



**Washington State Auditor's Office**

Government that works for citizens

## **Financial Statements Audit Report**

# **City of Black Diamond**

**King County**

**For the period January 1, 2013 through December 31, 2014**

**Published May 31, 2016**

**Report No. 1016814**





## Washington State Auditor's Office

May 31, 2016

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,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of Black Diamond  
King County  
January 1, 2013 through December 31, 2014**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Black Diamond, King County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated May 18, 2016.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **COMPLIANCE AND OTHER MATTERS**

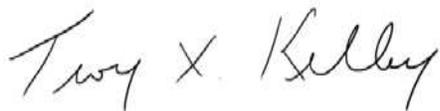
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

May 18, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Black Diamond King County January 1, 2013 through December 31, 2014**

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

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the City of Black Diamond, King County, Washington, for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City of Black Diamond has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System (BARS)* manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the 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, 2014 and 2013, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Black Diamond, as of December 31, 2014 and

2013, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## **Other Matters**

### ***Supplementary and Other Information***

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedule are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

May 18, 2016

## **FINANCIAL SECTION**

**City of Black Diamond  
King County  
January 1, 2013 through December 31, 2014**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2014  
Fund Resources and Uses Arising from Cash Transactions – 2013  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013  
Notes to Financial Statements – 2014  
Notes to Financial Statements – 2013

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2014  
Schedule of Liabilities – 2013

City of Black Diamond  
 FUND RESOURCES AND USES FROM CASH TRANSACTIONS  
 For the Year Ended December 31, 2014

BARS CODE		Total for	001	101
		C4 Funds	CURRENT EXPENSE FUND	CITY STREET FUND
		Total Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	\$257,168.73	\$0.00	\$186,951.79
30880	Beg Fund Bal-Unreserved	\$3,745,092.13	\$943,327.44	\$0.00
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
<b>Operating Revenues</b>				
310	Taxes	\$2,553,066.85	\$2,422,947.96	\$0.00
320	Licenses and Permits	\$149,124.18	\$140,708.18	\$8,416.00
330	Intergovernmental Revenues	\$611,934.63	\$210,451.34	\$86,017.16
340	Charges for Goods and Services	\$2,238,674.17	\$610,530.17	\$2,412.43
350	Fines and Penalties	\$114,777.09	\$114,777.09	\$0.00
360	Miscellaneous Revenues	\$1,452,707.82	\$1,359,749.16	\$18,809.68
<b>Total Operating Revenues:</b>		\$7,120,259.62	\$4,859,163.90	\$115,655.27
<b>Operating Expenditures:</b>				
510	General Government	\$1,352,111.08	\$1,337,148.30	\$0.00
520	Public Safety	\$2,107,455.24	\$2,107,455.24	\$0.00
530	Utilities	\$1,581,010.70	\$32,623.76	\$0.00
540	Transportation	\$219,201.43	\$0.00	\$189,017.66
550	Economic Environment	\$1,193,301.77	\$1,236,755.24	\$0.00
560	Social Services	\$844.83	\$844.83	\$0.00
570	Culture And Recreation	\$50,293.00	\$50,293.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
<b>Total Operating Expenditures:</b>		\$6,504,218.05	\$4,765,120.37	\$189,017.66
<b>Net Operating Increase (Decrease):</b>		\$616,041.57	\$94,043.53	(\$73,362.39)
<b>Nonoperating Revenues</b>				
370,380,395,398	Other Financing Sources	\$307,491.71	\$0.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$269,585.00	\$0.00	\$50,000.00
<b>Total Nonoperating Revenues:</b>		\$577,076.71	\$0.00	\$50,000.00
<b>Nonoperating Expenditures</b>				
580,596,599	Other Financing Uses	\$56,000.00	\$0.00	\$0.00
591-593	Debt Service	\$335,771.78	\$0.00	\$0.00
594-595	Capital Expenditures	\$661,279.68	\$4,743.96	\$0.00
597	Transfers-Out	\$269,585.00	\$0.00	\$10,000.00
<b>Total Nonoperating Expenditures:</b>		\$1,322,636.46	\$4,743.96	\$10,000.00
<b>Increase (Decrease in Cash and Investments)</b>		(\$129,518.18)	\$89,299.57	(\$33,362.39)
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	\$339,853.81	\$0.00	\$153,589.40
50880	End Fund Balance-Unreserved	\$3,532,888.87	\$1,032,627.01	\$0.00

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

BARS CODE		107	310	320
		IMPACT MITIGATION FEE FUND	CIP FUND GENERAL GOVERNMENT	CIP FUND- STREETS
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	\$10,366.05	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$0.00	\$509,526.20	\$436,600.06
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
<b>Operating Revenues</b>				
310	Taxes	\$0.00	\$65,059.46	\$65,059.43
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental Revenues	\$0.00	\$24,836.47	\$289,629.66
340	Charges for Goods and Services	\$18,616.24	(\$25.00)	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous Revenues	\$0.00	\$177.84	\$958.73
<b>Total Operating Revenues:</b>		\$18,616.24	\$90,048.77	\$355,647.82
<b>Operating Expenditures:</b>				
510	General Government	\$0.00	\$13,625.00	\$13,625.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Utilities	\$0.00	\$0.00	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$15,978.20	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$0.00	\$0.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
<b>Total Operating Expenditures:</b>		\$0.00	\$29,603.20	\$13,625.00
<b>Net Operating Increase (Decrease):</b>		\$18,616.24	\$60,445.57	\$342,022.82
<b>Nonoperating Revenues</b>				
370,380,395,398	Other Financing Sources	\$0.00	\$0.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$0.00	\$15,000.00	\$0.00
<b>Total Nonoperating Revenues:</b>		\$0.00	\$15,000.00	\$0.00
<b>Nonoperating Expenditures</b>				
580,596,599	Other Financing Uses	\$0.00	\$0.00	\$0.00
591-593	Debt Service	\$0.00	\$0.00	\$0.00
594-595	Capital Expenditures	\$0.00	\$108,045.14	\$372,390.27
597	Transfers-Out	\$15,366.00	\$89,219.00	\$110,000.00
<b>Total Nonoperating Expenditures:</b>		\$15,366.00	\$197,264.14	\$482,390.27
<b>Increase (Decrease in Cash and Investments)</b>		\$3,250.24	(\$121,818.57)	(\$140,367.45)
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	\$13,616.29	\$0.00	\$0.00
50880	End Fund Balance-Unreserved	\$0.00	\$387,707.63	\$296,232.61

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

BARS CODE		401	407	410
		WATER FUND	SEWER FUND	STORMWATER FUND
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	\$59,850.89	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$567,148.94	\$1,027,539.80	\$81,656.49
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
<b>Operating Revenues</b>				
310	Taxes	\$0.00	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental Revenues	\$0.00	\$0.00	\$0.00
340	Charges for Goods and Services	\$634,043.79	\$708,966.31	\$335,849.12
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous Revenues	\$26,063.96	\$21,235.75	\$18,590.10
<b>Total Operating Revenues:</b>		\$660,107.75	\$730,202.06	\$354,439.22
<b>Operating Expenditures:</b>				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Utilities	\$406,405.39	\$778,449.24	\$320,497.81
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$0.00	\$0.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
<b>Total Operating Expenditures:</b>		\$406,405.39	\$778,449.24	\$320,497.81
<b>Net Operating Increase (Decrease):</b>		\$253,702.36	(\$48,247.18)	\$33,941.41
<b>Nonoperating Revenues</b>				
370,380,395,398	Other Financing Sources	\$243,620.91	\$63,870.80	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$0.00	\$0.00	\$60,000.00
<b>Total Nonoperating Revenues:</b>		\$243,620.91	\$63,870.80	\$60,000.00
<b>Nonoperating Expenditures</b>				
580,596,599	Other Financing Uses	\$46,000.00	\$0.00	\$10,000.00
591-593	Debt Service	\$335,671.78	\$0.00	\$100.00
594-595	Capital Expenditures	\$78,400.10	\$95,229.76	\$39,472.38
597	Transfers-Out	\$15,000.00	\$15,000.00	\$15,000.00
<b>Total Nonoperating Expenditures:</b>		\$475,071.88	\$110,229.76	\$64,572.38
<b>Increase (Decrease in Cash and Investments)</b>		\$22,251.39	(\$94,606.14)	\$29,369.03
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	\$157,282.12	\$0.00	\$0.00
50880	End Fund Balance-Unreserved	\$491,969.10	\$932,933.66	\$111,025.52

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

BARS CODE		510		
		INTERNAL SERVICE FUND		
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	\$0.00	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$179,293.20	\$0.00	\$0.00
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
<b>Operating Revenues</b>				
310	Taxes	\$0.00	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental Revenues	\$1,000.00	\$0.00	\$0.00
340	Charges for Goods and Services	\$0.00	\$0.00	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous Revenues	\$7,097.48	\$0.00	\$0.00
<b>Total Operating Revenues:</b>		<b>\$8,097.48</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Operating Expenditures:</b>				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Utilities	\$0.00	\$0.00	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$0.00	\$0.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
<b>Total Operating Expenditures:</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Net Operating Increase (Decrease):</b>		<b>\$8,097.48</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Nonoperating Revenues</b>				
370,380,395,398	Other Financing Sources	\$0.00	\$0.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$144,585.00	\$0.00	\$0.00
<b>Total Nonoperating Revenues:</b>		<b>\$144,585.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Nonoperating Expenditures</b>				
580,596,599	Other Financing Uses	\$0.00	\$0.00	\$0.00
591-593	Debt Service	\$0.00	\$0.00	\$0.00
594-595	Capital Expenditures	\$36,216.34	\$0.00	\$0.00
597	Transfers-Out	\$0.00	\$0.00	\$0.00
<b>Total Nonoperating Expenditures:</b>		<b>\$36,216.34</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Increase (Decrease in Cash and Investments)</b>		<b>\$116,466.14</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	\$15,366.00	\$0.00	\$0.00
50880	End Fund Balance-Unreserved	\$280,393.34	\$0.00	\$0.00

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

City of Black Diamond  
**FUND RESOURCES AND USES FROM CASH TRANSACTIONS**  
 For the Year Ended December 31, 2013

BARS CODE		Total for	001	101
		All Funds 1/	CURRENT EXPENSE FUND	CITY STREET FUND
		Total Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	\$382,594.79	\$0.00	\$262,584.28
30880	Beg Fund Bal-Unreserved	\$3,477,596.61	\$659,036.43	\$0.00
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
<b>Operating Revenues</b>				
310	Taxes	\$2,446,121.92	\$2,330,263.93	\$0.00
320	Licenses and Permits	\$134,686.56	\$131,603.06	\$3,083.50
330	Intergovernmental Revenues	\$793,701.36	\$222,345.56	\$86,205.83
340	Charges for Goods and Services	\$2,052,227.93	\$548,474.22	\$8,033.38
350	Fines and Penalties	\$109,825.59	\$109,825.59	\$0.00
360	Miscellaneous Revenues	\$1,599,897.90	\$1,435,168.80	\$37,048.36
<b>Total Operating Revenues:</b>		\$7,136,461.26	\$4,777,681.16	\$134,371.07
<b>Operating Expenditures:</b>				
510	General Government	\$1,224,385.41	\$1,224,385.41	\$0.00
520	Public Safety	\$2,004,541.50	\$2,004,541.50	\$0.00
530	Utilities	\$1,477,010.88	\$30,694.02	\$0.00
540	Transportation	\$200,003.56	\$0.00	\$200,003.56
550	Economic Environment	\$1,193,550.72	\$1,180,725.27	\$0.00
560	Social Services	\$939.11	\$939.11	\$0.00
570	Culture And Recreation	\$46,394.21	\$46,394.21	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
<b>Total Operating Expenditures:</b>		\$6,146,825.39	\$4,487,679.52	\$200,003.56
<b>Net Operating Increase (Decrease):</b>		\$989,635.87	\$290,001.64	(\$65,632.49)
<b>Nonoperating Revenues</b>				
370,380,395,398	Other Financing Sources	\$829,898.87	\$0.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$112,200.00	\$0.00	\$0.00
<b>Total Nonoperating Revenues:</b>		\$942,098.87	\$0.00	\$0.00
<b>Nonoperating Expenditures</b>				
580,596,599	Other Financing Uses	\$116,000.00	\$0.00	\$0.00
591-593	Debt Service	\$907,390.59	\$0.00	\$0.00
594-595	Capital Expenditures	\$654,074.69	\$5,710.63	\$0.00
597	Transfers-Out	\$112,200.00	\$0.00	\$10,000.00
<b>Total Nonoperating Expenditures:</b>		\$1,789,665.28	\$5,710.63	\$10,000.00
<b>Increase (Decrease in Cash and Investments)</b>		\$142,069.46	\$284,291.01	(\$75,632.49)
<b>Ending Cash and Investments</b>				

The accompanying notes are an integral part of these statements

50810	End Fund Bal-Reserved	\$257,168.73	\$0.00	\$186,951.79
50880	End Fund Balance-Unreserved	\$3,745,092.13	\$943,327.44	\$0.00
BARS CODE		107	310	320
		IMPACT MITIGATION FEE FUND	CIP FUND GENERAL GOVERNMENT	CIP FUND- STREETS
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	\$0.00	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$0.00	\$545,529.72	\$510,696.07
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
<b>Operating Revenues</b>				
310	Taxes	\$0.00	\$57,928.99	\$57,929.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental Revenues	\$0.00	\$11,563.61	\$213,558.92
340	Charges for Goods and Services	\$10,366.05	\$0.00	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous Revenues	\$0.00	\$380.70	\$453.43
<b>Total Operating Revenues:</b>		<b>\$10,366.05</b>	<b>\$69,873.30</b>	<b>\$271,941.35</b>
<b>Operating Expenditures:</b>				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Utilities	\$0.00	\$0.00	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$12,825.45	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$0.00	\$0.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
<b>Total Operating Expenditures:</b>		<b>\$0.00</b>	<b>\$12,825.45</b>	<b>\$0.00</b>
<b>Net Operating Increase (Decrease):</b>		<b>\$10,366.05</b>	<b>\$57,047.85</b>	<b>\$271,941.35</b>
<b>Nonoperating Revenues</b>				
370,380,395,398	Other Financing Sources	\$0.00	\$0.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$0.00	\$0.00	\$0.00
<b>Total Nonoperating Revenues:</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Nonoperating Expenditures</b>				
580,596,599	Other Financing Uses	\$0.00	\$40,000.00	\$0.00
591-593	Debt Service	\$0.00	\$64.00	\$0.00
594-595	Capital Expenditures	\$0.00	\$42,987.37	\$283,837.36
597	Transfers-Out	\$0.00	\$10,000.00	\$62,200.00
<b>Total Nonoperating Expenditures:</b>		<b>\$0.00</b>	<b>\$93,051.37</b>	<b>\$346,037.36</b>

The accompanying notes are an integral part of these statements

<b>Increase (Decrease in Cash and Investments)</b>		\$10,366.05	(\$36,003.52)	(\$74,096.01)
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	\$10,366.05	\$0.00	\$0.00
50880	End Fund Balance-Unreserved	\$0.00	\$509,526.20	\$436,600.06
<b>BARS CODE</b>		<b>401</b>	<b>407</b>	<b>410</b>
		<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>STORMWATER FUND</b>
		<b>Actual Amount</b>	<b>Actual Amount</b>	<b>Actual Amount</b>
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	\$120,010.51	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$612,107.45	\$958,291.74	\$29,185.09
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
<b>Operating Revenues</b>				
310	Taxes	\$0.00	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental Revenues	\$146,856.70	\$0.00	\$113,170.74
340	Charges for Goods and Services	\$487,073.06	\$700,353.16	\$297,928.06
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous Revenues	\$40,413.46	\$40,103.48	\$41,780.66
<b>Total Operating Revenues:</b>		\$674,343.22	\$740,456.64	\$452,879.46
<b>Operating Expenditures:</b>				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Utilities	\$368,471.96	\$777,657.15	\$300,187.75
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$0.00	\$0.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
<b>Total Operating Expenditures:</b>		\$368,471.96	\$777,657.15	\$300,187.75
<b>Net Operating Increase (Decrease):</b>		\$305,871.26	(\$37,200.51)	\$152,691.71
<b>Nonoperating Revenues</b>				
370,380,395,398	Other Financing Sources	\$707,498.87	\$122,400.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$62,200.00	\$0.00	\$0.00
<b>Total Nonoperating Revenues:</b>		\$769,698.87	\$122,400.00	\$0.00
<b>Nonoperating Expenditures</b>				
580,596,599	Other Financing Uses	\$46,000.00	\$0.00	\$30,000.00
591-593	Debt Service	\$907,262.59	\$0.00	\$64.00
594-595	Capital Expenditures	\$217,425.67	\$5,951.43	\$60,156.31
597	Transfers-Out	\$10,000.00	\$10,000.00	\$10,000.00
<b>Total Nonoperating Expenditures:</b>		\$1,180,688.26	\$15,951.43	\$100,220.31
<b>Increase (Decrease in Cash and Investments)</b>		(\$105,118.13)	\$69,248.06	\$52,471.40
<b>Ending Cash and Investments</b>				

The accompanying notes are an integral part of these statements

50810	End Fund Bal-Reserved	\$59,850.89	\$0.00	\$0.00
50880	End Fund Balance-Unreserved	\$567,148.94	\$1,027,539.80	\$81,656.49
<b>BARS</b>		<b>510</b>		
<b>CODE</b>		<b>INTERNAL SERVICE FUND</b>		
		<b>Actual Amount</b>	<b>Actual Amount</b>	<b>Actual Amount</b>
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	\$0.00	\$0.00	\$0.00
30880	Beg Fund Bal-Unreserved	\$162,750.11	\$0.00	\$0.00
38880/58880	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00
<b>Operating Revenues</b>				
310	Taxes	\$0.00	\$0.00	\$0.00
320	Licenses and Permits	\$0.00	\$0.00	\$0.00
330	Intergovernmental Revenues	\$0.00	\$0.00	\$0.00
340	Charges for Goods and Services	\$0.00	\$0.00	\$0.00
350	Fines and Penalties	\$0.00	\$0.00	\$0.00
360	Miscellaneous Revenues	\$4,549.01	\$0.00	\$0.00
<b>Total Operating Revenues:</b>		\$4,549.01	\$0.00	\$0.00
<b>Operating Expenditures:</b>				
510	General Government	\$0.00	\$0.00	\$0.00
520	Public Safety	\$0.00	\$0.00	\$0.00
530	Utilities	\$0.00	\$0.00	\$0.00
540	Transportation	\$0.00	\$0.00	\$0.00
550	Economic Environment	\$0.00	\$0.00	\$0.00
560	Social Services	\$0.00	\$0.00	\$0.00
570	Culture And Recreation	\$0.00	\$0.00	\$0.00
598	Intergovernmental Payments	\$0.00	\$0.00	\$0.00
<b>Total Operating Expenditures:</b>		\$0.00	\$0.00	\$0.00
<b>Net Operating Increase (Decrease):</b>		\$4,549.01	\$0.00	\$0.00
<b>Nonoperating Revenues</b>				
370,380,395,398	Other Financing Sources	\$0.00	\$0.00	\$0.00
391-393	Debt Proceeds	\$0.00	\$0.00	\$0.00
397	Transfers-In	\$50,000.00	\$0.00	\$0.00
<b>Total Nonoperating Revenues:</b>		\$50,000.00	\$0.00	\$0.00
<b>Nonoperating Expenditures</b>				
580,596,599	Other Financing Uses	\$0.00	\$0.00	\$0.00
591-593	Debt Service	\$0.00	\$0.00	\$0.00
594-595	Capital Expenditures	\$38,005.92	\$0.00	\$0.00
597	Transfers-Out	\$0.00	\$0.00	\$0.00
<b>Total Nonoperating Expenditures:</b>		\$38,005.92	\$0.00	\$0.00
<b>Increase (Decrease in Cash and Investments)</b>		\$16,543.09	\$0.00	\$0.00
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	\$0.00	\$0.00	\$0.00
50880	End Fund Balance-Unreserved	\$179,293.20	\$0.00	\$0.00

The accompanying notes are an integral part of these statements

City of Black Diamond

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2014

BARS Code		Total for	631	632	633	634	635
		New Fund	PAYROLL CLEARING FUND	CLAIMS CLEARING FUND	TREASURER'S TRUST FUND	TREASURER'S TRUST-RETAINAGE	TREASURER'S TRUST-COURT
308	Beginning Cash and	\$53,141.96	\$362.24	\$7,834.89	\$8,461.15	\$33,544.93	\$2,938.75
388 and 588	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
310-360	Revenues	\$25.12	\$0.00	\$0.00	\$0.00	\$25.12	\$0.00
380-390	Other Increases and Financing	\$502,084.77	\$0.00	\$0.00	\$266,027.60	\$857.63	\$235,199.54
510-570	Expenditures	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
580-590	Other Decreases and Financing	\$516,410.94	\$0.00	\$0.00	\$266,919.19	\$11,670.81	\$237,820.94
Increase (Decrease) in Cash and Investments		(\$14,301.05)	\$0.00	\$0.00	(\$891.59)	(\$10,788.06)	(\$2,621.40)
508	Ending Cash and Investments	\$38,840.91	\$362.24	\$7,834.89	\$7,569.56	\$22,756.87	\$317.35

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, 2013

BARS Code		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
308	Beginning Cash and Investments	\$42,285.48	\$362.24	\$7,834.89	\$9,307.15	\$22,781.20	\$2,000.00
388 and 588	Prior Period Adjustments, net	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
310-360	Revenues	\$41.21	\$0.00	\$0.00	\$0.00	\$41.21	\$0.00
380-390	Other Increases and Financing Sources	\$393,670.64	\$0.00	\$0.00	\$156,319.53	\$14,141.55	\$223,209.56
510-570	Expenditures	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
580-590	Other Decreases and Financing Uses	\$382,855.37	\$0.00	\$0.00	\$157,165.53	\$3,419.03	\$222,270.81
	Increase (Decrease) in Cash and Investments	\$10,856.48	\$0.00	\$0.00	(\$846.00)	\$10,763.73	\$938.75
508	Ending Cash and Investments	\$53,141.96	\$362.24	\$7,834.89	\$8,461.15	\$33,544.93	\$2,938.75

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

# Notes to Financials for 2014

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## **Note 1 - Summary of Significant Accounting Policies**

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 reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds types are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

### A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund type is reported as a separate column in the financial statements. The following fund types are used:

#### GOVERNMENTAL FUND TYPES:

##### General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

##### Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

##### Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

# Notes to Financials for 2014

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## Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

## 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.

## PROPRIETARY FUND TYPES:

### Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

## FIDUCIARY FUND TYPES:

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

### Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

### Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

## B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

## C. Budgets

The City adopts annual appropriated budgets for all funds except Fiduciary and Agency Funds.

## Notes to Financials for 2014

These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund Name	Final Approp. Amount	Actual Expenses	Variance
General Fund	6,106,790	4,698,145	1,408,645
Street Fund	347,107	199,018	148,089
Fire Impact Fee	25,366	15,366	10,000
General Government Capital Fund	434,272	202,867	231,405
REET I	293,343	107,873	185,470
Street & PubWorks Capital Fund	1,168,147	511,768	656,379
REET II	342,757	187,400	155,357
Water Operating Fund	941,458	803,077	138,381
Water-WSFFA Project Fund	165,180	20,451	144,729
Water Capital Project Fund	724,962	137,949	587,013
Wastewater Operating fund	933,112	793,449	139,663
Wastewater Capital Project Fund	964,858	175,230	789,628
Stormwater Operating Fund	666,012	385,070	280,942
Equipment Replacement Fund	341,176	36,216	304,960
<b>Total</b>	<b>13,454,540</b>	<b>8,273,880</b>	<b>5,180,660</b>

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within funds); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city legislative body.

#### D. Cash and Investments

##### Cash

It is the City's policy to invest all temporary cash surpluses. At December 31, 2014 the City had an ending cash balance of \$258,793.33 in short-term cash. 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.

##### Deposits

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

# Notes to Financials for 2014

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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, 2014 was \$3,652,790.26. See Note #3

E. Capital 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 are recorded under cash basis accounting, as expenditures when purchased.

F. Compensated Absences

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

<b>VACATION LEAVE</b>		
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:

<b>SICK LEAVE</b>	
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, 2014. The totals include the liability costs of required Taxes. The total of \$273,000 represents a \$13,199.00 decrease from 2013. Compensated absence liabilities are shown in Note F, and on **Schedule S9**.

## Notes to Financials for 2014

Group	Sick Leave	Comp Time	Annual Leave	Total
General Government	23,730	2,306	57,063	83,099
Police Department	39,379	4,048	70,394	113,821
Street	8,949	62	8,849	17,860
<b>GG Total Compensated Absences</b>	<b>72,058</b>	<b>6,416</b>	<b>136,306</b>	<b>214,780</b>
Water	8,498	304	10,933	19,735
Wastewater	8,581	323	11,052	19,956
Stormwater	7,868	238	10,423	18,529
<b>ENTERPRISE FUNDS</b>				
Total Compensated Absences	<b>24,947</b>	<b>865</b>	<b>32,408</b>	<b>58,220</b>
<b>Total Compensated Absences</b>	<b>97,005</b>	<b>7,281</b>	<b>168,714</b>	<b>273,000</b>

G. Long-Term Debt See Note #4 (Debt Service Requirements)

H. Other Financing Sources or Uses

The Cities other Financing Sources include Internal Transfers in, Developer or Capital Contributions, or Insurance Recoveries. Other Financing Uses include Internal Transfer out, Capital Expenditures or Debt Service,

I. Risk Management

The City of Black Diamond is a member of Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program 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 December 1, 2014, there are 223 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, are 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. The standard member deductible is \$1,000 for each claim (deductible may vary per member), 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 \$3,259,396, to cap the total claims paid by the program in any one year.

## Notes to Financials for 2014

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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 program 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, which may vary per member with the exception of Pumps & Motors which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program 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 program 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. On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1, to December 1<sup>st</sup> beginning with the 2014-15 policy term. An endorsement was added to the 2013-14 Memorandum of Coverage, extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members/brokers with Canfield, who 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 ending December 1, 2014, were \$1,817,654.59.

### J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by enabling legislation. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

The City of Black Diamond has the following funds identified as Reserved Fund Balances:

Street Special Revenue Funds-\$153,589.40- the State requires that the gas tax resources only be used for Street purposes.

Fire Impact Fees -\$28,982.29- restricted by State RCW 82.02 and Ordinance 12-980 for Future Fire Protection .

Water Utility Fun-\$157,282.12 -Developer pre-funding of Capital Projects per the Water Facility Funding Agreement with the Developers.

# Notes to Financials for 2014

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## **Note 2 - Property Tax**

The county treasurer acts as an agent to collect property tax 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 cash is received by the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2014 was \$2.61455 per \$1,000 on an assessed valuation of \$548,399,243 for a total collected regular levy of \$1,436,203, including taxes on new construction.

## **Note 3 – Deposits and Investments**

### Deposits and Investments

It is the City of Black Diamonds policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City of Black Diamond or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2014 are as follows:

<b>Investment Type</b>	<b>City Invested</b>	<b>Held Investment for other entities</b>	<b>Total</b>
Black Diamond LGIP 00160	3,173,141.23	0	3,173,141.23
Soos Creek LGIP 00161	479,817.85	0	479,817.85
<b>Total Investment</b>	<b>3,652,790.26</b>	<b>0</b>	<b>3,652,790.26</b>

### Securities Lending Transactions

The City of Black Diamond does not engage in securities lending.

### Derivatives

The City of Black Diamond does not engage in derivatives trading.

## **Note 4 – Debt Service Requirements**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2014.

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. A portion of one of the Public Works Trust Loans is reimbursed by a developer and the city holds a Bank letter of Credit for their portion.

## Notes to Financials for 2014

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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
2015	333,158	98,891	234,267
2016	320,429	98,419	222,010
2017	318,896	97,948	220,948
2018	317,362	97,477	220,948
2019	315,828	97,006	218,822
2020 - 2024	1,563,800	477,965	1,085,835
2025	130,172	39,052	91,120

Private developers reimburse the City annually for their portion of Public Works trust debt payment. A Developer line of credit cover their portion of the debt service. The Bank Credit Lines are reduced each year after their portion of the debt principal is paid. See schedule of debt below.

## Notes to Financials for 2014

#	Water Fund Debt	Original Date of	Year of Final	Original Amount	Interest Rate	Purpose of Loan	Principal Only Debt Balance	
							12/31/2014	
1	PW Trust Loan 5 95 791 ELP 061	1995	2015	200,000	5%	Emergency Water Repair	10,650	
2	PW Trust Loan 02 691 005	2006	2022	180,000	0.5%	Corrosion Control	90,000	
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.	2,954,889 *	
<b>Total Water Debt (principal only)</b>				<b>\$ 5,827,820</b>			<b>3,055,539</b>	
						Less * Public Works Trust Fund Loan - Developer Reimbursed	Loan 3	(941,820)
<b>Net City Debt Responsibility</b>							<b>2,113,719</b>	

### Note 5 - Interfund Loans

In 2009 Council authorized Ordinance 09-902 for a 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. The final repayment was made in 2014. 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. The final payment will be made in 2015. All internal loans charge interest at the current LGIP rate at the time of payments.

Loan Originated	Lending Fund	Receiving Fund	Balance of Loan 2013	Repayment 2014	Balance 12/31/14
2009	Sewer	Stormwater	10,000	10,000	-
2010	Sewer	Stormwater	92,000	46,000	46,000
<b>Total</b>			<b>102,000</b>	<b>56,000</b>	<b>46,000</b>

## Notes to Financials for 2014

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### **Note 6 - 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 2014 was \$18,925.45.

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

## Notes to Financials for 2014

### Note 7 - Other Disclosures

#### Construction Commitment Disclosure

	2014 Capital Budget	2014 Capital Expenditures	Capital Project Commitment Balance	Source of Funding-Past, 2014 and Future
<b>General Government Capt Projects</b>				
Trails	\$49,863	\$14,444	\$35,419	County Sales Tax Levy
Various General Govt Capital Proj.	\$384,609	\$188,424	\$196,185	State Real Estate Tax
<b>Street Capital Projects</b>				
Rock Creek Bridge	\$574,000	\$9,314	\$564,686	State Transportation Grant
Lawson Street Sidewalks	\$288,622	\$284,640	\$3,982	State Transportation Grant
Traffic Sign Replacement	\$12,830	\$12,403	\$427	Pass thru Fed. Grant
Asphalt Overlays & Misc Street Prj.	\$292,695	\$205,412	\$87,283	State Real Estate Tax
<b>Water Utility Capital Projects</b>				
WSFFA Water Project	\$165,180	\$20,451	\$144,729	Developer Pre Funded
Water Line Replacement	\$271,254	\$3,357	\$267,897	Indirect Federal Grant
Misc Water Capital Projects	\$81,281	\$54,593	\$26,688	State Real Estate Tax/Water Capital Funds
<b>Sewer Utility Capital Projects</b>				
Misc Sewer Capital Projects	\$181,505	\$95,231	\$86,274	Sewer Capital Funds
<b>Stormwater Utility Capital Projects</b>				
Misc Stormwater Capt Prj	\$230,000	\$39,472	\$190,528	State Department of Ecology Grant
<b>Total Capital Projects</b>	<b>\$2,531,839</b>	<b>\$927,741</b>	<b>\$1,604,098</b>	

## Notes to Financials for 2014

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### **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 the Master Plan Developer. The notice outlined their proposed reduction of Revenue to the city over the next few years. Council adopted budgets or budget amendment to reduce the Master Plan Revenue Reimbursement by the cumulative amount of \$120,000 in 2013, \$360,000 in 2014 and \$519,616 in 2015. Fund balance in the General Fund was maintained by eliminating vacant positions, reducing expenditures and increasing Fees. The 2015 General Fund Ending Fund Balance is Budgeted to maintain 2015 at \$855,080 or 20.8% of operating expenditures.

### **Subsequent Events**

No subsequent events.

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2013 to December 31, 2013**

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**CITY OF BLACK DIAMOND**  
**NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2013 to December 31, 2013**

**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.

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2013 to December 31, 2013**

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**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.

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2013 to December 31, 2013**

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**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 2013 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 2013 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 (excluding ending fund balance) for the legally adopted budgets for 2013 were as follows:

Fund	Fund Name	Final Approp. Amount	Actual Expenses	Variance
001	General Fund	5,827,578	4,418,764	1,408,814
101	Street Fund	395,774	210,004	185,770
107	Fire Impact Fee	7,000	0	7,000
310	General Government Capital Fund	1,105,726	209,027	896,699
320	Street & Public Works Capital Fund	880,105	440,037	440,068
401	Water Operating Fund	1,433,820	1,328,968	104,852
402	Water-WSFFA Project Fund	345,011	74,288	270,723
404	Water Capital Project Fund	773,475	298,419	475,056
407	Wastewater Operating fund	916,862	784,890	131,972
408	Wastewater Capital Project Fund	996,334	93,718	902,616
410	Stormwater Operating Fund	510,111	400,408	109,703
510	Equipment Replacement Fund	223,050	38,006	185,044
	<b>Total</b>	<b>13,414,846</b>	<b>8,296,529</b>	<b>5118,317</b>

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. Internal transfers are budgeted and included at the City Fund Level, but are eliminated in the Financial Statements, if they are within combining funds. An example is 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.

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**

**January 1, 2013 to December 31, 2013**

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**d. Cash**

It is the City's policy to invest all temporary cash surpluses. At December 31, 2013 the City was holding \$406,256.54 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 interest is 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, 2013 was \$3,649,146.28. **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	* <i>The Mayor may adjust</i>
10-15 Years	18	216 hours	<i>maximum accruals during</i>
16-19 Years	21	252 hours	<i>periods when furlough hours</i>
Over 20 Years	24	288 hours	<i>are used to help balance the</i>
			<i>Budget</i>

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

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

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2013 to December 31, 2013**

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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, 2013. The totals include the liability costs of required Taxes. The total of \$286,199 represents a \$49,454 increase from 2012. Compensated absence liabilities for enterprise funds are shown in Note 1i, and on **Schedule S9**.

Group	Sick Leave	Comp Time	Annual Leave	Total
General Government	23,676	1,649	62,327	87,652
Police Department	35,664	4,507	66,671	106,842
Street	7,778	5	13,591	21,374
<b>GG Total Compensated Absences</b>	<b>67,118</b>	<b>6,161</b>	<b>142,589</b>	<b>215,868</b>
Water	10,998	123	11,094	22,215
Wastewater	12,208	123	11,719	24,050
Stormwater	12,208	140	11,719	24,067
<b>ENTERPRISE FUNDS</b>				
Total Compensated Absences	<b>35,413</b>	<b>386</b>	<b>34,532</b>	<b>70,331</b>
<b>Total Compensated Absences</b>	<b>102,532</b>	<b>6,547</b>	<b>177,121</b>	<b>286,199</b>

The State Actuary tables suggest that the LEOFF 1 retiree will live approximately 14 more years, resulting in an estimated \$318,973 of medical insurance obligation at a 3% annual increase.

**j. Long Term Debt See Note #5 (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 Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program was formed on September 1, 1988, when 34 cities in the state of

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2013 to December 31, 2013**

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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, 2013, there are 236 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, are 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. The standard member deductible is \$1,000 for each claim (deductible may vary per member), 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 \$3,247,000, 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 program 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 (\$10,000 for Pumps & Motors). Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage.

Members contract to remain in the program 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 program 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 ending August 31, 2013, were \$1,423,059.12.

**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 two Special Revenue

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**

**January 1, 2013 to December 31, 2013**

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Funds, the Street Fund, where Gas Tax Resources can only be used for Street purposed and a Fire Impact Fee Fund for fire Capital Facilities & Equipment. The Fund Balance or \$186,951.79 For Street Fund and \$10,366.05 are 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 \$59,850.89.

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 transfers between funds, primarily from the Street Fund and Utility Funds transfers to the Equipment Replacement Fund as well as REET (Real Estate Excise Tax) Fund transfer to the Utility Capital Project Funds. The total net transfers between funds for 2013 is \$112,200.

**NOTE 2 – INVESTMENTS**

The City’s investments are insured, registered or held by the City or its agent in the City’s name. The State Local Governmental Investment Pool (LGIP) holds the cities investments at Cost as of 12-31-2014. All investment interest is allocated to various funds.

Investments by type at December 31, 2013 are as follows:

<b>Type of Investment</b>	<b>Balance</b>
BD General Acct LGIP 00160	3,169,975.75
BD Soos Creek LGIP 00161	479,170.53
<b>Total Investments</b>	<b><u>3,649,146.28</u></b>

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2013 to December 31, 2013**

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**NOTE 3 – 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 2013 was approximately \$2.83 per \$1,000 of an assessed valuation of \$499,552,614 for a total levy of \$1,400,391.14. The Assessed Valuation decreased by approximately \$370,271, or 7% in 2013. This causing the mil rate to increase from \$2.57 per \$1,000 of Assessed Valuation to \$2.83 in 2013 to received approximately the same amount as the previous year. King County sets assessed valuations and calculates the rate needed to provide each jurisdiction’s in Washington State no more than a 1% increase over the previous year’s collection.

**NOTE 4 – INTER-FUND LOANS AND ADVANCES**

In 2008 Council authorized a loan from Sewer Capital to the new Stormwater utility to initially fund the department beginning operation and a loan to the General Government Capital Project for Police Records software . Both loans were paid in full in 2013. All internal loans charge interest at the current LGIP rate at the time of payments.

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 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.

<b>Loan Originated</b>	<b>Lending Fund</b>	<b>Receiving Fund</b>	<b>Balance of Loan 2012</b>	<b>Repayment 2012</b>	<b>Balance 12/31/13</b>
2008	Sewer	SS Stormwater	20,000	20,000	-
2009	Sewer	Stormwater	20,000	10,000	10,000
2010	Sewer	Water	138,000	46,000	92,000
<b>Total</b>			<b>178,000</b>	<b>76,000</b>	<b>102,000</b>

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2013 to December 31, 2013**

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**NOTE 5 – 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 Developer, this debt was paid in full in 2013 by the developer. A portion of one of the Public Works Trust Loans is also reimbursed by a developer and the city holds a Bank letter of Credit for their portion.

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

Water Fund Other Long Term Debt is as follows:

Year	Total	Developer Debt Reimbursement	Net City Debt Principal & Interest
2014	335,524	99,383	236,141
2015	333,158	98,891	234,267
2016	320,429	98,419	222,010
2017	318,896	97,948	220,948
2018	317,362	97,948	219,414
2019 - 2023	1,552,554	513,292	1,039,262
2024 - 2025	426,588	205,317	221,272
<b>Total</b>	<b>3,604,511</b>	<b>1,211,198</b>	<b>2,393,313</b>

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%. This was paid in full in 2013. 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 below.

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2013 to December 31, 2013**

#	Water Fund Debt	Original Date of	Year of Final	Original Amount	Interest Rate	Purpose of Loan	Principal Only Debt Balance
							12/31/2013
1	PW Trust Loan 5 95 791 ELP 061	1995	2015	200,000	5%	Emergency Water Repair	21,300
2	PW Trust Loan 02 691 005	2006	2022	180,000	0.5%	Corrosion Control	101,250
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.	*
<b>Total Water Debt (principal only)</b>				<b>\$ 5,827,820</b>			<b>3,372,927</b>
Less * Public Works Trust Fund Loan - Developer Reimbursed						Loan 3	(1,036,002)
<b>Net City Debt Responsibility</b>							<b>2,336,925</b>

**NOTE 6- 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 2013 was \$18,875.

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

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2013 to December 31, 2013**

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**OTHER DISCLOSURES**

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

**COMPLIANCE AND ACCOUNTABILITY**

The City of Black Diamond's two year State Audit for 2011 and 2012 was completed in February 2014. 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.

**UTILITY FUNDS- RATE STUDY**

On April 5, 2013, per resolution #13-864 the City Council authorized a contract with Ashley M. Emery of Peninsula Financial Consulting to conduct a cost of service study to determine whether existing Water, Sewer and Stormwater Utility rates were adequate to recover the cost of providing their respective utility services. After an extensive review, workstudy meetings and a public hearing, council determined that rates on all three Utility Funds were not adequate to cover costs of their operations.

Council also continued to authorize the Lifeline Utility Discount Program for low income qualifying seniors and disabled residence. This allows a 50% discount on the city share of the Water, Sewer and Stormwater rates. This program helps to alleviate the impact of the increased rates for those residents on modest and fixed income.

**STORMWATER RATE INCREASE**

On July 11, 2013 Council passed Ordinance #13-1008 authorizing a Stormwater rate increase from \$14.00 per month per ERU to \$16.00 per month beginning January 1, 2014. This rate increase was needed to meet revenue requirements to cover the costs necessary to maintain a self-supporting Stormwater Utility.

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 August 1, 2013 Council passed Ordinance 13-1007 authorized an annual inflationary rate increase on the cities' share of the Sewer Utility rate to increase in January of each year bases on past inflationary increases. A 1.9% increase was applied January 1, 2014. This rate increase was needed to meet revenue requirements to cover the costs necessary to maintain a self-supporting Sewer Utility.

**CITY OF BLACK DIAMOND - NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2013 to December 31, 2013**

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**WATER UTILITY**

On July 11, 2013 Council authorized three rate increases for the Water Utility Fund, a 15% increase August 1, 2013, a 15% increase January 1, 2014 and a third 15% rate increase January 1, 2015. The water rate increases were found to be necessary to meet revenue requirements to cover the costs necessary to maintain a self-supporting Water Utility Fund.

**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 \$30,000 a month for 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.

In 2013 the Council met the first \$120,000 reduction by keeping a planner position vacant for one half year, by absorbing the cost of code enforcement, and by having the utility funds absorb the cost of their Administrative Assistant for one half a year. In 2014 Council continued those reductions for a full year plus outsourced Technology and reducing those costs, plus the utility funds absorbed a half year of the Public Works Director. The changes to the Utility funds were anticipated and included in their rate structure. Decreases in future years will continue to need creative solutions until the permitted Master Plan Developments growth generates revenue to help offset a portion of the Funding revenue loss.

**SUBSEQUENT CLAIM**

In late February 2014, the City Administration filed a complaint against the Mayor. On May 15, 2014 the Council passed resolution #14-950 accepting the City Administrator’s resignation with all parties agreeing to stop the investigation. The associated legal cost of Investigation and defense is estimated to cost the City of Black Diamond General Fund approximately \$85,000.00 in 2014. Since this was not budgeted, a budget change will be required to cover the unanticipated legal costs. A portion of the budget change is expected to be covered by leaving the City Administration position vacant in 2014. The balance will be covered by the Ending Fund Balance. It is expected that the remaining General Fund Ending Fund Balance has sufficient funds to cover the budget change and still maintain the 10% amount required in city policy.

**City of Black Diamond  
Schedule of Liabilities  
For the Year Ended December 31, 2014**

**Schedule 9**

ID. No.	Description	Maturity/Payment Due Date	Beginning Balance 01/01/2014	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2014
259.11	Compensated Absences	As of 12/31/2014	\$215,868		\$1,088		\$214,780
263.82	1995 PWFT Loan 595 791	1/1/2015	\$21,300		\$10,650	58234	\$10,650
263.82	Water Purchase 2005	1/1/2024	\$3,250,377		\$295,488	58234	\$2,954,889
263.82	Corrosion Control 2006	1/1/2022	\$101,250		\$11,250	58234	\$90,000
259.11	Compensated Absences		\$22,215		\$2,480		\$19,735
259.11	Compensated Absences		\$24,050		\$4,094		\$19,956
259.11	Compensated Absences		\$24,066		\$5,537		\$18,529

**City of Black Diamond  
Schedule of Liabilities  
For the Year Ended December 31, 2013**

Schedule 9

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligations</b>						
259.11	Compensated Absences		194,043	21,825	-	215,868
263.82	1995 PWFT Loan 595 791	1/1/2015	31,950	-	10,650	21,300
263.82	Water Purchase 2003	1/1/2013	562,730	-	562,730	-
263.82	Water Purchase 2005	1/1/2024	3,545,865	-	295,488	3,250,377
263.82	Corrosiion Control 2006	1/1/2022	112,500	-	11,250	101,250
259.11	Compensated Absences		14,234	7,981	-	22,215
259.11	Compensated Absences		14,234	9,816	-	24,050
259.11	Compensated Absences		14,234	9,832	-	24,066
<b>Total General Obligations:</b>			<b>4,489,790</b>	<b>49,454</b>	<b>880,118</b>	<b>3,659,126</b>
<b>Total Liabilities:</b>			<b>4,489,790</b>	<b>49,454</b>	<b>880,118</b>	<b>3,659,126</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>