GENERAL	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	125,461	125,461	369,306	369,306
	Prior Period Adjustments				
	Revenues and Other Sources				
310	Taxes	83,000	83,023	0	0
320	Licenses and Permits				
330	Intergovernmental	7,275	8,246	47,000	22,347
340	Charges for Goods and Services				
350	Fines and Forfeits				
360	Miscellaneous	9,921	8,803	85,000	77,000
370	Capital Contributions				
390	Other Financing Sources			309,200	269,086
	Total Revenues and Other Sources	100,196	100,071	441,200	368,433
	Total Resources	225,657	225,533	810,506	737,739
	Operating Expenditures				
510	General Government			317,065	266,684
520	Public Safety	35,024	21,701	110,000	107,678
530	Physical Environment				
540	Transportation			0	0
550	Economic Environment			25,000	12,523
560	Mental and Physical Health				
570	Culture and Recreational			83,200	51,476
	Total Operating Expenditures	35,024	21,701	535,265	438,362
591-93	Debit Service				
594-595	Capital Outlay	0	0	226,241	171,199
	Total Expenditures	35,024	21,701	761,506	609,561
597-599	Other Financing Uses	102,223	102,223	0	0
	Total Expenditures and Other Uses	137,247	123,924	761,506	609,561
	Excess (Deficit) of Resources Over Uses	88,410	101,608	49,000	128,178
380	Nonrevenues			0	0
580	Nonexpenditures	0	0	49,000	42,000
	Ending Net Cash and Investments	88,410	101,608	0	86,178

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ending December 31, 2009

BARS CODE		Fund Number and Name 320 CIP FUND-STREETS		Fund Number and Name 401,402,404 WATER FUND	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	108,509	108,509	1,052,312	1,052,312
	Prior Period Adjustments				
	Revenues and Other Sources				
310	Taxes	0	0		
320	Licenses and Permits				
330	Intergovernmental	157,000	115,110	240,000	236,337
340	Charges for Goods and Services			407,920	417,517
350	Fines and Forfeits				
360	Miscellaneous		0	46,452	37,395
370	Capital Contributions	0	0	725,652	715,651
390	Other Financing Sources	330,447	330,556	125,000	125,000
	Total Revenues and Other Sources	487,447	445,666	1,545,024	1,531,899
	Total Resources	595,956	554,175	2,597,336	2,584,212
	Operating Expenditures				
510	General Government				
520	Public Safety				
530	Physical Environment	0	0	499,725	404,922
540	Transportation	30,000	3,026		
550	Economic Environment	0	0		
560	Mental and Physical Health				
570	Culture and Recreational			175,982	87,796
	Total Operating Expenditures	30,000	3,026	323,743	317,126
591-93	Debit Service	0	0	79,360	79,359
594-595	Capital Outlay	565,956	401,407	295,000	290,812
	Total Expenditures	595,956	404,434	874,085	775,092
597-599	Other Financing Uses	0	0	135,000	135,000
	Total Expenditures and Other Uses	595,956	404,434	1,009,085	910,092
	Excess (Deficit) of Resources Over Uses	0	149,741	1,588,251	1,674,120
380	Nonrevenues	0	0	0	0
580	Nonexpenditures Debt Interest			880,131	880,118
	Ending Net Cash and Investments	0	149,741	708,120	794,002

See accompanying notes to the financial statements.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ending December 31, 2009

BARS CODE		Fund Number and Name 407,408 WASTEWATER		Fund Number and Name	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	1,193,329	1,193,329		
	Prior Period Adjustments	0	0		
	Revenues and Other Sources				
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services	599,057	594,781		
350	Fines and Forfeits				
360	Miscellaneous	46,952	38,933		
370	Capital Contributions	0	0		
390	Other Financing Sources	5,000	5,000		
	Total Revenues and Other Sources	651,009	638,714		
	Total Resources	1,844,338	1,832,043		
	Operating Expenditures				
510	General Government				
520	Public Safety				
530	Physical Environment	687,833	673,299		
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreational				
	Total Operating Expenditures	687,833	673,299		
591-93	Debit Service				
594-595	Capital Outlay	181,100	50,358		
	Total Expenditures	705,933	723,657		
597-599	Other Financing Uses	15,000	15,000		
	Total Expenditures and Other Uses	933,933	788,657		
	Excess (Deficit) of Resources Over Uses	910,405	1,043,386		
380	Nonrevenues	62,400	62,400		
580	Nonexpenditures	50,000	50,000		
	Ending Net Cash and Investments	972,805	1,105,786		

See accompanying notes to the financial statements.

City of Black Diamond

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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ending December 31, 2009

BARS CODE		Fund Number and Name 410 STORMWATER FUND		Fund Number and Name	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	32,110	32,110		
	Prior Period Adjustments				
	Revenues and Other Sources				
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental	125,000	75,000		
340	Charges for Goods and Services	217,500	205,565		
350	Fines and Forfeits				
360	Miscellaneous	35,552	30,694		
370	Capital Contributions				
390	Other Financing Sources				
	Total Revenues and Other Sources	378,052	311,259		
	Total Resources	410,162	343,369		
	Operating Expenditures				
510	General Government				
520	Public Safety				
530	Physical Environment	349,080	278,567		
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreational				
	Total Operating Expenditures	349,080	278,567		
591-93	Debit Service				
594-595	Capital Outlay				
	Total Expenditures	349,080	278,567		
597-599	Other Financing Uses	0	10,000		
	Total Expenditures and Other Uses	349,080	288,567		
	Excess (Deficit) of Resources Over Uses	61,082	54,802		
380	Nonrevenues	50,000	50,000		
580	Nonexpenditures	20,400	20,400		
	Ending Net Cash and Investments	90,682	84,402		

See accompanying notes to the financial statements.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ending December 31, 2009

Fund Type	Agency Funds	Fund Number and Name 631 PAYROLL CLEARING		Fund Number and Name 632 CLAIMS CLEARING	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	0	362	0	12,182
	Prior Period Adjustments				
	Revenues and Other Sources				
	Total Resources	0	0	0	0
	Expenditures and Other Financing Uses	0	0	0	0
	Excess (Deficit) of Resources Over Uses	0	0	0	0
	Nonrevenues (Except 384 and 388-80)	0	0		
	Nonexpenditures (Except 584 and 588-80)			0	3,380
	Ending Net Cash and Investments	0	362	0	8,802

Fund Type		Fund Number and Name 633 TREASURER'S TRUST		Fund Number and Name 634 TRS'S TR-RETAINAGE	
		Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	0	17,421		24,111
	Prior Period Adjustments				
	Revenues and Other Sources	0	0	0	495
	Total Resources	0	0	0	495
	Expenditures and Other Financing Uses	0	0	0	0
	Excess (Deficit) of Resources Over Uses	0	0	0	495
	Nonrevenues (Except 384 and 388-80)	0	130,643	0	85,199
	Nonexpenditures (Except 584 and 588-80)	0	132,873	0	10,921
	Ending Net Cash and Investments	0	15,191	0	98,884

See accompanying notes to the financial statements.

**CITY OF BLACK DIAMOND
NOTES TO FINANCIAL STATEMENTS
January 1, 2010 to December 31, 2010**

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 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 of 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) will be reclassified in January 2011 and 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.

c. Budgets

Annual appropriated budgets are adopted for all funds at the Fund level. The financial statements include budgetary comparisons for those funds.

The budgets constitute the legal authority for expenditures at fund level. Annual appropriations for general, special revenue and proprietary funds lapse at year-end. There were no significant variances in expenditures from the 2010 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 2010 were as follows:

Fund	Fund Name	Final Approp. Amount	Actual Expenses	Variance
001	General Fund	5,086,863	4,624,647	462,216
101	Street Fund	203,876	187,153	16,723
104	REET I Fund	364,425	356,675	7,750
105	REET II Fund	323,500	323,283	217
122	Criminal Justice Fund	136,195	118,069	18,126
310	General Government Capital Fund	537,663	189,089	348,574
320	Street & Public Works Capital Fund	2,573,251	1,379,503	1,193,748
401	Water Operating Fund	1,307,404	1,261,673	45,731
402	Water-WSFFA Project Fund	53,678	39,191	14,487
404	Water Capital Project Fund	508,678	280,031	228,647
407	Wastewater Operating fund	714,540	693,371	21,169
408	Wastewater Capital Project Fund	1,025,000	339,538	685,462
410	Stormwater Operating Fund	483,352	336,157	147,195
510	Equipment Replacement Fund	47,705	24,705	23,000
	Total	13,366,130	10,153,085	3,213,045

Funds are budgeted at the 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, 402 and 404 are all reported as Water Fund on the Financial Reports.

d. Cash

It is the City’s policy to invest all temporary cash surpluses. At December 31, 2010 the City was holding \$50,490 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.

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, 2010 was \$3,903,920. **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.

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 maximum accruals during periods when furlough hours are used to help balance the Budget</i>
10-15 Years	18	216 hours	
16-19 Years	21	252 hours	
Over 20 Years	24	288 hours	

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 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, 2010:

Group	Sick Leave	Comp Time	Annual Leave	Total
General Government	16,467	909	71,533	88,909
Police Department	37,754	6,891	78,458	123,104
Street	2,548	6	5,619	8,173
GG Total Compensated Absences	56,769	7,806	155,610	220,186
Water	4,344	58	10,325	14,727
Wastewater	4,344	58	10,325	14,727
Stormwater	4,344	58	10,325	14,727
ENTERPRISE FUNDS Total Compensated Absences	13,032	174	30,975	44,181
Total Compensated Absences	69,801	7,980	186,585	264,367

The State Actuary tables suggest that the LEOFF 1 retiree will live approximately 18 more years, resulting in an estimated \$398,167 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 August 31, 2010 the CIAW had 88 regular members and 180 associate members. Effective September 1, 2010, all members of the CIAW are full members.

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 Munich Reinsurance America that is subject to a per-occurrence deductible 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 the deductible. The pool, also purchases a Stop Loss Policy in the amount of \$3,200,000 to cap the total claims paid by the pool in any one year.

Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

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 account education, risk management and loss control, and claims administration.

I. Reserved Fund Balance

The City of Black Diamond has no reserved fund balance (not available for appropriation). All fund balances are unreserved (available for appropriation) based on Washington State Auditor’s Office guidelines.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

The City of Black Diamond’s two year State Audit for 2007 and 2008 was completed in 2009. 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, 2010 are as follows:

Type of Investment	Balance
BD General Acct LGIP 00160	3,427,359.59
BD Soos Creek LGIP 00161	476,560.45
Total Investments	<u>3,903,920.04</u>
Columbia Bank - Short Term Cash	50,489.86
TOTAL CASH AND INVESTMENTS	<u>3,954,409.90</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 2010 was approximately \$1.78 per \$1,000 of an assessed valuation of \$560,993,682 for a total levy of \$996,899.

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. 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	Loan 2010	Repayment 2010	Balance 12/31/10
2008	Wastewater	SS Stormwater	80,000		20,000	60,000
2008	Wastewater	CIP-Police S/W	160,000		40,000	120,000
2009	Wastewater	Stormwater	50,000		10,000	40,000
2010	Wastewater	Water		230,000		230,000
Total			290,000	230,000	70,000	450,000

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
2010	934,420	692,660	241,760
2011	933,640	694,888	238,752
2012	933,574	696,888	236,686
2013	931,507	696,888	234,619
2014	335,212	102,658	232,554
2015-2019	1,605,660	513,291	1,092,369
2020-2024	1,533,692	513,291	1,020,401
Total	7,207,705	3,910,565	3,297,140

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. 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 Loan	Year of Final Payment	Original Amount Borrowed	Interest Rate	Purpose of Loan	Principal Only Debt Balance as of 12/31/2010
1	PW Trust Loan 5 95 791 ELP 061	1995	2015	200,000	5%	Emergency Water Repair	53,250
2	PW Trust Loan 02 691 005	2006	2022	180,000	0.5%	Corrosion Control	135,000
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.	4,136,841 *
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.	1,687,258 **
Total Water Debt (principal only)				\$17,162,330			\$ 6,012,349.00
Less * Public Works Trust Fund Loan - Developer Reimbursed						Loan 3	(1,326,100)
Less ** Public Works Trust Fund Loan - Developer Reimbursed						Loan 4	(1,687,258)
Net City Debt Responsibility							\$ 2,998,991.00

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 2010 was \$15,162.72.

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 increase. 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.

CITY OF BLACK DIAMOND
NOTES TO FINANCIAL STATEMENTS
January 1, 2009 to December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Black Diamond uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System* (BARS) manual. The manual 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, street improvement, parks and recreation, and general administrative services. In addition, the City owns and operates water and sewer systems.

The City 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 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 revenues that are legally restricted or designated to finance particular activities of the City.

Capital Projects Funds (Funds in the 300 Series)

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

PROPRIETARY FUND TYPES

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

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 for enterprise fund capital projects.

FIDUCIARY FUND TYPES

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.

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.

c. Budgets

Annual appropriated budgets are adopted for all funds. The financial statements include budgetary comparisons for those funds.

Annual appropriated budgets were adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for general, special revenue and proprietary funds lapse at year-end.

The Mayor, City Administrator or Finance Director is 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 the City Council.

d. Cash

It is the City's policy to invest all temporary cash surpluses. At December 31, 2009 the City was holding \$119,929 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.

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, 2009 was \$4,815,886. **See Note #3**

g. Derivatives and Similar Transactions

The City does not invest in these types of instruments.

h. Fixed Assets

General fixed assets are long-lived assets of the City and are recorded as expenditures when purchased.

i. Compensated Absences

Vacation leave for regular employees may be accumulated up to 288 hours during the year, and is payable upon separation or retirement.

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 their LEOFF plan requirements are fulfilled.

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 August 31, 2009 the CIAW had 86 regular members and 170 associate members.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Employment Practices and Management Liability is on a "claims made basis". All other coverages are on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, law enforcement liability, automobile liability, employment practices liability, boiler and machinery, bonds of various types, and public officials liability.

The pool acquires liability insurance through St. Paul Fire & Marine Insurance Company (Travelers) that is subject to a per-occurrence deductible 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 the deductible. The pool, also purchases a Stop Loss Policy in the amount of \$5,500,000 to cap the total claims paid by the pool in any one year.

Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Each new regular member pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member remains responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Total pool fees paid to the third-party administrator under this arrangement for the years ended August 31, 2008 and 2009 were \$1,321,289 and \$1,389,379 respectively.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates to perform day-to-day administration of the pool. This pool has no employees. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

The City of Black Diamond's two year State Audit for 2007 and 2008 was completed in 2009. 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, 2009 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
BD General Acct LGIP 00160	\$4,340,718.61
BD Soos Creek LGIP 00161	\$ 475,167.70
Total Investments	\$4,815,886.31
Columbia Bank - Short Term Cash	\$ 119,928.72
TOTAL CASH AND INVESTMENTS	\$4,935,815.03

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 2009 was approximately \$1.78 per \$1,000 of an assessed valuation of \$560,993,682 for a total levy of \$996,899.

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. 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.

	Lending Fund	Receiving Fund	Balance 01/01/09	Loan 2009	Repayment 2009	Balance 12/31/09
2008	Wastewater	Stormwater	\$100,000		20,000	\$80,000
2008	Wastewater	CIP-Police S/W	\$200,000		40,000	\$160,000
2009	Wastewater	Stormwater	.00	\$50,000		\$50,000
Total			\$300,000	\$50,000	\$60,000	\$290,000

NOTE 6 – LONG-TERM DEBT

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

Year	Total Principal and Interest	Developer Debt Reimbursement	Net City Debt Principal & Interest
2010	\$1,018,706	\$777,888	\$240,818
2011	\$988,503	\$749,751	\$238,752
2012	\$958,301	\$721,615	\$236,685
2013	\$928,097	\$693,478	\$234,619
2014	\$335,211	\$102,658	\$232,553
2015-2019	\$1,605,660	\$513,291	\$1,092,368
2020-2024	\$1,533,691	\$513,291	\$1,020,400
Total	\$7,368,167	\$4,071,972	\$3,296,195

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. Private developers reimburse the City annually for the City of Tacoma debt payment and covers the payment at 100%. The net city debt costs show the net amount the city pays for debt service. Developer lines of credit cover their portion of the debt service and is reduced each year after their portion of the debt is paid.

**City of Black Diamond
Debt Schedule as of December 2009**

	Original Date of Loan	Year of Final Payment	Amount Borrowed	Interest Rate	Purpose of Loan	Principal Only Debt Balance as of 12/31/09
Water Fund Debt						
1) PW Trust Loan 5 95 791 ELP 061	1995	2015	\$200,000	5%	Emergency Water Repair	\$63,900
2) PW Trust Loan 02 691 005	2006	2022	\$180,000	0.5%	Corrosion Control	\$146,250
3) PW Trust Loan 4 691 006	2005	2025	\$5,447,820 *	0.5%	\$3,407,063 - 500 mg Tacoma Water \$2,040,757 - Reservoir Pump & Waterline * Developer reimburses \$2,053,160 at \$102,658 per year plus interest for 20 yrs. Letter of Credit held for security	\$4,432,329
4) City of Tacoma Water Department	2004	2013	\$11,334,510	Prime less 2%	City & Partners purchased 1,712,000 GPD WTR ** Partner owes all the balance and pays \$562,730 plus interest each yr. Letter of Credit held for security	\$2,249,988 **
Total Water Debt (principal only)			\$17,162,330			\$6,892,467
Total Developer Responsibility					Loan 3	(\$1,404,253)
					Loan 4	(\$2,250,920)
NET CITY DEBT (Principal Debt Only)						\$3,237,294

NOTE 7 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in PERS 1, 2 or 3, or LEOFF 1 and 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.

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 reduced in April 2009 due to the fragile economy. 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

A rate study in 2008 concluded with City Council passing Ordinance 08-879 adopting increased water rates by 15% plus increasing usage rates to a tier system to encourage water conservation. The rate increase took effect with the first billing in January.

Ordinance 09-926 authorized a pass-through rate for Soos Creek's Water and Sewer District customers beginning with the first billing in 2010. The City's share of rate was not increased. The City Council approved a Lifeline Utility Discount Program for low income qualifying seniors and disabled residents beginning in June 2009. This allowed a 50% discount on the City share of water, sewer and stormwater. This program will help to alleviate the impact of the increased rates for those residents on modest and fixed incomes.

YARROW BAY 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.

In May of 2009 YarrowBay filed two Master Planned Development (MPD) applications with the City; one for The Villages consisting of approximately 4,800 homes on 1,200 acres including $\frac{3}{4}$ million square feet of commercial space, and the second for Lawson Hills which consists of approximately 1,250 homes on 371 acres including 390,00 square feet of commercial space. Publication of the Final Environmental Impact Statements(FEISs) for the two proposed MPDs was December 11, 2009. The next steps in the process will be the open record hearings before the Hearing Examiner followed by the closed record hearings conducted by the City Council as Council will have final action on the proposed applications. We anticipate these final steps to happen with in the first two quarters of 2010

City of Black Diamond
SCHEDULE OF LONG TERM LIABILITY
For the Year Ended December 31, 2010

ID No.	Description	Beginning Outstanding Debt 01/01/10	Additions	Reductions	BARS Code for Redemption	Ending Balance Debt 12/31/10
	General Government					
259.12	Compensated Absences		\$220,186			\$220,186
Total	General Government		\$220,186			\$220,186
	Water Utility Fund					
263.82	Issued in 1995 for \$200,000-State PWFT Loan 595 791-elp 061 for Water repairs	\$63,900		\$10,650	582.34.72.02	\$53,250
263.82	Loan from City of Tacoma in 2003 for \$11,334,510 to purchase water	\$2,249,988		\$562,730	582.34.72.04	\$1,687,258
263.82	PW Trust Loan 02 691 005 for \$5,447,820 in 2005 to purchase water and intertie system development	\$4,432,329		\$295,488	582.34.72.00	\$4,136,841
263.82	PW Trust Loan 5 691 005 for 180,000 in 2006 for Corrosion Control	\$146,250		\$11,250	582.34.72.03	\$135,000
259.12	Compensated Absences		\$14,727			\$14,727
Total	Water Utility Fund	\$6,892,467	\$14,727	\$880,118		\$6,027,076
	Wastewater Utility Fund					
259.12	Compensated Absences		\$14,727			\$14,727
Total	Wastewater Utility Fund	\$6,892,467	\$14,727			\$14,727
	Stormwater Utility Fund					
259.12	Compensated Absences		\$14,727			\$14,727
Total	Stormwater Utility Fund		\$14,727			\$14,727
TOTAL	ALL FUNDS	\$13,784,934	\$264,367	\$880,118	\$0	\$6,276,716

City of Black Diamond
SCHEDULE OF LONG TERM DEBT
For the Year Ended December 31, 2009

X Other
 G.O. Debt
 X Revenue Debt
 Assessment Debt

ID No.	Date of Original Issuance	Date of Maturity	Beginning Outstanding Debt 01/01/08	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/08
263.82	7/8/1995	7/1/2016	\$74,550	0	382. 381. 393.		\$10,650	582.34.72.02.00	401	\$63,900
263.82	8/1/2003	8/1/2013	\$2,812,718	0	382. 381. 393.		\$562,730	582.34.72.04.00	401	\$2,249,988
263.82	9/19/2005	7/1/2025	\$4,727,817	0	382. 381. 393.		\$295,488	582.34.72.00.00	401	\$4,432,329
263.82	11/1/2006	7/1/2024	\$157,500	0	382. 381. 393.		\$11,250	582.34.72.03.00	401	\$146,250
Totals			\$7,772,585	0			\$880,118			\$6,892,467

Note: The December 31, 2008 reported an Ending Balance of \$2,813,650 had a math error of \$932 and should have been \$2,812,718



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.

Our mission is to 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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Deputy Chief of Staff
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