



*Building Community ✦ Driving for Excellence*

# Financial Report

For the period January 1, 2011  
through June 30, 2011  
(Unaudited)

## Summary

### **United State Economy**

In the first quarter the U.S. economy grew at an annual rate of 1.8%, which was lower than the anticipated 4%. The pace of the economic recovery continues to be slow. Job gains have slowed as private sector increases were offset by sharp losses in government jobs. Manufacturing production, outside of the motor vehicles sector, increased moderately during the past two months. Shortages of specialized components imported from Japan contributed to a decline in the output of motor vehicles and parts. Growth in consumer spending declined in recent months from the already modest pace in the first quarter.

Economists are expecting economic activity will pick up in the second half of the year, absent a low probability high impact event. However economists have lowered their outlook for economic growth for the second half of the year.

### **Washington State Economy**

“Washington’s economic activity is expected to mirror that of the national economy – short-term weakness followed by firming in the second half of the year.”

### **Local Economy**

- Sales tax revenues for the city are approximately 2.6% less than the projections. Since sales tax revenue is the largest revenue contribution in the General Fund any drop below projections is considered significant. The City continues to closely monitor sales tax revenues.
- Amazon.com, Inc. (NASDAQ: AMZN) announced plans to open an approximately 500,000-square-foot fulfillment center in Sumner. Amazon will create several hundred full-time jobs at the facility this year, in addition to hundreds of seasonal jobs during the holiday season.

Source: July 11, 2011 Economic & Revenue Update, Washington State Economic & Revenue Forecast Council

**Cash and Investment Activity**

The available General Fund operating cash and investment balance was \$1,058,143 on June 30, 2011. This is approximately 14.14% of General Fund expenditure budget. City of Sumner's Reserve Policy requires, as a minimum, at least one month or 8% of budgeted expenses.

On July 5, 2011 the City Council approved Resolution #1330 updating and adopting an investment policy. The investment policy describes rules that must be observed in achieving the City's goals and objectives. The goal of the investment policy is to invest public funds in a manner which provides protection of principal while achieving a reasonable rate of return, meeting the City's cash flow needs and follows all the Washington statutes governing the investment of public funds.

Below we have provided a recap of the city investments, where they were held and the applicable interest rates.

**Current City Investments & Rates**

<b>Fund</b>	<b>Investment</b>	<b>Amount</b>	<b>Rate</b>
General Fund	State Pool	\$ 340,000	0.16%
General Fund	US Agencies	682,012	0.60% - 5.38%
General Fund Reserves	State Pool	963,764	0.16%
General Fund Reserves	US Agencies	300,000	0.75%
Special Revenue Funds	State Pool	225,000	0.16%
Special Revenue Funds	US Agencies	175,000	0.46% - 1.02%
Debt Service Funds	State Pool	1,772,498	0.16%
Capital Project Funds	State Pool	407,155	0.16%
Capital Project Funds	US Agencies	350,063	0.46% - 0.75%
Enterprise Funds	State Pool	8,831,207	0.16%
Enterprise Funds	US Agencies	3,021,062	0.46% - 5.38%
Internal Service Funds	State Pool	222,039	0.16%
Internal Service Funds	US Agencies	631,176	0.46% - 1.20%
Trust & Agency Funds	State Pool	555,797	0.16%
Trust & Agency Funds	US Agencies	863,900	0.50% - 1.00%
<b>Total Investments</b>		<b>\$19,340,673</b>	

These investments are in compliance with the City of Sumner's Investment Policy.

*The financial information presented in this report has been prepared using a modified cash basis of accounting which is another comprehensive basis of accounting (OCBOA) and is not presented in accordance with Generally Accepted Accounting Principles (GAAP).*

**Revenues**

General Fund revenue collections biennium to date through June 30, 2011 were \$3,758,857.

**GENERAL FUND REVENUE ANALYSIS** – Biennium to date through June 30th:

Major Category/Account	2011/2012 Budget	Biennium to Date - Actual	% Coll.
<b>Taxes</b>	<b>\$12,604,200</b>	<b>\$2,965,872</b>	<b>23.53%</b>
Property Tax	2,018,700	535,033	26.50%
Retail Sales Taxes	6,150,000	1,388,209	22.57%
Other Sales and Use Taxes	478,000	115,777	24.22%
Business Taxes	3,838,500	902,269	23.51%
Other Taxes	119,000	24,584	20.66%
<b>Licenses and Permits</b>	<b>\$843,500</b>	<b>\$170,124</b>	<b>20.17%</b>
Business Licenses & Permits	387,000	108,310	27.99%
Building Permits	420,000	56,967	13.56%
Other Licenses and Permits	36,500	4,847	13.28%
<b>Intergovernmental</b>	<b>\$969,750</b>	<b>\$310,400</b>	<b>15.99%</b>
Federal Grants	-	0	-%
State Grants & Entitlements	906,950	296,174	32.66%
Intergovernmental Service	62,800	14,226	22.65%
<b>Charges for Service</b>	<b>\$474,460</b>	<b>\$93,074</b>	<b>5.81%</b>
General Government	55,600	9,314	16.75%
Security of Persons & Property	36,000	16,724	46.46%
Physical Environment	-	0	-%
Plan Checking Fees	230,000	44,466	19.33%
Fire Review Fees	97,860	20,673	21.13%
Other Fees	55,000	1,897	3.45%
<b>Fine and Forfeits</b>	<b>\$478,700</b>	<b>\$167,593</b>	<b>35.01%</b>
<b>Miscellaneous Revenues</b>	<b>\$106,000</b>	<b>\$23,714</b>	<b>13.99%</b>
Interest Earnings	70,000	6,637	9.48%
Contributions/Donations & Other Miscellaneous Revenues	36,000	17,077	47.43%
<b>Non-Revenues</b>	<b>-</b>	<b>0</b>	<b>-%</b>
<b>Other Financing Sources</b>	<b>117,000</b>	<b>28,080</b>	<b>24.00%</b>
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$15,593,610</b>	<b>\$3,758,857</b>	<b>23.07%</b>

The City of Sumner's allocates the biennial budget appropriation totals between the two years to 48% for 2011 and 52% for 2012 which will allow for comparisons of budget to actual each year since costs generally increase in the second year. This report is for the period of January 1, 2011 through June 30, 2011 and the expected percentage of the budget used equals 24.0%.

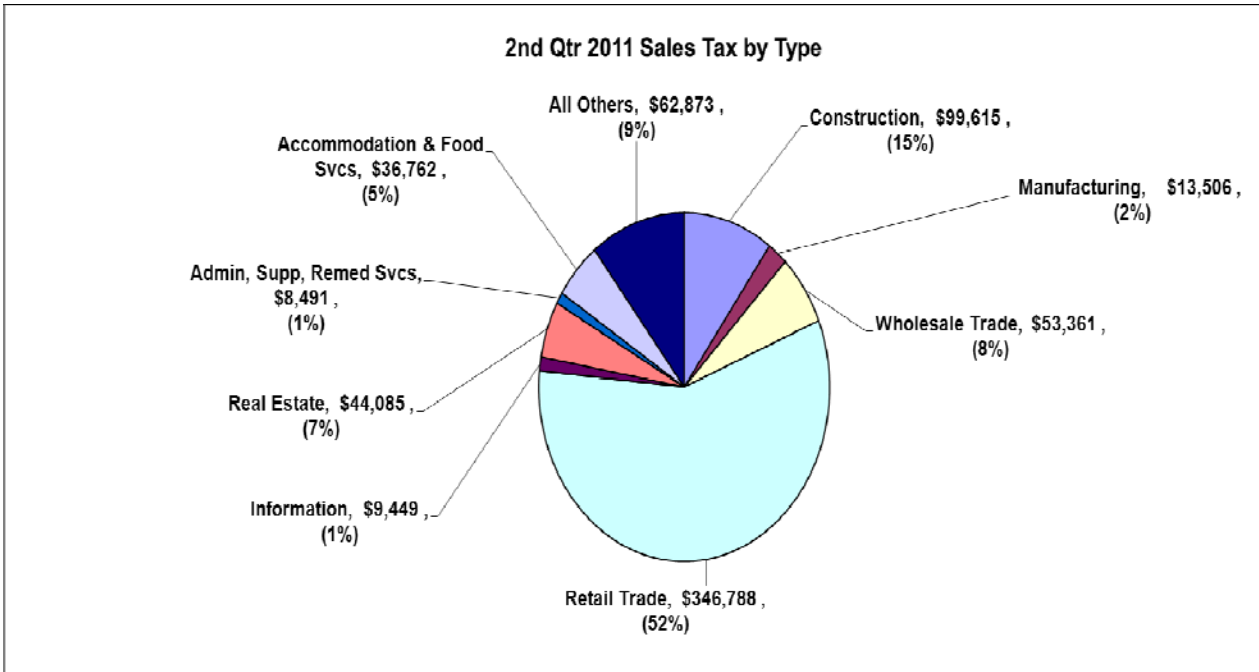
**Property Tax**

- Budgeted property tax revenue is 12.95% of the General Fund. Property tax revenues are received during the May/June (second quarter) and November/December (fourth quarter). The amount of revenue is based on the assessed value and is estimated using the Pierce County Assessor's data. Thus far our collections are consistent with our projections.

**Sales Tax**

- Sales tax revenue is the largest revenue contributor in the General Fund. Total retail sales tax collections through the end of June were \$1,388,209.

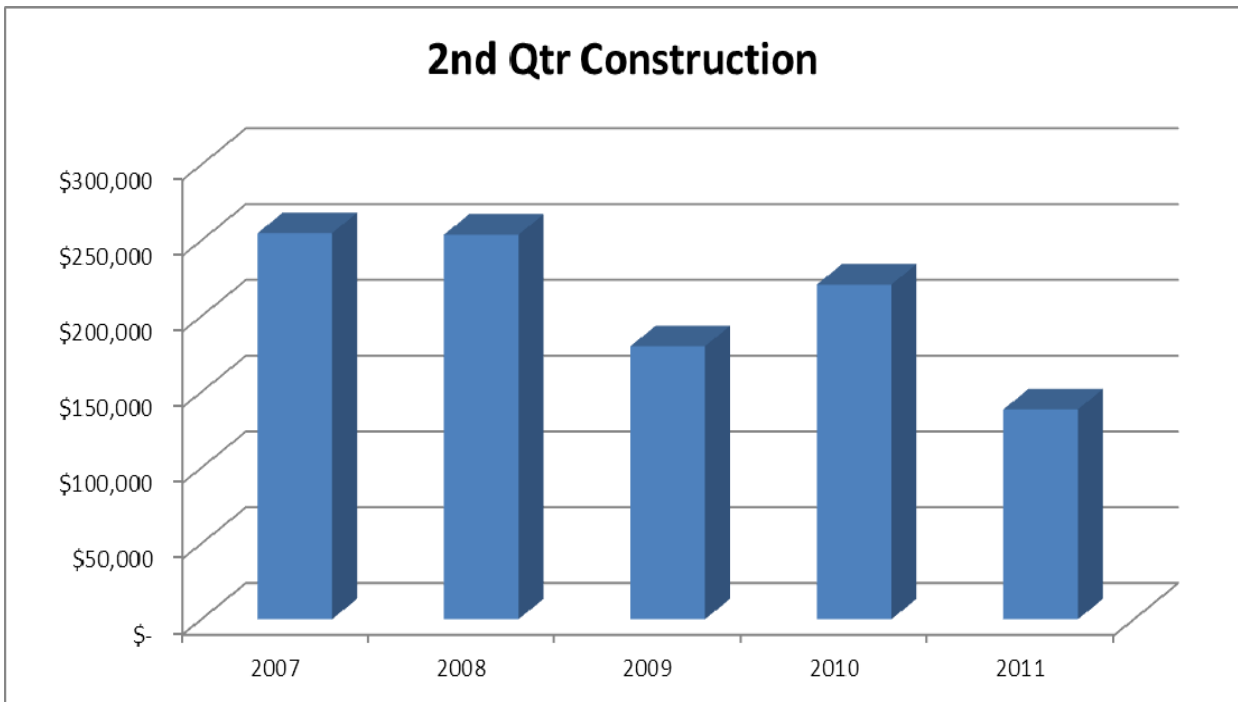
Month	2011 Data		Historical Information				
	Budget	Actual	2010	2009	2008	2007	2006
January	\$ 225,100	\$ 224,654	\$ 204,684	\$ 206,082	\$ 276,754	\$ 290,173	\$ 307,141
February	\$ 286,940	\$ 290,594	\$ 273,341	\$ 283,907	\$ 365,275	\$ 412,560	\$ 431,156
March	\$ 211,489	\$ 179,967	\$ 234,020	\$ 184,941	\$ 265,102	\$ 277,764	\$ 248,336
April	\$ 209,499	\$ 191,424	\$ 225,926	\$ 184,771	\$ 281,716	\$ 308,383	\$ 264,031
May	\$ 259,802	\$ 254,955	\$ 249,135	\$ 225,413	\$ 310,883	\$ 371,486	\$ 321,568
June	\$ 231,720	\$ 246,615	\$ 251,276	\$ 192,112	\$ 272,676	\$ 359,778	\$ 276,474
July	\$ 236,124		\$ 233,326	\$ 213,571	\$ 306,367	\$ 315,709	\$ 301,521
August	\$ 263,455		\$ 259,546	\$ 228,418	\$ 314,026	\$ 310,186	\$ 334,759
September	\$ 255,169		\$ 253,427	\$ 186,142	\$ 270,548	\$ 283,832	\$ 349,941
October	\$ 255,591		\$ 257,511	\$ 247,325	\$ 263,932	\$ 376,624	\$ 355,742
November	\$ 275,263		\$ 265,634	\$ 243,224	\$ 254,607	\$ 355,833	\$ 376,800
December	\$ 241,849		\$ 221,238	\$ 210,590	\$ 221,536	\$ 331,517	\$ 347,815
YTD	\$ 2,952,001	\$ 1,388,209	\$ 2,929,064	\$ 2,606,496	\$ 3,403,422	\$ 3,993,844	\$ 3,915,284



The City of Sumner receives the majority of its sales tax revenue from two categories: Retail Trade – 52% and Construction – 15%.



Retail trade sales tax revenue for the year to date through June 30th is 5.10% higher than the same period last year.



Construction-related sales tax for the year to date through June 30th is 37.31% lower than the same period last year. Construction-related activities continue to be significantly impacted by the loss of access to credit. Credit conditions have improved and consumers with good credit have access to reasonably priced credit. Large businesses with strong balance sheets are able to obtain credit directly through the bond market. Credit still remains tight for small businesses especially in construction-related activities.

#### ***Licenses and Permits & Charges for Services***

- These revenue categories continue to be affected by the slow-down in construction and are currently at 8.11% of the budgeted revenue. Building permits, plan check fees and fire review fees are 56.74% of the total. We continue to closely monitor permit activity.
- With the news of Amazon locating in the City of Sumner we anticipate an increase in permit activity during the 2<sup>nd</sup> or 3<sup>rd</sup> quarter 2011.

#### ***Intergovernmental Revenue***

- Intergovernmental revenues include monies received for federal and state grants; monies received from the State of Washington for Sales Tax Mitigation, Liquor Board Profits, Liquor Excise Taxes and Criminal Justice revenues. Revenues are \$296,174 from state entitlements; and \$14,226 from intergovernmental services.

#### ***Fines and Forfeitures***

- Fines and Forfeitures are monies received by the City of Sumner's Municipal Court for traffic and parking infractions, as well as other criminal traffic infractions.
- Revenues for the biennium to date are \$167,593, or 35.01% of budgeted projections. We anticipate this revenue source to continue to slightly exceed budgeted projections.

## **EXPENDITURES**

- For this report, the budget period is 24.0% complete. In the Expenditures section, departments with 24.0% or less of “% of Budget Used” are at or below budget for the biennium. Most of the departments have been performing within budget parameters. For those that have expended more than 24.0%, reasonable and appropriate causes exist and are explained below:

### **GENERAL FUND EXPENDITURE ANALYSIS** – Biennium to date through June 30th:

<b>Departments</b>	<b>2011/2012 Budget</b>	<b>Biennium to Date - Actual</b>	<b>% Spent</b>
Legislative	157,450	39,170	<b>24.88%</b>
Municipal Court	730,830	155,896	21.33%
Executive	589,090	147,722	<b>25.08%</b>
Finance	574,990	186,313	<b>32.40%</b>
Legal	402,640	97,380	<b>24.19%</b>
Human Resources	359,820	79,170	22.00%
Law Enforcement	7,495,760	1,907,275	<b>25.44%</b>
Community Development	1,329,920	373,743	<b>28.10%</b>
Senior Center	346,140	91,743	<b>26.50%</b>
Community & Human Services	60,000	30,000	<b>50.00%</b>
Parks and Recreation	962,310	226,518	23.54%
Building and City Hall	263,610	58,042	22.02%
Non-Departmental	2,321,050	528,553	22.77%
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$15,593,610</b>	<b>\$3,921,525</b>	<b>25.15%</b>

- Legislative – The amount budgeted for insurance was \$500 which is incorrect. The budget should have been \$1,500. This will be corrected in a budget amendment. Professional Service expenditures are \$3,929 which is 33% of the line item budget. These expenditures are for municipal code publishing and code updates.
- Executive – Insurance expenditures are \$4,760 which is 48% of the line item budget. This is due to the annual insurance payment. Operating Rentals and Leases expenditures are \$1,200 which is 34% of the line item budget. The expenditures are primarily for the costs of copying and printing materials for administration.
- Finance – Professional Service expenditures are \$21,511 which is 42% of the line item budget. This is due to the annual payment of the financial software maintenance costs. Salary & Benefit expenditures are \$145,329 which is 33% of the line items budgeted. These expenditures reflect the retirement of a long-term employee and the lump sum payment of any accrued unused vacation and sick leave.
- Legal – Insurance expenditures are \$3,184 which is 48% of the line item budget. This is due to the annual insurance payment.
- Law Enforcement – Insurance expenditures are \$47,004 which is 48% of the line item budget. This is due to the annual insurance payment. Intergovernmental Professional Service expenditures are \$26,330 which is 48% of the line item budget. This is due to the City of Sumner's annual payment to Metro Animal Services program. In addition, Salaries and Benefits for the Communication Center are \$56,912 which is 73% of the line item budget. This is due to the final payments to the communication center's staff.

- Community Development – Salary & Benefit expenditures are \$323,787 which is 29% of the line items budgeted. These expenditures reflect the retirement of a long-term employee and the lump sum payment of any accrued unused vacation and sick leave. Insurance expenditures are \$9,066 which is 48% of the line item budget. This is due to the annual insurance payment.
- Senior Center – Insurance expenditures are \$5,618 which is 48% of the line item budget. This is due to the annual insurance payment. Repairs and Maintenance expenditures are \$3,803 which is 58% of the line item budget. The blower motor and fan motor failed on the heating system which required replacement. In addition, repairs needed to be made to the commercial dishwasher.
- Community & Human Services - Intergovernmental Professional Services are \$30,000 which is 50% of the line item budget. An annual payment was made in April to the Sumner Family Center.

**Street Fund:**

	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>
<b>Beginning Cash &amp; Investments</b>	<b>\$ -</b>	<b>\$ 10,542</b>	
<b>Revenues:</b>			
Licenses & Permits	22,500	3,865	17.18%
Motor Vehicle Excise Tax	390,000	94,831	24.32%
Fees & Charges	86,250	3,576	4.15%
Interest Earnings	-	4	-
Miscellaneous Revenue	-	1,473	-
Operating Transfers	1,350,050	324,012	24.00%
<b>Total Revenues</b>	<b>\$ 1,848,800</b>	<b>\$ 427,761</b>	<b>23.14%</b>
<b>Expenditures:</b>			
Road & Street Maintenance	442,940	109,603	24.74%
Traffic & Pedestrian Services	665,350	159,187	23.93%
Road & Street Administration	597,510	91,624	15.33%
Operating Transfers Out	97,400	23,376	24.00%
<b>Total Expenditures</b>	<b>\$ 1,803,200</b>	<b>\$ 383,790</b>	<b>21.28%</b>
<b>Ending Cash &amp; Investments</b>	<b>\$ 45,600</b>	<b>\$ 54,513</b>	

Funding for the majority of the residential street program is provided by the General Fund. Amounts transferred to the Street Fund have been limited to what is actually required. So the Street Fund continues to manage its limited resources extremely well. Many cities have been forced to eliminate their chip seal program due to financial constraints. We are fortunate to continue this program at full funding.

We will closely monitor the motor vehicle excise tax to budget projections and make adjustments if deemed necessary.

**Arterial Street Fund:**

	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>
<b>Beginning Cash &amp; Investments</b>	\$ -	\$ (1,510)	
<b>Revenues:</b>			
Indirect Federal Grants	1,730,130	1,168,974	67.57%
Interest Earnings	-	42	-
Contributions & Donations	-	12,993	-
Capital Contributions	59,350	-	-
Operating Transfers	408,600	-	-
<b>Total Revenues</b>	<b>\$ 2,198,080</b>	<b>\$ 1,182,009</b>	<b>53.77%</b>
<b>Expenditures:</b>			
Professional Services	-	757	-
Capital Projects:			
Traffic & Main Intersection	640,000	1,494,651	233.54%
East Valley Resurfacing Phase I	1,477,470	83,593	5.66%
Stewart Rd Corridor	25,000	36,092	144.37%
136th Avenue	50,000	7,165	14.33%
<b>Total Expenditures</b>	<b>\$ 2,192,470</b>	<b>\$ 1,622,258</b>	<b>73.99%</b>
<b>Ending Cash &amp; Investments *</b>	<b>\$ 5,610</b>	<b>\$ (441,759)</b>	

Beginning cash & investments have a negative balance because the City of Sumner was waiting for reimbursement for the Traffic & Main Intersection project.

Traffic & Main Intersection Project – The project is substantially complete.

East Valley Resurfacing Phase I – The environmental review is complete and the project is currently in the design phase.

Stewart Road Corridor Improvement Project – Currently working on completing the punch list items for the sewer portion of the project.

136<sup>th</sup> Avenue Project – The City of Sumner has executed an interlocal agreement with the City of Pacific. Public works is starting the process to form an LID as part of the project funding.

## Water Utility Fund

	Budget	Actual	% Used	Projected thru YE
<b>Beginning Cash &amp; Investments</b>	<b>\$ 2,000,000</b>	<b>\$ 1,944,427</b>		<b>\$ 1,944,427</b>
<b>Revenues:</b>				
Water Permits	58,550	1,820	3.11%	28,104
Water Sales	3,558,120	737,846	20.74%	1,707,898
Penalties & Fees	263,600	81,718	31.00%	126,528
Water Meter & Installation	40,000	903	2.26%	19,200
Intergovernmental Revenues	285,000	-	0.00%	-
Interest & Other Earnings	177,110	24,306	13.72%	85,013
Special Assessment Principal	247,080	-	-	118,598
Other Miscellaneous Revenues	-	8,204	-	4,000
Contributed Capital *	230,000	(17,132)	-7.45%	110,400
Proceeds from Long-term Debt	4,651,280	-		
<b>Total Revenues</b>	<b>\$ 9,510,740</b>	<b>\$ 837,665</b>	<b>8.81%</b>	<b>\$ 2,171,637</b>
<b>Expenses:</b>				
Administration General	1,617,150	364,616	22.55%	776,232
Maintenance	1,239,680	218,381	17.62%	595,046
Operations - Customer Service	163,530	50,039	30.60%	78,494
Operating Transfers Out	222,560	53,414	24.00%	106,829
Debt Service	1,957,500	32,466	1.66%	939,600
Capital Projects	5,033,000	41,339	0.82%	500,000
<b>Total Expenses</b>	<b>\$ 10,233,420</b>	<b>\$ 760,255</b>	<b>7.43%</b>	<b>\$ 2,996,202</b>
<b>Ending Cash &amp; Investments</b>	<b>\$ 1,277,320</b>	<b>\$ 2,021,837</b>		<b>\$ 1,119,862</b>

\* \$25,037 Refund of Water SDC paid in 2010

The revenue stream for the Water Utility is affected by the seasonal nature of water sales. Typically a larger percentage of water sales occur during summer months. Budgeted intergovernmental revenues are for a FEMA grant that will provide a water tower with a seismic retrofit.

Operations-Customer Service expenses are higher than the projections. This is due to charges to professional services for annual payments for financial software maintenance costs.

All early indications are that we will not meet our revenue projections due to the very wet summer that we are experiencing.

## Sewer Utility Fund

	Budget	Actual	% Used	Projected thru YE
<b>Beginning Cash &amp; Investments</b>	<b>\$ 1,874,000</b>	<b>\$ 2,913,854</b>		<b>\$ 2,913,854</b>
<b>Revenues:</b>				
Sewer Permits	62,730	3,120	4.97%	30,110
Bonney Lake - Construction True-up	161,350	-	-	161,350
Sewer Service Charges	7,249,210	1,768,028	24.39%	3,479,621
Sewer Service - Bonney Lake	2,262,060	389,687	17.23%	1,085,789
Sewer Service - Other Fees & Charges	67,600	15,536	22.98%	32,448
Plan Check Fees	44,720	800	-	21,466
Interest & Other Earnings	281,470	79,026	28.08%	135,106
Rents & Leases	70,000	10,000	14.29%	33,600
Special Assessments Principal	494,760	212,666	42.98%	237,485
Other Miscellaneous Revenues	4,000	7,082	177.05%	1,920
Contributed Capital	179,020	97,069	54.22%	85,930
Interfund Loan Repayment	2,050,000	-	-	2,050,000
Proceeds from Long-term Debt	3,552,720	-	-	-
<b>Total Revenues</b>	<b>\$ 16,479,640</b>	<b>\$ 2,583,014</b>	<b>15.67%</b>	<b>\$ 5,274,713</b>
<b>Expenses:</b>				
Administration General	1,532,300	357,587	23.34%	735,504
Maintenance	1,476,200	216,514	14.67%	708,576
Operations - Customer Service	215,190	62,660	29.12%	103,291
Operating Transfers Out	251,000	60,240	24.00%	120,480
Sewer Treatment Plant Department	3,511,960	843,850	24.03%	1,685,741
Debt Service	4,245,620	773,644	18.22%	2,037,898
Capital Projects	6,533,000	120,877	1.85%	600,000
<b>Total Expenses</b>	<b>\$ 17,765,270</b>	<b>\$ 2,435,372</b>	<b>13.71%</b>	<b>\$ 5,991,490</b>
<b>Ending Cash &amp; Investments</b>	<b>\$ 588,370</b>	<b>\$ 3,061,496</b>		<b>\$ 2,197,078</b>

Operations-Customer Service expenses are higher than projections. This is due to charges to professional services for annual payments for financial software maintenance costs.

## Storm Sewer Utility Fund

	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>	<u>Projected thru YE</u>
<b>Beginning Cash &amp; Investments</b>	<b>\$ 6,399,820</b>	<b>\$ 6,603,165</b>		<b>\$ 6,603,165</b>
<b>Revenues:</b>				
Storm Sewer Permits	73,390	4,745	6.47%	35,227
Storm Sewer Charges	3,531,850	879,728	24.91%	1,695,288
Intergovernmental Revenue	84,750	143,851	-	40,680
Interest & Other Earnings	172,080	15,295	8.89%	82,598
Rents & Leases	5,200	-	0.00%	2,496
Miscellaneous Revenue	-	-	-	-
Contributed Capital	183,380	6,493	3.54%	88,022
<b>Total Revenues</b>	<b>\$ 4,050,650</b>	<b>\$ 1,050,112</b>	<b>25.92%</b>	<b>\$ 1,944,312</b>
<b>Expenses:</b>				
Administration General	1,461,590	335,384	22.95%	701,563
Maintenance	916,280	195,514	21.34%	439,814
Operations - Customer Service	202,020	63,776	31.57%	96,970
Operating Transfers Out	529,110	61,436	11.61%	253,973
Debt Service	540,950	20,722	3.83%	259,656
Capital Projects	4,379,000	72,396	1.65%	700,000
<b>Total Expenses</b>	<b>\$ 8,028,950</b>	<b>\$ 749,228</b>	<b>9.33%</b>	<b>\$ 1,750,413</b>
<b>Ending Cash &amp; Investments</b>	<b>\$ 2,421,520</b>	<b>\$ 6,904,049</b>		<b>\$ 6,797,064</b>

Operations-Customer Service expenses are higher than the projections. This is due to charges to professional services for annual payments for software maintenance costs.