

Washington State Auditor's Office
Financial Statements Audit Report

City of Black Diamond
King County

Audit Period
January 1, 2007 through December 31, 2008

Report No. 1002741

Issue Date
January 25, 2010



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

January 25, 2010

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

Report on Financial Statements

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

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

Sincerely,

**BRIAN SONNTAG, CGFM
STATE AUDITOR**

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King County
January 1, 2007 through December 31, 2008**

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

City of Black Diamond
King County
January 1, 2007 through December 31, 2008

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

We have audited the financial statements of the City of Black Diamond, King County, Washington, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 30, 2009.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies

in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended for the information and use of management and the Mayor and City Council. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



BRIAN SONNTAG, CGFM
STATE AUDITOR

October 30, 2009

Independent Auditor's Report on Financial Statements

**City of Black Diamond
King County
January 1, 2007 through December 31, 2008**

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

We have audited the accompanying financial statements of the City of Black Diamond, King County, Washington, for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.


We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the City prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System (BARS)* manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Black Diamond, for the years ended December 31, 2008 and 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Debt are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is stylized with a large, sweeping initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

October 30, 2009

Financial Section

**City of Black Diamond
King County
January 1, 2007 through December 31, 2008**

FINANCIAL STATEMENTS

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City of Black Diamond
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2008

BARS CODE		Fund Number and Name 001 Current Expense		Fund Number and Name 310 Gen Govt CIP Fund	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$334,709	\$1,312,414	\$988,292	\$988,292
Revenues and Other Sources					
310	Taxes	1,691,886	1,714,302		
320	Licenses and Permits	154,950	79,778		
330	Intergovernmental	453,058	417,555	9,350	7,904
340	Charges for Goods and Services	212,276	159,088		
350	Fines and Forfeits	168,100	163,854		
360	Miscellaneous	3,889,552	2,574,789	50,000	133
370	Capital Contributions		0		
390	Other Financing Sources		0	167,500	167,500
Total Revenues and Other Sources		6,569,822	5,109,365	226,850	175,537
Total Resources		6,904,531	6,421,779	1,215,142	1,163,829
Operating Expenditures:					
510	General Government	1,909,414	1,742,549	248,500	2,568
520	Public Safety	2,164,345	2,057,110		
530	Physical Environment	233,948	159,635		
540	Transportation				
550	Economic Environment	1,819,656	1,032,472		
560	Mental and Physical Health	1,000	954		
570	Culture and Recreation	68,173	60,616		
Total Operating Expenditures		6,196,536	5,053,337	248,500	2,568
591-593	Debt Service		0		
594-595	Capital Outlay	641,359	443,894	178,350	3,663
Total Expenditures		641,359	443,894	178,350	3,663
597-599	Other Financing Uses	29,000	29,000	988,292	988,292
Total Expenditures and Other Uses		6,866,895	5,526,231	1,415,142	994,523
Excess (Deficit) of Resources Over Uses		37,636	895,548	(200,000)	169,306
380	Nonrevenues (Except 384 and 388.80)	76,000	699,960	200,000	200,000
580	Nonexpenditures (Except 584 and 588.80)	113,636	634,124		
Ending Net Cash and Investments		\$0	\$961,384	\$0	\$369,306

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2008

BARS CODE		Fund Number and Name 401 Water Fund		Fund Number and Name 407 Wastewater Fund	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$50,000	\$312,198	\$87,998	\$229,663
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services	360,500	333,303	591,460	551,959
350	Fines and Forfeits				37,446
360	Miscellaneous	42,415	21,143	90,830	
370	Capital Contributions	12,000	5,976	12,600	2,250
390	Other Financing Sources	253,900	50,000	130,564	100,000
Total Revenues and Other Sources		668,815	410,422	825,454	691,655
Total Resources		718,815	722,620	913,452	921,318
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment	338,016	270,537	864,952	717,987
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		338,016	270,537	864,952	717,987
591-593	Debt Service	219,897	197,424		
594-595	Capital Outlay	5,000			
Total Expenditures		224,897	197,424	0	0
597-599	Other Financing Uses	27,500		10,500	10,500
Total Expenditures and Other Uses		590,413	495,462	875,452	728,487
Excess (Deficit) of Resources Over Uses		128,402	227,158	38,000	192,831
380	Nonrevenues (Except 384 and 388.80)	853,114	829,742		
580	Nonexpenditures (Except 584 and 588.80)	920,200	919,118	21,000	20,716
Ending Net Cash and Investments		\$61,316	\$137,782	\$17,000	\$172,115

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2008

BARS CODE		Fund Number and Name 101 Street Fund		Fund Number and Name 102 Street Equip Res Fund	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments					
Revenues and Other Sources		\$151,000	\$569,674	\$0	\$98,129
310	Taxes				
320	Licenses and Permits	8,500	2,500		
330	Intergovernmental	104,318	102,093		
340	Charges for Goods and Services		250		
350	Fines and Forfeits		23,925		
360	Miscellaneous	50,874			
370	Capital Contributions				2,096
390	Other Financing Sources				
Total Revenues and Other Sources		163,692	128,768	22,500	22,500
Total Resources		314,692	698,442	22,500	24,596
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment	141,732	114,936		
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		141,732	114,936		
591-593	Debt Service			0	0
594-595	Capital Outlay				
Total Expenditures		0	0	0	0
597-599	Other Financing Uses	158,500	158,500		
Total Expenditures and Other Uses		300,232	273,436	0	0
Excess (Deficit) of Resources Over Uses		14,460	425,006	22,500	122,725
380	Nonrevenues (Except 384 and 388.80)				
580	Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments		\$14,460	\$425,006	\$0	\$122,725

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2008

BARS CODE		Fund Number and Name 408 Wastewater Reserve		Fund Number and Name 320 Sreet CIP Fund	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$477,564	\$1,373,855	\$1,014,596	\$1,014,325
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits			94,856	94,856
330	Intergovernmental				
340	Charges for Goods and Services				
350	Fines and Forfeits				1,020
360	Miscellaneous	50,000	44,359		
370	Capital Contributions				
390	Other Financing Sources	3,000	3,000	1,138,943	171,000
Total Revenues and Other Sources		53,000	47,359	1,233,799	266,876
Total Resources		530,564	1,421,214	2,248,395	1,281,201
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment				
540	Transportation			124,856	94,856
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		0	0	124,856	94,856
591-593	Debt Service			1,108,943	63,511
594-595	Capital Outlay	50,000		1,108,943	63,511
Total Expenditures		50,000	0	1,108,943	63,511
597-599	Other Financing Uses	130,564	100,000	1,014,596	1,014,595
Total Expenditures and Other Uses		180,564	100,000	2,248,395	1,172,963
Excess (Deficit) of Resources Over Uses		350,000	1,321,214	0	108,239
380	Nonrevenues (Except 384 and 388.80)	76,000	75,000		
580	Nonexpenditures (Except 584 and 588.80)	376,000	375,000		
Ending Net Cash and Investments		\$50,000	\$1,021,214	\$0	\$108,239

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2008

Fund Type: Special Revenue Funds	Fund Number and Name 002 Fire Equip Reserve		Fund Number and Name 104 REET 1 Fund	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$0	\$54,515	\$138,500	\$0
Revenue and Other Financing Sources		1,568	1,100,292	1,071,382
Total Resources	0	56,083	1,238,792	1,071,382
Expenditures And Other Financing Uses			138,500	138,500
Excess (Deficit) of Resources Over Uses	0	56,083	1,100,292	932,882
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments	\$0	\$56,083	\$1,100,292	\$932,882

Fund Type:	Fund Number and Name		Fund Number and Name 402 Water Supply & Fac.	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments			\$0	\$135,702
Revenue and Other Financing Sources			455,104	67,581
Total Resources	0	0	455,104	203,283
Expenditures And Other Financing Uses			455,104	114,178
Excess (Deficit) of Resources Over Uses	0	0	0	89,105
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments	\$0	\$0	\$0	\$89,105

Fund Type:	Fund Number and Name 631 Payroll Clear Fund		Fund Number and Name 632 Claims Clear Fund	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$243,279		\$119,224
Revenue and Other Financing Sources				
Total Resources				
Expenditures And Other Financing Uses				
Excess (Deficit) of Resources Over Uses	0	0	0	0
Nonrevenues (Except 384 and 388.80)		243,279		119,224
Nonexpenditures (Except 584 and 588.80)		242,917		107,042
Ending Net Cash and Investments	\$0	\$362	\$0	\$12,182

The Accompanying Notes Are An Integral Part Of This Statement.

**City of Black Diamond
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2008

Fund Type:	Fund Number and Name 105 REET 2 Fund		Fund Number and Name 122 Criminal Justice Fund	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$0	\$0	\$17,000	\$73,788
Revenue and Other Financing Sources	1,129,596	1,097,802	110,418	116,104
Total Resources	1,129,596	1,097,802	127,418	189,891
Expenditures And Other Financing Uses			127,418	64,430
Excess (Deficit) of Resources Over Uses	1,129,596	1,097,802	0	125,461
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments	\$1,129,596	\$1,097,802	\$0	\$125,461

Fund Type:	Fund Number and Name 404 Water CIP Fund		Fund Number and Name 410 Stormwater Fund	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$376,511	\$872,780		\$0
Revenue and Other Financing Sources	41,000	23,459	75,000	100,606
Total Resources	417,511	896,239	75,000	100,606
Expenditures And Other Financing Uses	398,008	70,814	175,000	68,495
Excess (Deficit) of Resources Over Uses	19,503	825,425	(100,000)	32,110
Nonrevenues (Except 384 and 388.80)			100,000	
Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments	\$19,503	\$825,425	\$0	\$32,110

Fund Type:	Fund Number and Name 633 Treasurer Trust Fund		Fund Number and Name 634 Treasurer Retain Fund	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$21,201		\$0
Revenue and Other Financing Sources				
Total Resources	0	21,201	0	0
Expenditures And Other Financing Uses				
Excess (Deficit) of Resources Over Uses	0	21,201	0	0
Nonrevenues (Except 384 and 388.80)		142,833		24,111
Nonexpenditures (Except 584 and 588.80)		146,613		
Ending Net Cash and Investments	\$0	\$17,421	\$0	\$24,111

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2007

BARS CODE		Fund Number and Name 001 Current Expense		Fund Number and Name 310 Gen Govt CIP Fund	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$423,050	\$1,518,973	\$56,850	\$842,406
Revenues and Other Sources					
310	Taxes	1,712,519	1,773,367	80,600	111,744
320	Licenses and Permits	116,825	183,646		
330	Intergovernmental	417,696	400,742	167,150	167,150
340	Charges for Goods and Services	760,520	317,313		
2	Fines and Forfeits	148,400	190,997		
360	Miscellaneous	62,500	80,335	12,000	35,228
370	Capital Contributions				
390	Other Financing Sources	834,064	1,283,832	106,850	
Total Revenues and Other Sources		4,052,524	4,230,232	366,600	314,122
Total Resources		4,475,574	5,749,205	423,450	1,156,528
Operating Expenditures:					
510	General Government	889,442	760,529		
520	Public Safety	2,255,680	2,293,516		
530	Physical Environment	224,011	143,394		
540	Transportation				
550	Economic Environment	838,030	497,212		
560	Mental and Physical Health	900	964		
570	Culture and Recreation	3,000	4,016		
Total Operating Expenditures		4,211,063	3,699,631	0	0
591-593	Debt Service				
594-595	Capital Outlay	226,550	239,143	274,000	168,237
Total Expenditures		4,437,613	3,938,774	274,000	168,237
597-599	Other Financing Uses	37,961	27,332	56,850	
Total Expenditures and Other Uses		4,475,574	3,966,106	330,850	168,237
Excess (Deficit) of Resources Over Uses		0	1,783,099	92,600	988,291
380	Nonrevenues (Except 384 and 388.80)				
580	Nonexpenditures (Except 584 and 588.80)		470,685		
Ending Net Cash and Investments		\$0	\$1,312,414	\$92,600	\$988,291

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2007

BARS CODE		Fund Number and Name 401 Water Fund		Fund Number and Name 404 Water Reserve Fund	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$840,861	\$658,032		\$545,193
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services	377,650	379,561		
350	Fines and Forfeits				
360	Miscellaneous	22,500	29,426	18,600	27,587
370	Capital Contributions	163,250	200,209		
390	Other Financing Sources	910,851	910,850	168,109	300,000
Total Revenues and Other Sources		1,474,251	1,520,046	186,709	327,587
Total Resources		2,315,112	2,178,078	186,709	872,780
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment	377,707	365,929		
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		377,707	365,929	0	0
591-593	Debt Service	1,168,744	1,161,701	168,109	
594-595	Capital Outlay	10,000			
Total Expenditures		1,556,451	1,527,630	168,109	0
597-599	Other Financing Uses	398,510	338,750		
Total Expenditures and Other Uses		1,954,961	1,866,380	168,109	0
Excess (Deficit) of Resources Over Uses		360,151	311,698	18,600	872,780
380	Nonrevenues (Except 384 and 388.80)		500		
580	Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments		\$360,151	\$312,198	\$18,600	\$872,780

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2007

BARS CODE		Fund Number and Name 407 Wastewater Fund		Fund Number and Name 408 Wastewater Reserve	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$904,465	\$926,727		\$549,593
Revenues and Other Sources					
310	Taxes				
320	Licenses and Permits				
330	Intergovernmental				
340	Charges for Goods and Services	543,700	559,122		
350	Fines and Forfeits				
360	Miscellaneous	43,000	142,617	23,000	24,262
370	Capital Contributions	16,000	52,000		
390	Other Financing Sources				
Total Revenues and Other Sources		602,700	753,739	800,000	800,000
Total Resources		1,507,165	1,680,466	823,000	1,373,855
Operating Expenditures:					
510	General Government				
520	Public Safety				
530	Physical Environment	652,415	612,053		
540	Transportation				
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreation				
Total Operating Expenditures		652,415	612,053	0	0
591-593	Debt Service				
594-595	Capital Outlay				
Total Expenditures		652,415	612,053	0	0
597-599	Other Financing Uses	854,750	838,750		
Total Expenditures and Other Uses		1,507,165	1,450,803	0	0
Excess (Deficit) of Resources Over Uses		0	229,663	823,000	1,373,855
380	Nonrevenues (Except 384 and 388.80)				
580	Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments		\$0	\$229,663	\$823,000	\$1,373,855

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2007

Fund Type: Special Revenue Funds	Fund Number and Name 002 Fire Equip Reserve		Fund Number and Name 101 Street Fund	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$53,512	\$107,500	\$544,968
Revenue and Other Financing Sources		1,003	157,371	162,738
Total Resources	0	54,515	264,871	707,706
Expenditures And Other Financing Uses			264,871	138,033
Excess (Deficit) of Resources Over Uses	0	54,515	0	569,673
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments	\$0	\$54,515	\$0	\$569,673

Fund Type:	Fund Number and Name 102 Street Reserve		Fund Number and Name 103 Cemetery Fund	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$12,637		
Revenue and Other Financing Sources		85,492	20,761	17,883
Total Resources	0	98,129	20,761	17,883
Expenditures And Other Financing Uses			20,761	17,883
Excess (Deficit) of Resources Over Uses	0	98,129	0	0
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments	\$0	\$98,129	\$0	\$0

Fund Type:	Fund Number and Name 106 Parks & Rec		Fund Number and Name 122 Crim. Justice Fund	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$2,560		\$47,055
Revenue and Other Financing Sources	44,000	40,555	96,924	111,596
Total Resources	44,000	43,115	96,924	158,651
Expenditures And Other Financing Uses	44,000	43,115	96,924	81,800
Excess (Deficit) of Resources Over Uses	0	0	0	76,851
Nonrevenues (Except 384 and 388.80)				
Nonexpenditures (Except 584 and 588.80)				3,063
Ending Net Cash and Investments	\$0	\$0	\$0	\$73,788

The Accompanying Notes Are An Integral Part Of This Statement.

City of Black Diamond
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2007

Fund Type:	Fund Number and Name 320 Street CIP Fund		Fund Number and Name 402 Water Supply & Facility	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$867,631	\$3,044,282	\$3,105,927
Revenue and Other Financing Sources	1,168,243	147,235		4,481
Total Resources	1,168,243	1,014,866	3,044,282	3,110,408
Expenditures And Other Financing Uses	1,086,093	271	3,044,282	3,009,919
Excess (Deficit) of Resources Over Uses	82,150	1,014,595	0	100,489
Nonrevenues (Except 384 and 388.80)				35,213
Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments	\$82,150	\$1,014,595	\$0	\$135,702

Fund Type:	Fund Number and Name 631 Payroll Clearing		Fund Number and Name 632 Claims Clearing	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$120,410		\$92,739
Revenue and Other Financing Sources				
Total Resources	0	120,410	0	92,739
Expenditures And Other Financing Uses				
Excess (Deficit) of Resources Over Uses	0	120,410	0	92,739
Nonrevenues (Except 384 and 388.80)		122,869		26,485
Nonexpenditures (Except 584 and 588.80)				
Ending Net Cash and Investments	\$0	\$243,279	\$0	\$119,224

Fund Type:	Fund Number and Name 633 Treasurers Trust		Fund Number and Name	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$7,862		
Revenue and Other Financing Sources				
Total Resources	0	7,862	0	0
Expenditures And Other Financing Uses				
Excess (Deficit) of Resources Over Uses	0	7,862	0	0
Nonrevenues (Except 384 and 388.80)		147,951		
Nonexpenditures (Except 584 and 588.80)		134,611		
Ending Net Cash and Investments	\$0	\$21,202	\$0	\$0

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF BLACK DIAMOND
NOTES TO FINANCIAL STATEMENTS
January 1, 2008 to December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Black Diamond uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System (BARS)* manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State Law, Chapter 43.09 RCW.

The City of Black Diamond was incorporated in 1959, and operates under the laws of the State of Washington applicable to a Non-Charter code City classification adopted in 1990 with a Mayor-Council form of government. The City is a general-purpose governmental entity that provides general government services including law enforcement, fire, street improvement, parks and recreation, and general administrative services. In addition, the City owns and operates water and sewer systems.

The City uses single-entry, cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprise its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended use. The following are the fund types and account groups used by the City.

GOVERNMENTAL FUND TYPES

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

General (Current Expense) Fund 001

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

Special Revenue Funds (Funds in the 100 Series)

These funds account for revenues that are legally restricted or designated to finance particular activities of the City.

Capital Projects Funds (Funds in the 300 Series)

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

PROPRIETARY FUND TYPES

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

Enterprise Funds (Funds in the 400 Series)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Also provides for debt service for enterprise fund capital projects.

FIDUCIARY FUND TYPES

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

Agency Funds (Funds in the 600 Series)

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

b. Basis of Accounting

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

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

c. Budgets

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

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

The Mayor, City Administrator or Finance Director is authorized to transfer budgeted amounts between departments within any fund and between object classes within departments. However, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the City Council.

d. Cash

It is the City's policy to invest all temporary cash surpluses. At December 31, 2008, the City was holding \$7,394.13 in short-term cash at Mt. Rainier Bank. This amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions.

e. Deposits

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

f. Investments

The General/State Investment Pool interest and interest from the primary checking/savings fund is distributed to the various funds in proportion to their investment amounts. See Note #3

g. Derivatives and Similar Transactions

The City does not invest in these types of instruments.

h. Fixed Assets

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

i. Compensated Absences

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

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

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

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

j. Long Term Debt See Note #6

k. Risk Management

The City of Black Diamond is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, the CIAW has 97 member cities and 162 associate members.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a "claims made basis". All other coverages are on an "occurrence basis".

The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, law enforcement liability, automobile liability, employment practices liability, boiler and machinery, bonds of various types, and public officials liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool, however, purchases a Stop Loss Policy in the amount of \$5,500,000 to eliminate any risk to members and funds the stop loss in the budget.

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

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

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

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Total pool fees paid to the third-party administrator under this arrangement for the years ended August 31, 2007 and 2008 were \$1,242,382 and \$1,321,289 respectively, of which Black Diamond's portion of those costs were \$90,834 in 2007 and \$84,971 in 2008.

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

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance related or legal or contractual provisions in any of the funds of the City of Black Diamond.

NOTE 3 – INVESTMENTS

The City's investments are insured, registered or held by the City or its agent in the City's name.

Investments by type at December 31, 2008 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
BD General Acct LGIP 00160	\$6,051,891.85
BD Soos Creek LGIP 00161	\$ 471,698.07
Total Investments	\$6,523,589.92
Mt. Rainier Short Term Cash	\$ 7,394.13
TOTAL CASH AND INVESTMENTS	\$6,530,984.05

NOTE 4 – PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed by King County daily following the receipt of collections. Property tax revenues are recognized when the City receives cash. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied. The City’s levy for 2008 was approximately \$1.65 per \$1,000 of an assessed valuation of \$575,076,069 for a total levy of \$949,099. This includes an approximate \$.69 of excess public safety levy.

NOTE 5 – INTER-FUND LOANS AND ADVANCES

In 2008 Council authorized Ordinance 08-863, a \$100,000 loan from Wastewater Capital to the new Stormwater utility to initially fund the department. The loan is to be paid back with five annual installments of \$20,000 plus interest at the current LGIP rate at the time of payment.

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

In 2007, Council authorized the Water Fund to loan the General Fund \$75,000 with Ordinance 07-833 to be paid back in \$15,000 monthly increments with interest at that month’s current LGIP rates. This repayment to the Water Fund was paid back in full in May 2008. The loan was a short term loan to help the General Fund cover the immediate cash needs of furniture, software and moving costs related to the move to a modular facility.

	Lending Fund	Balance 01/01/08	Loan	Repayment	Balance 12/31/08
2008	Water Fund	.00	\$75,000	\$75,000	\$0
2008	Wastewater Fund	.00	\$100,000		\$100,000
2008	Wastewater Fund	.00	\$200,000		\$200,000
Total			\$375,000	\$75,000	\$300,000

NOTE 6 – LONG-TERM DEBT

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

Year	Total Principal and Interest	Developer Debt Reimbursement	Net City Debt Principal & Interest
2009	\$1,048,908	\$806,024	\$242,884
2010	\$1,018,707	\$777,888	\$240,819
2011	\$988,503	\$749,751	\$238,752
2012	\$958,301	\$721,615	\$236,686
2013	\$928,098	\$693,478	\$234,620
2014-2018	\$1,625,043	\$513,291	\$1,111,752
2019-2023	\$1,552,553	\$513,291	\$1,039,262
2024	\$296,965	\$102,657	\$194,308
Total	\$8,417,078	\$4,877,995	\$3,539,083

Black Diamond’s debt is for three Public Works Trust Fund loans for water projects and for debt for 500,000 mg of water purchased from the City of Tacoma. Private developers reimburse the City annually for the City of Tacoma debt payment and covers the payment at 100%. The net city debt costs show the net amount the city pays for debt service. Developer lines of credit cover their portion of the debt service and is reduced each year after their portion of the debt is paid. The Revenue Bond Debt issued in 1974 was for water projects, and per Resolution 08-515 in 2008 City Council authorized payment in full to redeem this debt. (see Schedule 09)

City of Black Diamond						
Debt Schedule as of May 2009						
	Original Date of Loan	Year of Final Payment	Amount Borrowed	Interest Rate	Purpose of Loan	Principal Only Debt Balance as of 12/31/08
Water Fund Debt						
1) PW Trust Loan 5 95 791 ELP 061	1995	2015	\$200,000	5%	Emergency Water Repair	\$74,550
2) PW Trust Loan 02 691 005	2006	2022	\$180,000	0.5%	Corosion Control	\$157,500
3) PW Trust Loan 4 691 006	2005	2025	\$5,447,820 *	0.5%	\$3,407,063 - 500 mg Tacoma Water \$2,040,757 - Reservoir Pump & Waterline * Developer reimburses \$2,053,160 at \$102,658 per year plus interest for 20 yrs. Letter of Credit held for security	\$4,727,817
4) City of Tacoma Water Department	2004	2013	\$11,334,510	Prime less 2%	City & Partners purchased 1,712,000 GPD WTR ** Partner owes all the balance and pay \$562,730 plus interest each yr. Letter of Credit held for security	\$2,813,650 **
Total Water Debt (principal only)			\$17,162,330			\$7,773,517
Total Developer Responsibility					Loan 3	(\$1,506,911)
					Loan 4	(\$2,813,650)
NET CITY DEBT (Principal Debt Only)						\$3,452,956

NOTE 7 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in PERS 1, 2 or 3, or LEOFF 1 and 2 as administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

Actuarial information is on a system-wide basis and is not considered pertinent to the City’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by the plan.

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

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

OTHER DISCLOSURES

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

STORMWATER UTILITY

In late 2008, City Council through Ordinance 08-872 approved a new Stormwater Utility. The formation of this utility funds a stormwater management program as required by the State Department of Ecology. Acquiring a National Pollutant Discharge Elimination System (NPDES) Western Washington Phase II permit is necessary and mandated by the Federal Clean Water Act. Other required components of the stormwater utility program includes public education and outreach, public involvement and participation, illicit discharge detection and elimination, controlling runoff from new development and redevelopment and pollution prevention, maintenance and operation.

A rate study was performed and new rates were approved beginning with the first billing of January 2009. Staff and other operating costs that previously had been paid by the sewer and water funds were transferred to the Stormwater Fund effective January 1, 2009. City Council authorized a Stormwater Utility tax of 6% beginning in January 2009.

WATER AND WASTEWATER UTILITY

A rate study in 2008 concluded with City Council passing Ordinance 08-879 adopting increased water rates by 15% plus increasing usage rates to a tier system to encourage water conservation. The rate increase took effect with the first billing in January. The increase in water rates will begin to modernize and pay for our debt service, water utility and meter reading systems.

In addition, Ordinance 08-887 authorized a pass-through rate for King County's METRO portion and the Soos Creek portion for sewer customers beginning with the first billing in 2009. The City's share of rate was not increased. The City Council approved a Lifeline Utility Discount Program for low income qualifying seniors and disabled residents beginning in June 2009. This allowed a 50% discount on the City share of water, sewer and stormwater. This program will help to alleviate the impact of the increased rates for those residents on modest and fixed incomes.

YARROW BAY COMMUNITIES FUNDING AGREEMENT

On June 21, 2007 Council authorized 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.

In 2008 the City ramped up efforts to lay groundwork for the future growth by hiring all vacant positions. Continued efforts include updating the City's Comprehensive Plans, as well as updating development regulations including zoning codes, design guidelines and regulations that protect our environmentally sensitive areas. In addition, new permitting software was purchased and installed, and a new financial software program is planned for 2009.

**CITY OF BLACK DIAMOND
NOTES TO FINANCIAL STATEMENTS
January 1, 2007 to December 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Black Diamond uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System* (BARS) manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State Law, Chapter 43.09 RCW.

The City of Black Diamond was incorporated in 1959, and operates under the laws of the State of Washington applicable to a Non-Charter code City classification adopted in 1990 with a Mayor-Council form of government. The City is a general-purpose governmental entity that provides general government services including law enforcement, fire, street improvement, parks and recreation, and general administrative services. In addition, the City owns and operates water and sewer systems.

The City uses single-entry, cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprise its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended use. The following are the fund types and account groups used by the City.

GOVERNMENTAL FUND TYPES

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

General (Current Expense) Fund 001

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

Special Revenue Funds (Funds in the 100 Series)

These funds account for revenues that are legally restricted or designated to finance particular activities of the City.

Capital Projects Funds (Funds in the 300 Series)

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

PROPRIETARY FUND TYPES

Proprietary Funds are governed by the same accounting standards which apply to private business.

Enterprise Funds (Funds in the 400 Series)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Also provides for debt service for enterprise fund capital projects.

FIDUCIARY FUND TYPES

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

Agency Funds (Funds in the 600 Series)

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

b. Basis of Accounting

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

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

c. Budgets

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

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

The Mayor, City Administrator or Finance Director is authorized to transfer budgeted amounts between departments within any fund and between object classes within departments. However, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the City Council.

d. Cash

It is the City's policy to invest all temporary cash surpluses. At December 31, 2007, the City was holding \$7,419,309 in short-term investments of surplus cash (Local Government Investment Pool and 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 General/State Investment Pool interest and interest from the primary checking/savings fund is distributed to the various funds in proportion to their investment amounts.

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 See Note #3

g. Derivatives and Similar Transactions

The City does not invest in these types of instruments.

h. Fixed Assets

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

i. Compensated Absences

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

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

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

j. Long Term Debt See Note #6

k. Risk Management

The City of Black Diamond is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, the CIAW has 95 member cities and 161 associate members.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a "claims made basis". All other coverages are on an "occurrence basis".

The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, law enforcement liability, automobile liability, employment practices liability, boiler and machinery, bonds of various types, and public officials liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool, however, purchases a Stop Loss Policy in the amount of \$5,500,000 to eliminate any risk to members and funds the stop loss in the budget.

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

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

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

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Total pool fees paid to the third-party administrator under this arrangement for the years ended August 31, 2006 and 2007 were \$1,153,031 and \$1,242,382 respectively, of which Black Diamond's portion of those costs were \$82,743 in 2006 and \$90,834 in 2007.

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

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance related or legal or contractual provisions in any of the funds of the City of Black Diamond.

NOTE 3 – INVESTMENTS

The City's investments are insured, registered or held by the City or its agent in the City's name.

Investments by type at December 31, 2007 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
BD General Acct LGIP 00160	\$ 6,593,722.89
BD Soos Creek LGIP 00161	458,919.11
Total Investments	<u>\$7,052,642.00</u>
Mt. Rainier Short Term Cash	\$ 366,667.37
TOTAL CASH AND INVESTMENTS	\$7,419,309.37

NOTE 4 – PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed by King County daily following the receipt of collections.

Property tax revenues are recognized when the City receives cash. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The City's levy for 2007 was approximately \$1.83741 per \$1,000 of an assessed valuation of \$506,221,628 for a total levy of \$900,919. This includes an approximate .60 of excess public safety levy.

NOTE 5 – INTER-FUND LOANS AND ADVANCES

Council authorized the Water Fund to loan the General Fund \$75,000 with Ordinance 07-833 to be paid back in \$15,000 monthly increments with interest at that month's current LGIP rates. This repayment to the Water Fund began in January 2008 with the final payment due in May 2008. The loan was a short term loan to help the General Fund cover the immediate cash needs of furniture, software and moving costs related to the move to a modular facility.

	Lending Fund	Balance 01/01/07	New Loans	Repayments	Balance 12/31/07
	Water Fund	.00	\$75,000.00	.00	\$75,000.00

NOTE 6 – LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (Schedule 09) provides a listing of the outstanding debt of the City and summarizes the City’s debt transactions in 2007. The debt service requirements including interest are as follows:

Year	General Obligation	Revenue Debt	Other Debt	Total Debt
2007	.00	8,250.00	1,154,233.59	1,162,483.59
2008	.00	8,950.00	1,098,064.97	1,107,014.97
2009	.00	8,600.00	1,048,908.77	1,057,508.77
2010	.00	9,250.00	1,018,706.56	1,027,956.56
2011	.00	8,850.00	988,503.37	997,353.37
2012-2016	.00	9,450.00	2,875,185.70	2,884,635.70
2017-2021	.00		1,579,140.67	1,579,140.67
2022-2024	.00		906,636.33	906,636.33
Totals	.00	53,350.00	10,669,379.96	10,722,729.96

The Revenue Bond Debt was issued in 1974 for water projects. The other debt is for three Public Works Trust Fund loans for water projects and for debt for water purchased from the City of Tacoma. Private developers reimburse the City annually for the City of Tacoma debt payment. See Schedule 9.

NOTE 7 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in PERS 1, 2 or 3, or LEOFF 1 and 2 administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the City’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by the plan.

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

State of Washington
 Office of Financial Management
 300 Insurance Building
 PO Box 3113
 Olympia, WA 98504-0201

OTHER DISCLOSURES

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

NOTE: REGARDING FUTURE CITY WATER SUPPLY

The City of Black Diamond successfully entered into a long-term wholesale water supply agreement with the City of Tacoma for its current and future customers in accordance with its adopted Comprehensive Plan and Water System Plan. This included water for the 1995 Annexation Area, the Black Diamond Urban Growth Area properties identified in the Black Diamond Urban Growth Area Agreement of 1996, and other in-city properties and will provide Black Diamond with its water needs into the future.

The City Council authorized the Mayor to enter into an agreement with the City of Tacoma for the purchase of wholesale water to meet projected demands (Resolution No. 340 dated 7/17/03). The City purchased 1.712 MGD from Tacoma for \$11,334,510. The City and developers paid \$5,674,190 of this amount in 2003. The balance of \$5,660,320 was financed by Tacoma over ten years at an interest rate of prime less two percent. The payments are approximately \$566,032 each year plus interest. The payments are reimbursed by private land owners per agreements that guaranteed a specified quantity of water from the existing City Springs source and the Tacoma source in exchange for funding of system improvements, a 20% down payment and financial guarantees for future debt payments. The balance owing as of December 31st, 2007 is \$3,375,448 with six annual principal payments plus interest remaining on the loan. Private developers reimburse the City annually for this City of Tacoma debt obligation.

The City also exercised an option to purchase an additional 0.5 MGD from Tacoma for a total water supply of 2.217 MGD for an additional \$3,407,063. A \$681,413 down payment was made on this option in 2006. The City used proceeds of two Public Works Trust loans of \$5,627,820 received in 2005 and 2006 to make the down payment, provide improvements and make the \$2,725,650 final payment to Tacoma in 2007 for the additional .5 MGD water.

The City completed construction improvements between 2005 and 2007. This included adding necessary water mains to connect with the Tacoma Second Supply Pipeline, adding a pump station including corrosion control treatment for the Springs Source, with included chlorination equipment and transmission main improvements and a new pressure reducing station. Also added was a new 4.3MG Storage Reservoir.

In 2008 the City will adopt a Water Plan that will address additional water system improvements needed in the future. Council will also review the water rates and fees to insure that future water revenues pay for future operations, debt and capital costs.

OTHER UTILITY CONSIDERATIONS

In 2008 the City will adopt a Sewer Comprehensive Plan and will review the sewer rates to insure that future sewer revenues pay for future sewer operations and capital costs.

The City was required to submit a stormwater management program in response to the National Pollutant Discharge Elimination System (NPDES) Western Washington Phase II permit. The Department of Ecology action was mandated by the Federal Clean Water Act and covers municipal stormwater discharge as a required component. Other required components include 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. As part of this planning effort, Council will consider the formation of a Stormwater Utility as well as adoption of a Stormwater Comprehensive Plan. A \$75,000 Grant was awarded to the City in 2007 by the Department of Ecology to assist the City in meeting the required elements.

YARROW BAY COMMUNITIES FUNDING AGREEMENT

On June 21, 2007 Council authorized 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 that will provide funds for Core City staff, modular facilities on Roberts Drive and other resources required to respond to the large developments planned for our community. The City began to see heightened level of activity in 2007 and 2008, as we undertook updating of the Comprehensive Plan, as well as updating development regulations including zoning codes, design guidelines and regulations that protect our environmentally sensitive areas.

City of Black Diamond
SCHEDULE OF LONG TERM DEBT
 For the Year Ended December 31, 2008

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

ID No.	Date of Original Issuance	Date of Maturity	Beginning Outstanding Debt 01/01/08	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/08
251.11	12/16/1973	12/10/2012	\$39,000	0	382. 381. 393.		\$39,000	582.34.72.01.00	401	\$0
263.82	7/8/1995	7/1/2016	\$85,200	0	382. 381. 393.		\$10,650	582.34.72.02.00	401	\$74,550
263.82	8/1/2003	8/1/2013	\$3,375,448	0	382. 381. 393.		\$562,730	582.34.72.04.00	401	\$2,813,650
263.82	9/19/2005	7/1/2025	\$5,023,305	0	382. 381. 393.		\$295,488	582.34.72.00.00	401	\$4,727,817
263.82	11/1/2006	7/1/2024	\$168,750	0	382. 381. 393.		\$11,250	582.34.72.03.00	401	\$157,500
Totals			\$8,691,703	0			\$919,118			\$7,773,517

MCAG NO. 0379

SCHEDULE 9

City of Black Diamond
SCHEDULE OF LONG TERM DEBT
 For the Year Ended December 31, 2007

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

ID No.	Date of Original Issuance	Date of Maturity	Beginning Outstanding Debt 01/01/07	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/07
251.11	12/16/1973	12/10/2012	\$45,000	0	382,_____ 381,_____ 393,_____		\$6,000	582.34.72.01.00	401	\$39,000
263.82	7/8/1995	7/1/2016	\$95,852	0	382,_____ 381,_____ 393,_____		\$10,650	582.34.72.02.00	401	\$85,200
263.82	8/1/2003	8/1/2013	\$3,938,176	0	382,_____ 381,_____ 393,_____		\$562,730	582.34.72.04.00	401	\$3,375,448
263.82	9/19/2005	7/1/2025	\$5,318,793	0	382,_____ 381,_____ 393,_____		\$295,488	582.34.72.00.00	401	\$5,023,305
263.82	11/11/2006	7/1/2024	\$180,000	0	382,_____ 381,_____ 393,_____		\$11,250	582.34.72.03.00	401	\$168,750
Totals			\$9,577,821	0			\$886,118			\$8,691,703



ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
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