

General Fund Status

The General Fund ended the first quarter with a cash & investment balance of \$95,203. Of this balance there are restricted funds totaling \$56,481 consisting of \$55,426 for the Rush Road Latecomers Fees collected and \$1,055 in donations for the skate park. Taking into consideration these restricted revenues in the general fund, it leaves the available ending first quarter balance at \$38,722. Receipts for General Fund through March total \$123,906 compared to March 2009 of \$117,649. The reason for the increase is the internal transfers for facilities rent of city hall in the amount of \$10,999.



General Fund expenditures through March ended at \$146,034 compared to \$188,410 through March 2009. Part of the reason for the reduced expenditures is the decreased staffing in Court and the Police Department.

GENERAL FUND DEPARTMENTS BUDGET UPDATE

| Department | YTD 2010 | % of Budget | YTD 2009 | % of Budget |
|--------------------------------------|------------------|--------------|------------------|--------------|
| Municipal Court | \$15,949 | 21.49 | \$29,052 | 28.08 |
| Finance & Administration | \$9,314 | 23.19 | \$6,669 | 19.42 |
| Legal | \$750 | 5.00 | \$5,811 | 40.87 |
| Personnel | \$4,557 | 16.88 | \$4,822 | 19.72 |
| Miscellaneous | \$1,045 | 67.74 | \$1,728 | 45.47 |
| Law Enforcement | \$60,338 | 21.50 | \$80,592 | 24.29 |
| Prisoner Costs | \$4,388 | 14.02 | \$8,491 | 30.33 |
| Emergency Services | \$1,974 | 25.00 | \$189 | 2.63 |
| Animal Control | \$67 | 22.37 | \$36 | 7.20 |
| Community Development | \$11,169 | 16.98 | \$14,684 | 31.59 |
| Parks | \$416 | 5.33 | \$881 | 10.81 |
| Non-Expenditures (State Remittances) | \$4057 | 16.74 | \$34,596 | 64.94 |
| Loans/Transfers | \$32,494 | 37.27 | 0 | 0 |
| TOTAL | \$146,518 | 21.27 | \$187,551 | 28.55 |

In 2009 there were no loans to USDA Rural Development or Lending Network to purchase city hall. However, the lease was charged to each individual department during the time of the lease agreement. During the first quarter of 2009 there were substantial legal fees for GMA proceedings. In 2010 more salaries were charged to Finance and Administration at the recommendation of the Auditor's Office for the Clerk's Office. The Miscellaneous Department in 2009 consisted of janitorial services, Civil Service and AWC membership fees. The janitorial services was removed from the 2010 Budget because it's now being performed by volunteers, and Civil Service was moved to the Police Department's budget as required by the BARS Manual. The AWC membership fee is a one-time fee that is billed at the beginning of the year.

Property Tax

| YTD – 2008 | YTD – 2009 | YTD – 2010 |
|------------|------------|------------|
| \$11,829 | \$8,645 | \$5,371 |



The first half of the year's property taxes are not due until April 30th and received by the city by May 10th, so the figure so far is expected to be low. It is typically from sales activity of properties where the taxes are settled at closing of the sale. This year's slightly lower revenue may be attributed to fewer sales of property and at lower prices caused by the current housing market. There currently is no indication how delinquencies on property tax collection may affect the city's cash flow, but it is

certainly a situation to be monitored when June and July receipts arrive. Property taxes are split 50/50 between the general fund and the street fund.

Utility Taxes

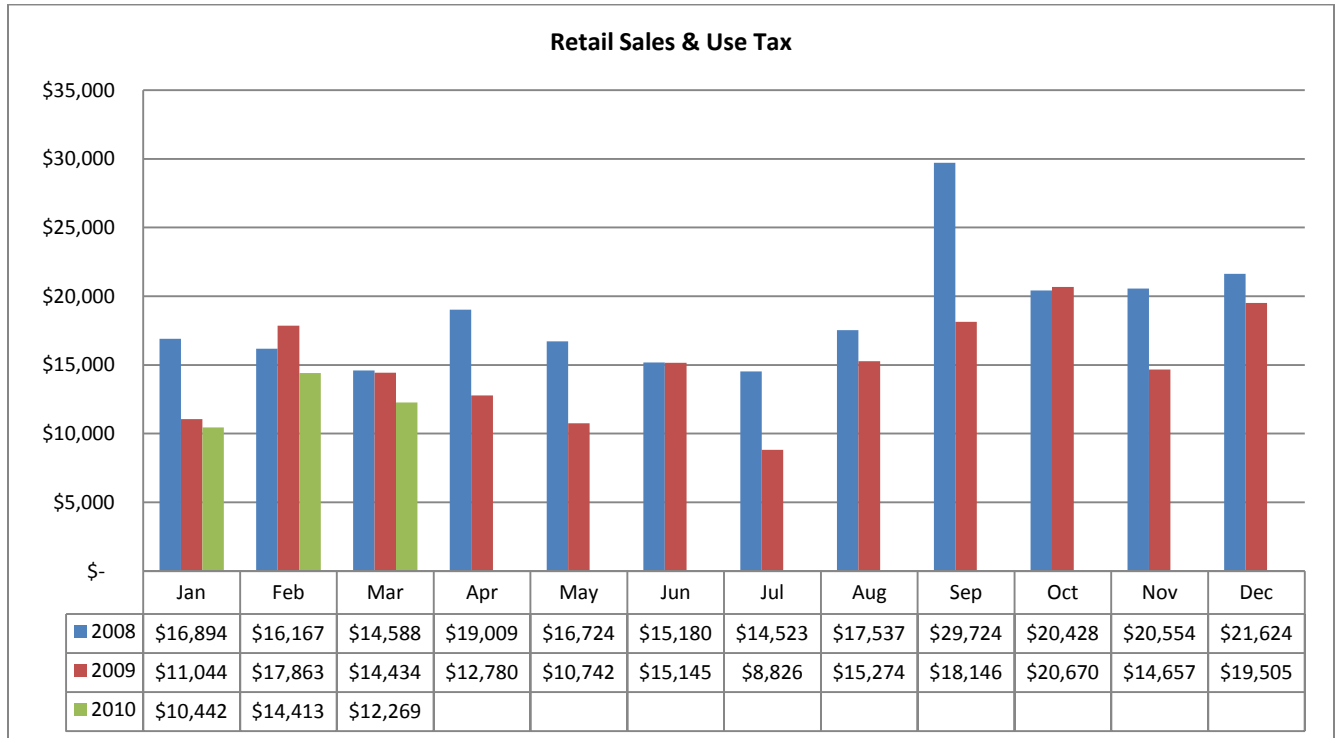
The city of Napavine imposes a utility tax of 5% on telephones, cellular telephones, electric, cable TV and city owned utilities. The city owned utility tax revenues is designated to the street fund for street projects. The figures used are for the first quarter totals of each year stated in the table.

| Utility | 2008 | 2009 | 2010 |
|---------------------------|-----------------|-----------------|--------------------|
| Electricity | \$8,793 | \$8,265 | \$21,984 |
| Cable TV | \$796 | \$708 | 647 |
| Telephone | \$7,496 | \$8,100 | \$9,599 |
| TOTAL GENERAL FUND | \$17,085 | \$17,073 | \$32,229.27 |

| City Owned Utility Taxes | 2008 | 2009 | 2010 |
|--------------------------|---------|---------|---------|
| Total Tax Revenue | \$6,490 | \$6,862 | \$8,266 |

Retail Sales & Use Tax

Sales tax revenue has been a victim of the reduction in economic activity from the 1st quarter of 2009 and continues today. Sales tax is received on a two-month delay from the time the sales occur. The first quarter revenue represents November 2009 through January 2010 sales. Compared to last year, the receipts are lower by \$6,271 and \$9,126 below the budget target for this time frame. Overall we are 5% below the anticipated sales tax revenue.



Real Estate Excise Tax

REET 1 is the first quarter percent of excise tax imposed on the sale of real property and dedicated to local capital projects identified by RCW 82.46.010(2)(6). REET 2 is second quarter percent of additional excise tax on sale of real property. Proceeds are used solely for financing capital projects specified in the capital facilities plan. Proceeds are placed into Capital Improvement and Project Planning Funds equally.



| YTD – 2008 | YTD – 2009 | YTD – 2010 |
|------------|------------|------------|
| \$11,345 | \$3,924 | \$9,579 |

Street Fund

The Street fund ending cash and investment balance at the end of the first quarter is \$26,381 compared to \$24,770 during the same time period of 2009. Street revenues mainly consist of property tax; city owned utility tax and unrestricted gas tax revenue from the state. Total receipts at the end of the 1st quarter of 2010 are \$22,586 which is 10.84% of the anticipated revenue. Expenditures in the street fund comprise of salaries, maintenance of roads, traffic and pedestrian services and administration. Through the first quarter of 2010, the traveled road expenditures totaled \$17,069 which is 12.69% of the appropriated expenditures. Traffic and pedestrian services mainly consisting of expenditures for street lighting, snow and ice control, sidewalks and light maintenance the first quarter expenditures totaled \$23,401 which is 14.67% of the appropriated expenditures. Administration is comprised of clerical salaries, benefits, supplies, services, rent, training and flags and banners. The total 1st quarter expenditures totaled \$6,468 which is 22.91% of the appropriated expenditures. The scheduled transfers and interfund loan payment have not occurred at this time. Once the property tax revenue is received in May these transfers and payment will be made. The city received \$15,000 from a private source for the stormwater improvement. In 2010 the city budgeted \$7,500 of this revenue source, which \$3,563 was expended during the first quarter of 2010. The overall total of street expenditures through March 2010 is \$33,432, which is 14.32% of the appropriated expenditures. If the revenue continues to be a shortfall throughout the year it will be advisable to reduce expenditures accordingly.

| Revenue Source | YTD – 2008 | YTD – 2009 | YTD – 2010 |
|----------------------|------------|------------|------------|
| Property Tax | \$11,829 | \$8,645 | \$5,371 |
| Utility Tax | \$6,490 | \$6,862 | \$8,266 |
| Unrestricted Gas Tax | \$8,170 | \$7,989 | \$8,686 |

Enterprise Funds - Water

The water fund ending cash and investment balance for the first quarter of 2010 is \$240,397 compared to \$248,428 from the same time period of 2009. The city owned water fund revenue sources are water services, meter sales, and fees to the customer for late fees, shut off fees, NSF fees, etc. Through the first quarter of 2010 the water fund has received a total of \$70,061.86 in receipts or 10.20% of the anticipated revenue.



| Revenue Source | 2008 | 2009 | 2010 |
|---------------------|----------|----------|----------|
| Water Services | \$51,250 | \$52,485 | \$60,874 |
| Meter Sales | | \$3,300 | \$1,700 |
| Late Charges | \$4,771 | \$5,370 | \$5,696 |
| Shut off fees | \$350 | \$540 | \$470 |
| City Admin Garbage | \$436 | \$414 | \$488 |
| Investment Interest | \$3,345 | \$1,285 | \$360 |

The investment interest percentage rate has drastically declined since 2008. The first quarter of 2010 the interest rate has declined monthly dropping from 0.2864 to a low of 0.2245%.

The first quarter expenditures for the water fund consisted of the following expenses:

| Expenditure | 2008 | 2009 | % Budget | 2010 | % Budget |
|---------------------|----------|----------|----------|-----------|----------|
| Salaries & Benefits | \$30,902 | \$34,151 | | \$31,778 | |
| Enterprise Expenses | \$27,354 | \$20,236 | | \$13,224 | |
| Debt Services | | \$11,355 | | | |
| Transfers | | \$23,771 | | | |
| Well #6 | | | | \$59,325 | |
| Total Expenditures | \$58,256 | \$89,513 | 14.82 | \$104,327 | 20.88 |

In 2009 the city employed a public works clerk part-time and salaries were more distributed in the water fund during 2009 and 2008. After the finding from the Auditor's Office salaries in public works were assigned based on the job duties of the employees. The increase in expenditures in the water fund is from the drilling and capping of Well #6.

Sewer Fund

The ending cash and investment balance for sewer fund is \$91,114 compared to \$159,914 in the same time period of 2009. The city purchased 12% ownership of the Chehalis Treatment Plant at the end of 2007. At the beginning of 2008 the city started paying Chehalis \$208,100 in two increment payments for this ownership. By not raising the sewer rates in 2008 it has depleted the cash reserves for the sewer fund. The revenue sources for the sewer fund are services, hookups and investment interest.



| Revenue Source | 2008 | 2009 | 2010 |
|---------------------|----------|----------|-----------|
| Sewer Service | \$78,536 | \$88,342 | \$108,074 |
| Hookups | \$3,100 | \$2,650 | \$2,700 |
| Investment Interest | \$4,085 | \$916 | \$70 |
| Miscellaneous | \$183 | 0 | \$302 |
| Total | \$85,904 | \$91,908 | \$111,146 |

The first quarter expenditures consisted of the following expenses:

| Expenditures | 2008 | 2009 | % Budget | 2010 | % Budget |
|---------------------|----------|----------|----------|----------|----------|
| Salaries & Benefits | \$31,131 | \$34,670 | | \$27,577 | |
| Enterprise Expenses | \$41,120 | \$38,434 | | \$42,001 | |
| Debt Services | | | | | |
| Transfers | | \$11,500 | | | |
| Total | \$42,251 | \$84,604 | 12.16 | \$69,558 | 10.72 |