

Date: July 19, 2016

To: Mayor Ibershof and City Council

From: Dean Rohla, Finance Director  
Jennifer Anderson, Accountant

Re: Second quarter 2016 Financial Report (50% of year = 50% Target)

At the end of second quarter 2016, total City revenues are 29.84% of budget and expenses are 24.41%. A summary by each fund type is shown in Exhibit 1 and 2.

**Highlights year-to-date include:**

**GENERAL FUND**

- General Fund operating revenue ended second quarter at 52.49% of budget and operating expenditures are 45.05%. In comparison, 2015 2nd quarter ended with operating revenue at 46.60% and operating expenses at 44.69% (see **Exhibit 9** for details by department and object).
- Approximately 25% of the General Fund revenue comes from Property Tax which is primarily received in April/May and Oct/Nov each year.
- Building permit revenue ended the second quarter at 83.30% of budget or a total of \$93,795.52. This is a significant increase compared to end of 2nd quarter 2015 which ended with \$74,714.15 in revenue or 45.90% of budget.
- Other development fees and engineering fees have brought in revenue of \$101,361.49 thru end of 2nd quarter 2016. This represents 69.90% of budget (\$145,000).
- Plan check fees were at 67.30% of budget or \$49,254.95 at the end of second quarter. Again, this is higher than 2015 second quarter which ended with \$37,030.83.
- Sales Tax revenue ended second quarter with 53.13% of the \$665,000 budget received (**Exhibit 3**).
- Utility Taxes are at 50.82% of budget or \$555,275.33. (**Exhibit 6**).

**CAPITAL FUNDS**

- Twelve park and street impact fees have been received this year. Impact fees are receipted at the time building permits are issued (**Exhibit 5**).
- Real Estate Excise Tax (REET) ended the quarter at 44.26% of budget with homes and property continuing to sell at increased prices. (**Exhibit 4**).

**UTILITY FUNDS**

- The City has no General Obligation debt, only Revenue debt for the water and sewer utility as shown in **Exhibit 7**.
- The sale of the vacant land next to the Valley Tech Center closed on 2/2/2016. The City received \$370,000 from the sale.

**ALL FUNDS**

- Interest on Investments revenue ended the second quarter at \$30,202.25. This is 150% of the 2016 budget, \$20,095.
- Reserve fund balances are being met (**Exhibit 8**).
- Overall City fund balances increased in the second quarter of 2016 by \$1,243,175.45. This is primarily due to the sale of the VTC property in February and a large Main St. project reimbursement (**Exhibit 10**).

Please feel free to contact me if you have any questions, 425-939-8066.

**EXHIBIT 1: Budget to Actual Revenues thru June 30, 2016 – all funds**

Fund Types	2016	2016	2016	YTD 2016	%	Target
	Total Budget	Begin. Fund Balance	Total Budget Less Begin. Fund Bal.	Revenues	Received	
General Fund	5,246,735	1,064,236	4,182,499	2,195,335	52.49%	>50%
Contingency Fund	45,615	28,015	17,600	72	0.41%	>50%
Special Revenue Funds	700,823	187,313	513,510	254,567	49.57%	>50%
Debt Service	3,000,000	-	3,000,000	-	0.00%	>50%
Capital Project Funds	12,310,485	2,195,564	10,114,921	1,388,241	13.72%	>50%
Utility Funds	13,681,980	7,104,405	6,577,575	3,264,913	49.64%	>50%
Bond Redemption & Reserve	721,268	279,413	441,855	221,558	50.14%	>50%
Internal Service Funds	1,017,583	590,608	426,975	217,322	50.90%	>50%
Totals	\$ 36,724,488	\$ 11,449,553	\$ 25,274,935	\$ 7,542,007	29.84%	>50%

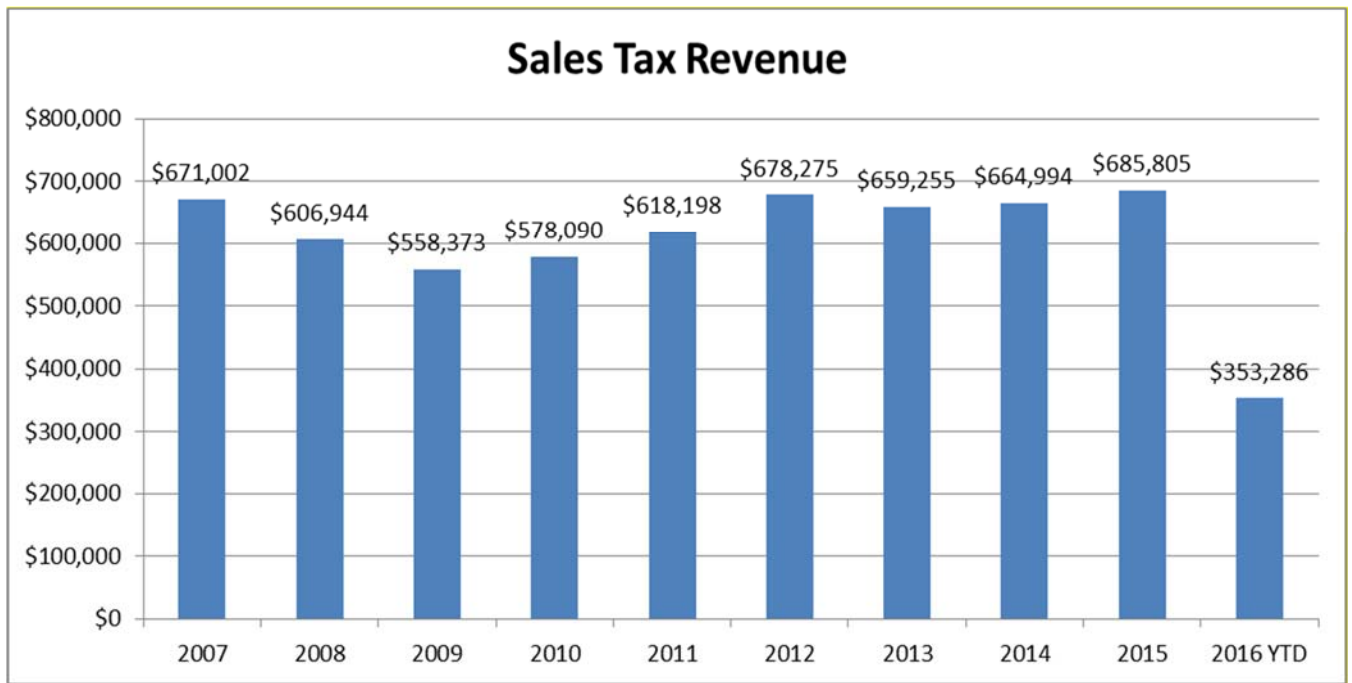
Total revenues are under the target of 50% or higher.

**EXHIBIT 2: Budget to Actual Expenditures thru June 30, 2016 – all funds**

Fund Types	2016	2016	2016	YTD 2016	%	Target
	Total Budget	Budget Ending Fund Balance	Total Budget less End. Fund Bal.	Expenditures	Expended	
General Fund	5,246,735	935,954	4,310,781	1,942,049	45.05%	<50%
Contingency Fund	45,615	27,615	18,000	-	0.00%	<50%
Special Revenue Funds	700,823	45,111	655,712	282,536	43.09%	<50%
Debt Service	3,000,000	-	3,000,000	-	0.00%	<50%
Capital Project Funds	12,310,485	2,991,652	9,318,833	953,370	10.23%	<50%
Utility Funds	13,681,980	6,119,883	7,562,097	2,952,561	39.04%	<50%
Bond Redemption & Reserve	721,268	279,163	442,105	13,053	2.95%	<50%
Internal Service Funds	1,017,583	522,525	495,058	155,263	31.36%	<50%
Totals	\$ 36,724,488	\$ 10,921,902	\$ 25,802,586	\$ 6,298,832	24.41%	<50%

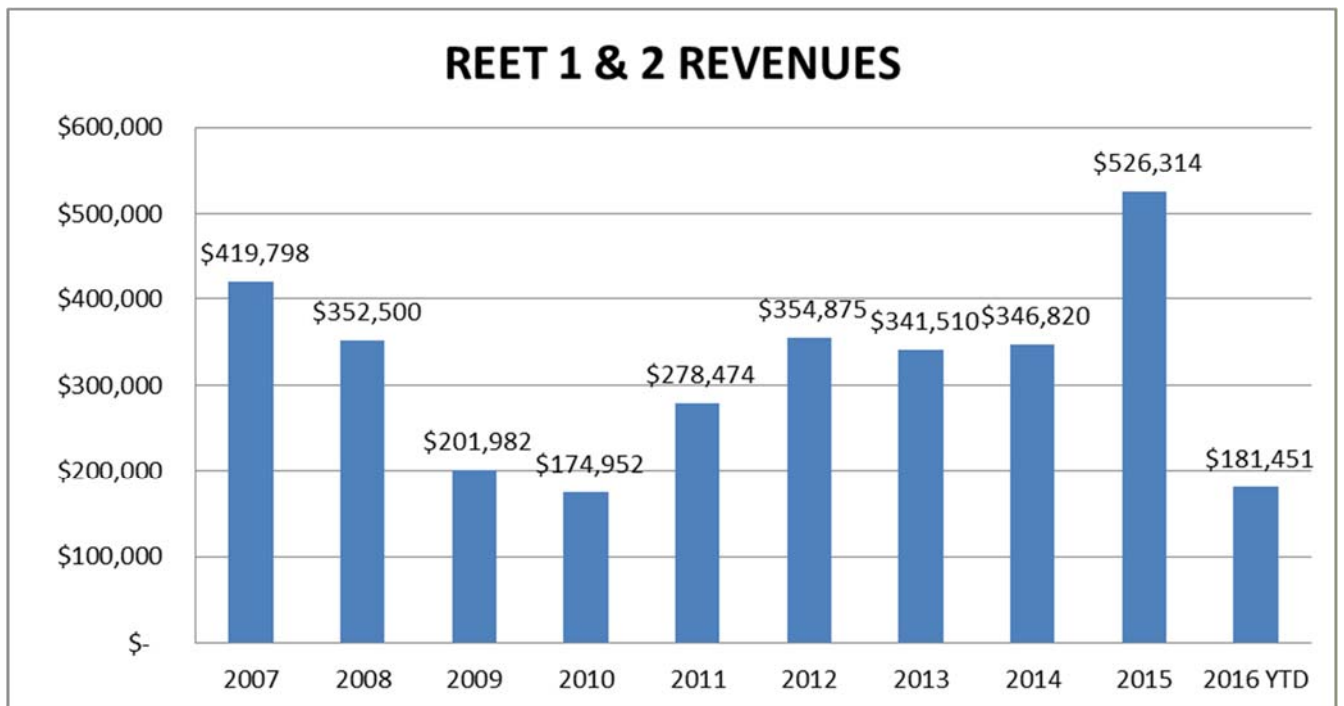
Expenditures are below the 50% target at the end of second quarter.

**EXHIBIT 3: Sales Tax**



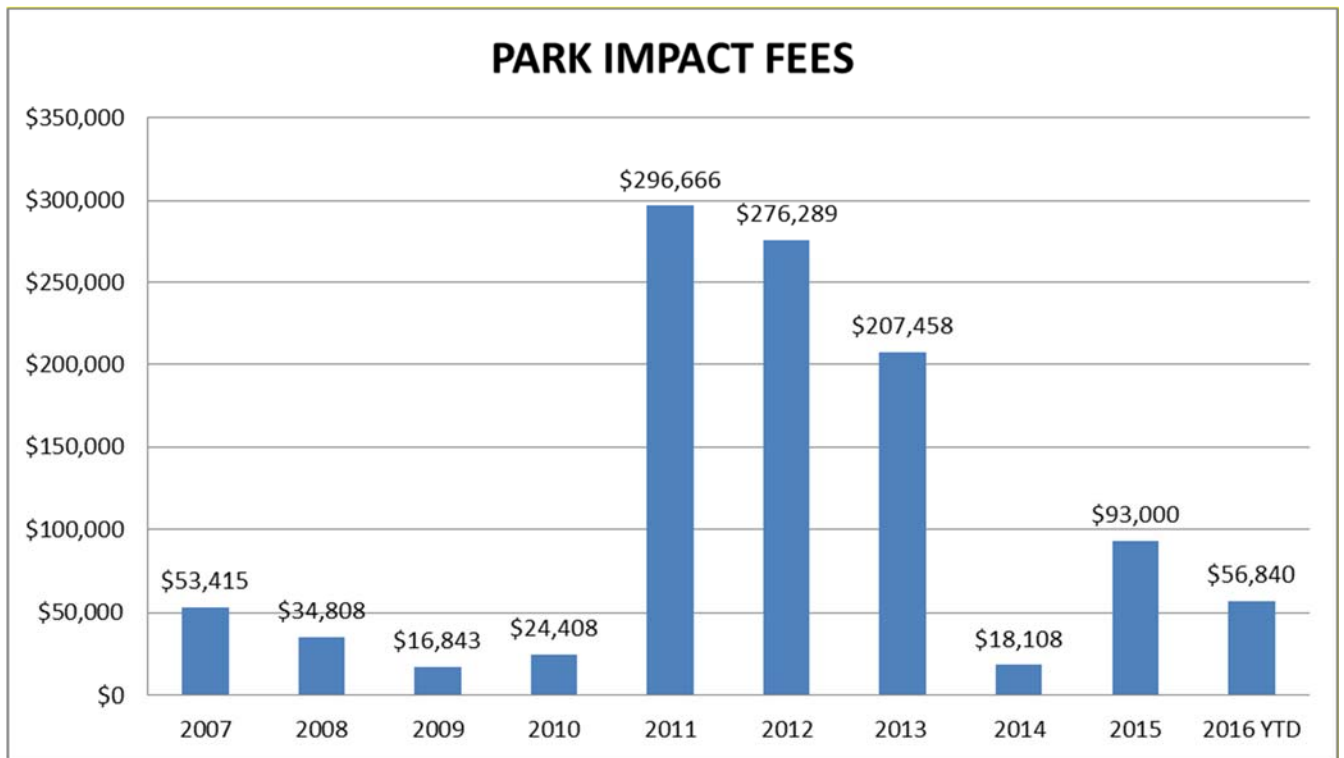
At the end of second quarter, sales tax is at 53.13% of our \$665,000 budget and is 12.80% higher than second quarter 2015 sales tax revenues.

**EXHIBIT 4: REET**

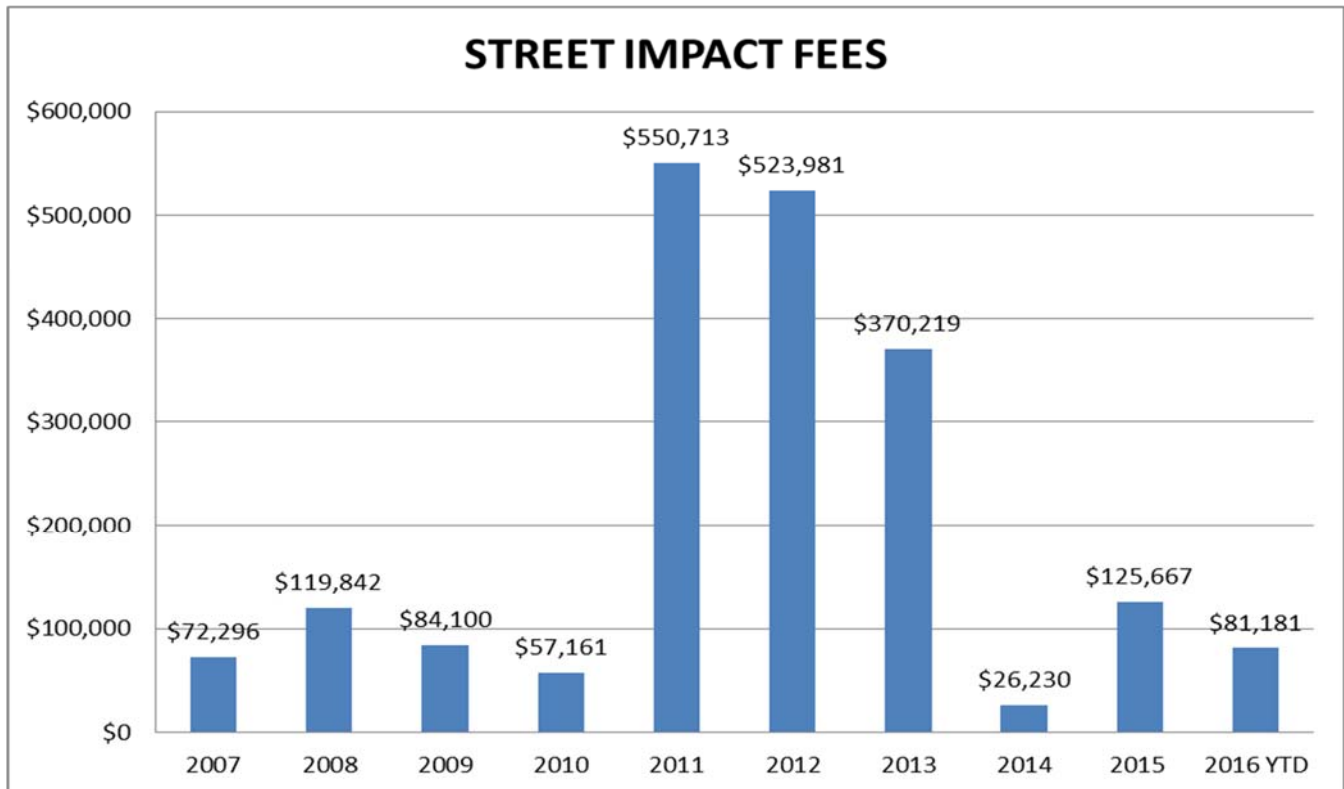


Real Estate Excise Tax Revenues (REET) are at 44.26% of the 2016 budget (\$410,000). These funds are primarily for capital improvements.

**EXHIBIT 5: Impact Fees**

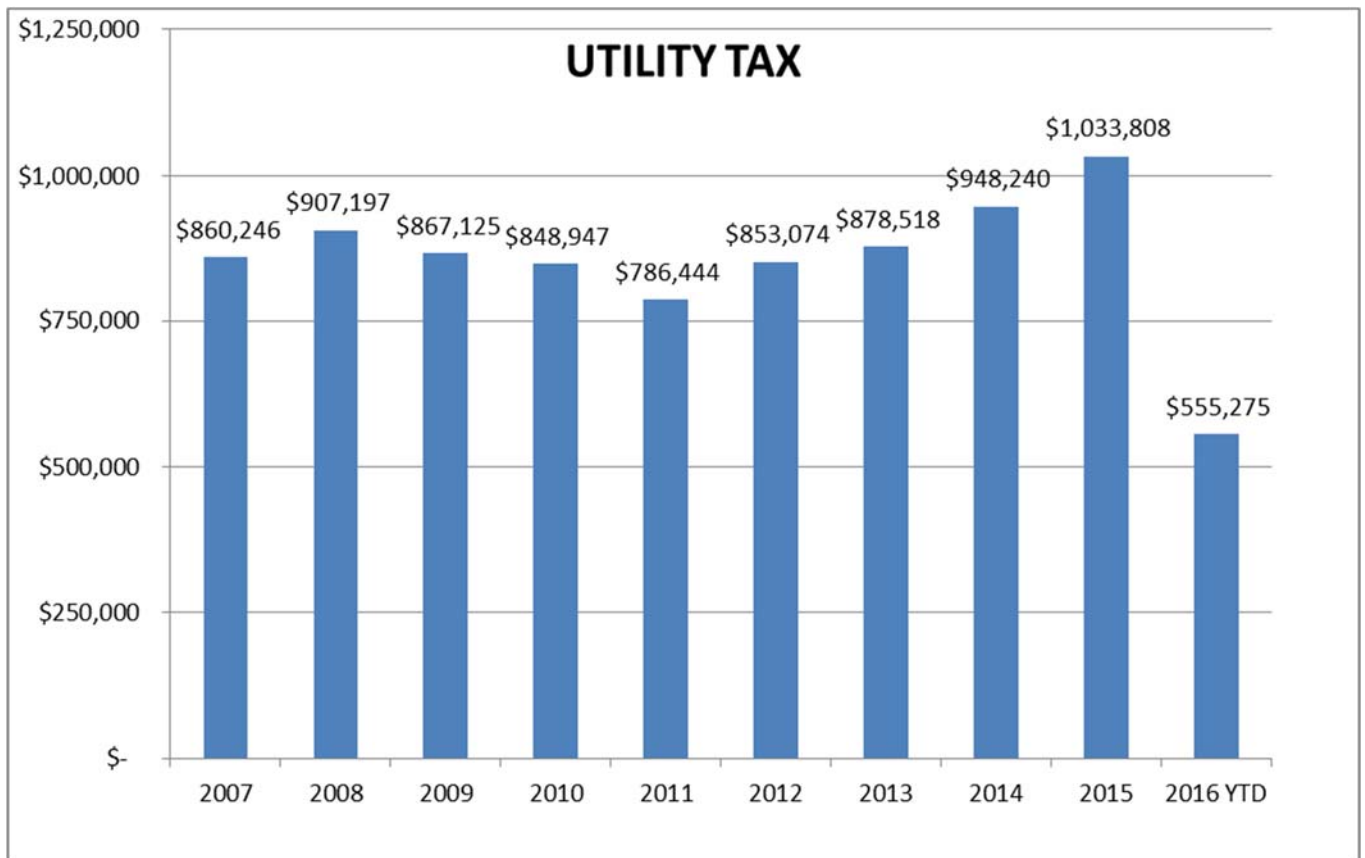


The City has collected 12 park impact fees, or 37.04% of budget, thru June 30, 2016. Park impact fees are restricted for park capital improvements.



The City has collected 12 street impact fees, or 32.60% of budget, thru June 30, 2016. Street impact fees are restricted for transportation capital improvements.

**EXHIBIT 6: Utility Taxes**



At the end of the second quarter, utility taxes are at 50.83% of budget (\$1,092,500). Utility tax revenues are from electric, gas, telephone, garbage, cable, and the city’s water, sewer, and storm drain utilities.

**EXHIBIT 7: Debt**

Utility Revenue Debt	Principal
Water Main Pump PWTF	15,525
2.2 M Gal Water Tank Bonds	200,000
Sewer Bonds	810,000
SRF WWTP Loan	2,940,590
<b>Total</b>	<b>\$ 3,966,115</b>

The City has no outstanding general obligation debt at this time. The utilities have outstanding loans and revenue bonds as shown above. In December 2014, Standard & Poor’s rated our water and sewer bonds “AA/Stable.” Duvall has bond reserves set aside which are in compliance with bond covenants.

**EXHIBIT 8: Fund Balance Reserves**

001	General Fund	\$	726,587	17% of operating budget or 2 months coverage
001	Disaster Relief		25,000	Established by City Council
002	Contingency		18,304	Maximum allowed is 37.5% of AV or about \$296K
401	Water Utility		657,717	Established by City Council
402	Sewer Utility		876,956	Established by City Council
402	Sewer Utility, DOE Loan		335,000	Annual Loan Payment
404	Storm Drain		274,050	Established by City Council
411	Utility Bond Debt Reserve		261,850	Amount required by bond covenant
501	Equipment Fund		200,000	Established by City Council
	<b>Total Restricted Funds</b>	<b>\$</b>	<b><u>3,375,464</u></b>	

- Reserve balances are being met.

**NOTES:**

- The City has a total of \$12,342,171.29 in cash and investments across all funds.
  - Additional information may be found in the second quarter investment report.
- Second Quarter Budget amendments were approved by Council Tuesday, June 21, 2016.
- While reviewing the Second Quarter Financial Report we discovered a formula error in the first budget amendment that did not sum the IT Fund 502 amendment correctly. This was a beginning fund balance correction from the results of operations in 2015 adding \$17,945.40. We will make the technical correction to the formula in the spreadsheet with the upcoming third quarter amendment.

**EXHIBIT 9:**

<b>Annual Revenue Report</b>				Target ≥ 50%
<b>General Fund as of 6/30/16</b>				
<b>Resources</b>	<b>2016 Budget</b>	<b>YTD</b>	<b>YTD % Collected</b>	<b>2015 Comparison</b>
Begin Fund Balance	\$ 1,064,235.51	\$ 1,064,235.51	100.00%	100.00%
Taxes	3,044,780.00	1,582,290.42	51.97%	47.90%
Licenses & Permits	311,202.00	187,556.22	60.27%	47.05%
Intergovernmental Revenues	244,954.00	111,532.47	45.53%	22.16%
Charges for Goods and Services	251,389.00	157,070.24	62.48%	69.11%
Fines & Penalties	30,000.00	28,635.44	95.45%	22.18%
Miscellaneous Revenues	78,690.00	26,231.57	33.34%	35.35%
Other	221,484.00	102,018.24	46.06%	48.18%
<b>TOTAL OPERATING REVENUE:</b>	<b>\$ 4,182,499.00</b>	<b>\$ 2,195,334.60</b>	<b>52.49%</b>	<b>46.60%</b>
<b>TOTAL BUDGET</b>	<b>\$ 5,246,734.51</b>	<b>\$ 3,259,570.11</b>	<b>62.13%</b>	<b>56.30%</b>

<b>Annual Expense Report</b>				Target ≤ 50%
<b>General Fund as of 6/30/16</b>				
<b>Expenses by Department:</b>	<b>2016 Budget</b>	<b>YTD</b>	<b>YTD % Spent</b>	<b>2015 Comparison</b>
Legislative	\$ 86,019.00	\$ 41,577.84	48.34%	45.9%
Executive	157,781.00	73,896.57	46.83%	42.3%
Community Events	2,000.00	-	0.00%	0.0%
Finance Dept.	270,740.00	124,196.56	45.87%	54.0%
Planning Dept.	464,344.00	185,435.13	39.93%	37.2%
Building Dept.	164,453.00	73,870.81	44.92%	45.8%
Police Dept.	2,226,323.00	1,030,587.63	46.29%	45.2%
Recycling Dept.	18,170.00	613.78	3.38%	2.7%
Civil Service	10,192.00	5,112.77	50.16%	220.8%
Parks Dept.	241,444.00	108,104.52	44.77%	44.4%
Cultural Commission	94,750.00	23,607.12	24.92%	32.6%
Engineering Dept.	221,111.00	94,966.22	42.95%	47.1%
Fire	4,100.00	1,200.00	29.27%	100.0%
Non-Departmental	349,354.00	178,880.25	51.20%	47.6%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,310,781.00</b>	<b>\$ 1,942,049.20</b>	<b>45.05%</b>	<b>44.7%</b>
Ending Fund Balance	\$ 935,953.51			
<b>TOTAL BUDGET</b>	<b>\$ 5,246,734.51</b>	<b>\$ 1,942,049.20</b>		

<b>General Fund as of 6/30/16</b>				
<b>Expenses by Category:</b>	<b>2016 Budget</b>	<b>YTD</b>	<b>YTD % Spent</b>	<b>2015 Comparison</b>
Salaries and Wages	\$ 2,043,434.00	\$ 994,091.04	48.65%	47.6%
Personnel Benefits	819,906.00	391,226.01	47.72%	49.9%
Supplies	86,325.00	28,864.87	33.44%	37.2%
Services	1,041,444.00	434,668.03	41.74%	44.5%
Intergovernmental Svcs.	290,672.00	93,199.25	32.06%	19.4%
Capital Outlays	29,000.00	-	0.00%	0.0%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,310,781.00</b>	<b>\$ 1,942,049.20</b>	<b>45.05%</b>	<b>44.7%</b>
Ending Fund Balance	\$ 935,953.51			
<b>TOTAL BUDGET</b>	<b>\$ 5,246,734.51</b>	<b>\$ 1,942,049.20</b>		

**Operating Revenue less Operating Expenses** **\$ 253,285.40**

EXHIBIT 10:

**CITY OF DUVALL**  
**2016 REVENUE AND EXPENSE SUMMARY**

Quarter ended 6/30/2016

Fund	Description	Beginning			Ending			Net Change
		Fund Balance	Revenues	Expenditures	Fund Balance	Net Change		
001	General Fund	\$ 1,064,235.51	\$ 2,195,335	\$ 1,942,049	\$ 1,317,520.91	\$ 253,285.40	253,357.43	General Fund
002	Contingency Fund	28,014.90	72	-	28,086.93	72.03	72.03	
101	Street Fund	121,133.28	229,777	252,405	98,504.42	(22,628.86)	(22,628.86)	Special Revenue Funds
106	Big Rock Ball Park Maintenance	27,760.21	24,691	30,130	22,321.06	(5,439.15)	(27,969.22)	
107	Sensitive Areas Mitigation Fund	38,419.08	99	-	38,517.87	98.79	98.79	
206	2016 LTGO - Main St Debt Svc	-	-	-	-	-	-	Debt Svc Fd
304	Real Estate Excise Tax Fund 1	431,383.06	341,781	180,459	592,705.09	161,322.03	161,322.03	
305	Real Estate Excise Tax Fund 2	327,438.18	341,463	217,959	450,942.51	123,504.33	123,504.33	Capital Project Funds
306	Main Street Improvement	-	553,108	156,705	396,402.39	396,402.39	434,871.40	
307	Street CIP Fund	686,620.77	87,305	350,881	423,044.20	(263,576.57)	(263,576.57)	
308	Parks CIP Fund	750,122.25	64,584	47,365	767,341.47	17,219.22	17,219.22	
401	Water Fund	2,773,668.46	1,019,326	917,765	2,875,230.13	101,561.67	101,561.67	
402	Sewer Fund	1,906,400.73	1,323,395	1,058,285	2,171,511.01	265,110.28	265,110.28	
404	Storm Drainage Fund	535,478.50	413,571	298,378	650,671.71	115,193.21	115,193.21	
407	Water CIP Fund	356,606.54	88,604	121,431	323,779.89	(32,826.65)	(32,826.65)	Proprietary Funds
408	Sewer CIP Fund	1,512,014.69	417,895	556,678	1,373,231.63	(138,783.06)	(138,783.06)	
409	Storm Drainage CIP Fund	20,235.92	2,121	24	22,332.66	2,096.74	2,096.74	
410	Bond Redemption Fund	17,068.85	220,884	12,853	225,099.85	208,031.00	208,031.00	
411	Bond Reserve Fund	262,343.73	674	200	262,818.03	474.30	474.30	
501	Equipment Fund	514,700.94	71,132	35,907	549,925.83	35,224.89	35,224.89	Internal Service Funds
502	IT Fund	41,487.67	102,571	82,770	61,288.72	19,801.05	19,801.05	
503	Building Maintenance Fund	34,419.47	43,619	36,586	41,451.88	7,032.41	7,032.41	
<b>TOTAL</b>		<b>\$ 11,449,552.74</b>	<b>\$ 7,542,007</b>	<b>\$ 6,298,832</b>	<b>\$ 12,692,728.19</b>	<b>\$ 1,243,175.45</b>	<b>1,243,175.45</b>	

\$ 18,991,560.05 = \$ 18,991,560.05