

ANNUAL REPORT CERTIFICATION

City of Black Diamond

0379

MCAG No.

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the Fiscal Year Ended **December 31, 2012**

GOVERNMENT INFORMATION:

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PREPARER INFORMATION and CERTIFICATION:

Preparer Name and Title May Miller, Finance Director

Contact Phone Number 360.886-5700

Contact E-mail Address mmiller@ci.blackdiamond.wa.us

I do hereby certify this 28th day of May, 2012, that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification.

Moreover, I acknowledge and understand that management and the governing body are responsible for:

- The design and implementation of policies and procedures to safeguard public resources and ensure compliance with applicable laws and regulations, including internal controls to prevent and detect fraud.
- Compliance with applicable state and local laws and regulations.
- Immediately submitting corrected annual report information if any error in submitted information is subsequently identified.

Preparer Signature: _____


May Miller, Finance Director

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.

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
10-15 Years	18	216 hours
16-19 Years	21	252 hours
Over 20 Years	24	288 hours

** The Mayor may adjust maximum accruals during periods when furlough hours are used to help balance the Budget*

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				
Total Compensated Absences	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.

l. 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 purposes 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 purposes. 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.t

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
SCHEDULE OF LONG TERM LIABILITY
For the Year Ended December 31, 2012

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	\$193,641	\$402			\$194,043
263.91	Leoff 1 Retiree Liability	\$376,047		\$22,120		\$353,927
Total	General Government	\$569,688	\$402	\$22,120		\$547,970
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	Water Utility Fund	\$5,145,643	\$823	\$880,118		\$4,266,348
Sewer Utility Fund						
259.11	Compensated Absences	\$13,411	\$823			\$14,234
Total	Sewer Utility Fund	\$13,411	\$823			\$14,234
Stormwater Utility Fund						
259.11	Compensated Absences	\$13,411	\$823			\$14,234
Total	Stormwater Utility Fund	\$13,411	\$823			\$14,234
TOTAL	ALL FUNDS	\$5,742,153	\$2,871	\$902,238		\$4,842,786

The Accompanying Notes Are An Integral Part Of This Schedule.

Schedule of Limitation of Indebtedness**As of December 31, 2012****Total Taxable Property Value** 536,580,666.00**General Purpose**

2.5% General purpose limit is allocated between:		\$13,414,516.65
Up to 1.5% debt without a vote		\$8,048,709.99
Less: Outstanding Debt	\$	
Contracts Payable	\$	
Excess of Debt with a vote	\$	
Gen Gov't Comp. Absences	\$	(\$236,745.00)
Warrants Payable		(\$8,802.00)
Add: Available assets	\$	
Equals remaining debt capacity without a vote		\$7,803,162.99
1.0% General purpose debt with a vote		\$5,365,806.66
Less: Outstanding Debt	\$	
Contracts Payable	\$	
Add: Available assets	\$	
Equals remaining debt capacity with a vote		\$5,365,806.66

Utility Purpose

2.5% Utility purpose limit, voted		\$13,414,516.65
Less: Outstanding Debt	\$	
Contracts Payable	\$	
Add: Available Assets	\$	
Equals remaining debt capacity- Utility purpose, voted		\$13,414,516.65

Open Space, Park and Capital Facilities

2.5% Open Space, park & capital facilities, voted		\$13,414,516.65
Less: Outstanding Debt		
Contracts Payable		
Add: Available Assets		
Equals remaining debt capacity - Open space, park & capital facilities voted		\$13,414,516.65

City of Black Diamond

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH
TRANSACTIONS

For the Year Ended December 31, 2012

BARS CODE			Total for	001	101	310	320	401	407	410	510
			All Funds 1/	CURRENT EXPENSE FUND	CITY STREET FUND	CIP FUND GENERAL GOVERNMENT	CIP FUND- STREETS	WATER FUND	SEWER FUND	STORMWATER FUND	INTERNAL SERVICE FUND
			Total Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount
Beginning											
308.10	Reserved		\$1,141,094.12	\$0.00	\$328,144.63	\$325,164.48	\$487,785.01	\$0.00	\$0.00	\$0.00	\$0.00
308.80	Unreserved		\$2,949,311.05	\$921,213.52	\$0.00	\$250,304.28	\$170,634.60	\$533,183.28	\$846,934.70	\$57,827.09	\$169,213.58
388.80 or 588.80	Prior Period Adjustments		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Revenues and											
310	Taxes		\$2,278,249.67	\$2,191,337.88	\$0.00	\$43,455.91	\$43,455.88	\$0.00	\$0.00	\$0.00	\$0.00
320	Licenses and Permits		\$124,766.91	\$121,116.91	\$3,650.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
330	Intergovernmental		\$638,635.18	\$216,310.76	\$85,007.09	\$22,503.54	\$288,264.79	\$9,143.30	\$0.00	\$17,405.70	\$0.00
340	Charges for Goods		\$2,047,919.09	\$666,359.73	\$0.00	\$0.00	\$0.00	\$457,553.37	\$639,358.90	\$284,647.09	\$0.00
350	Fines and Penalties		\$100,628.79	\$100,628.79	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
360	Miscellaneous		\$1,782,856.19	\$1,513,386.31	\$44,700.69	\$528.65	\$716.15	\$66,498.79	\$70,496.21	\$65,648.32	\$20,881.07
370	Capital Contributions		\$1,116,579.38	\$0.00	\$0.00	\$0.00	\$0.00	\$1,070,463.62	\$44,141.19	\$1,974.57	\$0.00
390	Other Financing		\$244,168.18	\$3,949.16	\$0.00	\$93,500.00	\$25,554.02	\$0.00	\$0.00	\$0.00	\$121,165.00
Total			\$8,333,803.39	\$4,813,089.54	\$133,357.78	\$159,988.10	\$357,990.84	\$1,603,659.08	\$753,996.30	\$369,675.68	\$142,046.07
	Total Resources		\$12,424,208.56	\$5,734,303.06	\$461,502.41	\$735,456.86	\$1,016,410.45	\$2,136,842.36	\$1,600,931.00	\$427,502.77	\$311,259.65
Operating											
510	General Government		\$1,261,430.09	\$1,261,430.09	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
520	Public Safety		\$2,193,959.22	\$2,193,959.22	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
530	Physical Environment		\$1,639,801.26	\$226,747.86	\$0.00	\$0.00	\$0.00	\$384,793.07	\$741,122.78	\$287,137.55	\$0.00
540	Transportation		\$170,902.37	\$0.00	\$168,918.13	\$1,984.24	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
550	Economic		\$984,808.41	\$973,226.60	\$0.00	\$11,581.81	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
560	Mental and Physical		\$895.05	\$895.05	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
570	Culture and		\$67,030.70	\$67,030.70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Total Operating		\$6,318,827.10	\$4,723,289.52	\$168,918.13	\$13,566.05	\$0.00	\$384,793.07	\$741,122.78	\$287,137.55	\$0.00
591-593	Debt Service		\$39,423.77	\$0.00	\$0.00	\$800.00	\$0.00	\$37,863.77	\$0.00	\$760.00	\$0.00
594-595	Capital Outlay		\$776,939.20	\$46,659.55	\$0.00	\$54,396.09	\$412,214.38	\$39,473.03	\$5,266.48	\$70,420.13	\$148,509.54
	Total Expenditures		\$7,135,190.07	\$4,769,949.07	\$168,918.13	\$68,762.14	\$412,214.38	\$462,129.87	\$746,389.26	\$358,317.68	\$148,509.54
596-599	Other Financing Uses		\$234,665.00	\$0.00	\$30,000.00	\$81,165.00	\$93,500.00	\$10,000.00	\$10,000.00	\$10,000.00	\$0.00
Total			\$7,369,855.07	\$4,769,949.07	\$198,918.13	\$149,927.14	\$505,714.38	\$472,129.87	\$756,389.26	\$368,317.68	\$148,509.54
Excess			\$5,054,353.49	\$964,353.99	\$262,584.28	\$585,529.72	\$510,696.07	\$1,664,712.49	\$844,541.74	\$59,185.09	\$162,750.11
380	Nonrevenues (Except		\$116,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$116,000.00	\$0.00	\$0.00
580	Nonexpenditures		\$1,310,162.09	\$305,317.56	\$0.00	\$40,000.00	\$0.00	\$932,594.53	\$2,250.00	\$30,000.00	\$0.00
Ending Cash											
508.10	Reserved		\$382,594.79	\$0.00	\$262,584.28	\$0.00	\$0.00	\$120,010.51	\$0.00	\$0.00	\$0.00
508.80	Unreserved		\$3,477,596.61	\$659,036.43	\$0.00	\$545,529.72	\$510,696.07	\$612,107.45	\$958,291.74	\$29,185.09	\$162,750.11

1/ This column
The

City of Black Diamond (Utilities)

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

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

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

The Accompanying Notes Are An Integral Part Of This Statement.

SCHEDULE OF DISBURSEMENT ACTIVITY**For the Year Ending December 31, 2012**

Fund No.	Fund Title	Beginning Outstanding Items 01/01/2012	Issued During the Year	Redeemed During the Year	Canceled During the Year	Ending Outstanding Items 12/31/2012	Prior Year Open Period Items	Current Year Open Period Items	Disbursements 12/31/2012
001	CURRENT EXPENSE FUND	\$157,951	\$5,627,539	\$5,591,595	\$0	\$193,895	\$0	\$0	\$5,627,539
101	CITY STREET FUND	\$7,505	\$158,152	\$159,818	\$0	\$5,839	\$0	\$0	\$158,152
310	CIP FUND GENERAL GOVERNMENT	\$10,372	\$67,606	\$77,073	\$0	\$904	\$0	\$0	\$67,606
320	CIP FUND-STREETS	\$1,032	\$412,328	\$401,057	\$0	\$12,303	\$0	\$0	\$412,328
401	WATER FUND	\$12,717	\$1,289,085	\$1,281,683	\$0	\$20,119	\$0	\$0	\$1,289,085
407	SEWER FUND	\$9,958	\$679,483	\$677,683	\$0	\$11,758	\$0	\$0	\$679,483
410	STORMWATER FUND	\$15,609	\$309,206	\$284,925	\$0	\$39,889	\$0	\$0	\$309,206
510	INTERNAL SERVICE FUND	\$0	\$147,386	\$144,602	\$0	\$2,784	\$0	\$0	\$147,386
631	PAYROLL CLEARING FUND	\$362	\$0	\$0	\$0	\$362	\$0	\$0	\$0
632	CLAIMS CLEARING FUND	\$7,835	\$0	\$0	\$0	\$7,835	\$0	\$0	\$0
633	TREASURER'S TRUST FUND	\$330	\$105,459	\$100,484	\$0	\$5,305	\$0	\$0	\$105,459
634	TREASURER'S TRUST-RETAINAGE	\$1,650	\$8,992	\$10,642	\$0	\$0	\$0	\$0	\$8,992
635	TREASURER'S TRUST-COURT	\$0	\$194,575	\$194,575	\$0	\$0	\$0	\$0	\$194,575
TOTAL		\$225,320	\$8,999,811	\$8,924,138	\$0	\$300,994	\$0	\$0	\$8,999,811

City of Black Diamond (Utilities)

SCHEDULE OF CASH ACTIVITY

For the Year Ended December 31, 2012

Fund Number	Fund Title	Beginning Cash and Investments	Receipts	Transfers-In	Other Revenue	Netted Transactions	Total Increase (4+5+6-7)	Disbursements	Transfers-Out	Other Expenditures	Total Decrease (9+10+11-7)	Ending Cash & Investments (3+8-12)
001	CURRENT EXPENSE FUND	\$921,213.52	\$5,184,212.17	\$0.00	\$309,827.65	\$660,584.69	\$4,833,455.13	\$5,627,538.56	\$0.00	\$128,678.35	\$5,095,632.22	\$659,036.43
101	CITY STREET FUND	\$328,144.63	\$133,707.78	\$0.00	\$0.00	\$350.00	\$133,357.78	\$158,151.85	\$30,000.00	\$11,116.28	\$198,918.13	\$262,584.28
310	CIP FUND GENERAL GOVERNMENT	\$575,468.76	\$66,573.32	\$93,500.00	\$0.00	\$0.00	\$160,073.32	\$67,605.94	\$81,165.00	\$41,241.42	\$190,012.36	\$545,529.72
320	CIP FUND-STREETS	\$658,419.61	\$338,189.84	\$20,000.00	\$68,544.82	\$139.82	\$426,594.84	\$412,327.70	\$93,500.00	\$68,630.50	\$574,318.38	\$510,696.07
401	WATER FUND	\$533,183.28	\$1,606,823.27	\$0.00	\$3,031.70	\$6,195.89	\$1,603,659.08	\$1,289,084.84	\$10,000.00	\$111,835.45	\$1,404,724.40	\$732,117.96
407	SEWER FUND	\$846,934.70	\$752,358.42	\$0.00	\$119,400.00	\$1,762.12	\$869,996.30	\$679,482.87	\$10,000.00	\$70,918.51	\$758,639.26	\$958,291.74
410	STORMWATER FUND	\$57,827.09	\$371,662.68	\$0.00	\$1,813.26	\$1,987.00	\$371,488.94	\$309,206.12	\$10,000.00	\$82,911.82	\$400,130.94	\$29,185.09
510	INTERNAL SERVICE FUND	\$169,213.58	\$14,806.07	\$121,165.00	\$6,075.00	\$0.00	\$142,046.07	\$147,386.44	\$0.00	\$1,123.10	\$148,509.54	\$162,750.11
631	PAYROLL CLEARING FUND	\$362.24	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$362.24
632	CLAIMS CLEARING FUND	\$7,834.89	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$7,834.89
633	TREASURER'S TRUST FUND	\$16,859.77	\$90,143.72	\$0.00	\$7,763.00	\$84.40	\$97,822.32	\$105,459.34	\$0.00	\$0.00	\$105,374.94	\$9,307.15
634	TREASURER'S TRUST-RETAINAGE	\$0.00	\$31,773.28	\$0.00	\$0.00	\$0.00	\$31,773.28	\$8,992.08	\$0.00	\$0.00	\$8,992.08	\$22,781.20
635	TREASURER'S TRUST-COURT	\$0.00	\$196,575.25	\$0.00	\$0.00	\$0.00	\$196,575.25	\$194,575.25	\$0.00	\$0.00	\$194,575.25	\$2,000.00
TOTAL		\$4,115,462.07	\$8,786,825.80	\$234,665.00	\$516,455.43	\$671,103.92	\$8,866,842.31	\$8,999,810.99	\$234,665.00	\$516,455.43	\$9,079,827.50	\$3,902,476.88

City of Black Diamond

SCHEDULE OF INVESTMENT ACTIVITY - ALL FUNDS

For the Year Ended December 31, 2012

Fund Number	Description	Beginning Investment Balance	Investment (At Cost)		Reinvested Interest	Ending Balance
			Acquired	Liquidated		
001	CURRENT EXPENSE FUND	\$646,929.55	\$311,229.74	\$312,777.10	\$2,275.03	\$647,657.22
101	CITY STREET FUND	\$327,214.56	\$0.00	\$67,000.00	\$554.49	\$260,769.05
104	REET I FUND	\$312,798.96	\$15,000.00	\$80,000.00	\$528.65	\$248,327.61
105	REET II FUND	\$480,254.96	\$0.00	\$175,000.00	\$716.15	\$305,971.11
122	CRIMINAL JUSTICE FUND	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
310	CIP FUND GENERAL GOVERNMENT	\$245,928.63	\$75,000.00	\$62,000.00	\$85.22	\$259,013.85
320	CIP FUND-STREETS	\$169,841.79	\$110,000.00	\$105,000.00	\$59.18	\$174,900.97
401	WATER FUND	\$77,217.18	\$25,000.00	\$41,000.00	\$121.66	\$61,338.84
402	WATER WSFFA FUND	\$19,004.37	\$66,000.00	\$0.00	\$76.84	\$85,081.21
404	WATER CAPITAL PROJECT FUND	\$391,142.55	\$250,000.00	\$141,000.00	\$742.29	\$500,884.84
407	SEWER FUND	\$42,975.23	\$0.00	\$0.00	\$84.20	\$43,059.43
408	SEWER CAPITAL PROJECT FUND	\$759,542.66	\$130,000.00	\$50,000.00	\$1,454.01	\$840,996.67
410	STORMWATER FUND	\$48,656.13	\$0.00	\$25,000.00	\$90.32	\$23,746.45
510	INTERNAL SERVICE FUND	\$98,416.40	\$125,000.00	\$70,000.00	\$330.99	\$153,747.39
631	PAYROLL CLEARING FUND	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
632	CLAIMS CLEARING FUND	\$7,000.00	\$0.00	\$0.00	\$0.00	\$7,000.00
633	TREASURER'S TRUST FUND	\$9,500.00	\$0.00	\$1,229.74	\$0.00	\$8,270.26
634	TREASURER'S TRUST-RETAINAGE	\$0.00	\$22,777.10	\$0.00	\$4.10	\$22,781.20
TOTAL		\$3,636,422.97	\$1,130,006.84	\$1,130,006.84	\$7,123.13	\$3,643,546.10

CITY OF BLACK DIAMOND

SCHEDULE 15: FEDERAL GRANT AWARDS

CFDA #	Federal Agency Name	Federal Program Name	Pass-Through Agency Name	Other Award I.D. Number	ARRA	Total	Footnote Ref.
16.607	Department of Justice	Bulletproof Vest Partnership		OMB #1121-0235		\$419.00	1,2
14.218	Dept of Housing and Urban Development	Community Development Block Grant	King County	C12226-1111374		\$36,293.20	1
20.600	Dept of Transportation/NHTSA	State and Community Highway Safety/Traffic Safety Equip Grant	Wa Assoc of Sheriffs and Police Chiefs			\$742.00	1
20.601	Dept of Transportation/NHTSA	Alcohol Impaired Driving Countermeasures Incentive Grants I	Wa Traffic Safety Commission			\$492.00	1
20.602	Dept of Transportation/NHTSA	Occupant Protection Incentive Grants	Wa Traffic Safety Commission			\$738.00	1
97.012	US Dept of Homeland Security	US Coast Guard Disaster Grants-Public	Marine Law Enforcement Boating Programs	Agree # LE 911-395		\$30,424.00	1
97.036	US Dept of Homeland Security	Assistance	FEMA	033-6330-00		\$84,475.00	1

FOOTNOTES FOLLOW

BLACK DIAMOND, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

Note 1 is required for all entities. Disclose other notes only if applicable to your circumstances.

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the Cash Basis of Accounting pursuant to Washington State Law and BARS compliance.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City portion, are more than shown.

CITY OF BLACK DIAMOND

State Agency BARS Account

Grantor

WASHINGTON STATE GRANT AWARDS

Program Title

Identification #

Amount

3340310

Department of Ecology

Comp Shoreline Master Prog
Update

G1000014

11,537

3340310

Department of Ecology
Transportation Improvement

Phase II Stormwater Pass-
Through Grant

G1000211

70,420

3340380

Board

Robert's Drive Sidewalk
Project

2-P-800(004)-1

224,904

**Labor Relations Consultant(S)
For the Year Ended December 31, 2012**

Has your government engaged labor relations consultants? Yes ___ No

If yes, please provide the following information for each consultant:

Name of firm: Kenyon Disend, PLLC
Name of consultant: Chris Bacha and Bruce Disend
Business address: 11 Front Street Issaquah, WA 98027-3820
Amount paid to consultant during fiscal year: \$ 3,589.30
Terms and conditions, as applicable, including: Rates (e.g., hourly, etc.) \$235.00/hour and \$270.00/hour Maximum compensation allowed: \$3,600.00 Duration of services: Throughout 2012 Services provided: Police Guild communication and negotiation

**LOCAL GOVERNMENT RISK-ASSUMPTION
For the Year Ended December 31, 2012**

Program Manager: Brenda Martinez

Address: PO Box 599
Black Diamond, WA 98010

Phone: (360) 886-5700

Email: bmartinez@ci.blackdiamond.wa.us

- 1. NO Does the entity self-insure for any class of risk, including liability, property, health and welfare, unemployment compensation, workers' compensation? (yes/no)

If NO, STOP, you do not need to complete the rest of this Schedule.

If YES, continue below.

- a. Which class of risk does the entity self-insure? Check all that apply.
 - i. Liability
 - ii. Property
 - iii. Health and Welfare (medical, vision, dental, prescription)
 - iv. Unemployment Compensation
 - v. Workers' Compensation
 - vi. Other - please describe: _____
- b. Does the entity self-insure as an individual program? (yes/no)
 - i. If answered YES, does the entity allow another separate legal entity into its self-insurance program(s)? (yes/no) For example, employees of a different organization participate in a health and welfare program of a city.
If so, list the entity or entities: _____
- c. Does the entity self-insure as a joint program? (yes/no)
 - i. If answered YES, list the other member(s): _____

2. ____ Does the entity administer its own claims? (yes/no)
3. ____ Does the entity contract with a third party administrator for claims administration? (yes/no)
4. ____ Did the entity receive a claims audit in the last three years, regardless of who administered the claims? (yes/no)
5. ____ Were the program's revenues sufficient to cover the program's expenses? (yes/no)
6. ____ Did the program use an actuary to determine its liabilities? (yes/no)

EXAMPLE

Description of Risk Type	Number of claims received during the period	Number of claims paid during the period	Total amount of claims paid during the period
Liability (automobile)	354	279	\$104,366

Description of Risk Type	Number of claims received during the period	Number of claims paid during the period	Total amount of claims paid during the period