

City and Borough of Sitka

Financial Review December 31, 2017

Results as of December 31, 2017 (All Funds)

City and Borough of Sitka
Financial Review
FY2018 General Fund Budget Execution
December 31, 2017

Original Planned Deficit Per Budget Ordinance:	(345,778)
Budget Adjustments	<u>(1,621,785)</u>
Budget Deficit As Of 12/31	(1,967,563)
Revenues Thru 12/31 (59%)	15,621,173
Expenditures Thru 12/31 (48%)	13,681,311

Note: Budget adjustments in FY18 include Ordinances 2017-23, 2017-38, 2017-44 and the FY2018 transfer to the Public Infrastructure Sinking Fund of \$1,100,000

City and Borough of Sitka
Financial Review
FY2018 General Fund
Budget Adjustments

Ordinance 2017-23	252,974
Ordinance 2017-38	15,000
Ordinance 2018-03	157,000
Public Infrastructure Sinking Fund Transfer	1,100,000
Encumbrances from FY2017	<u>96,811</u>
Total Net Budget Adjustments	<u>1,621,785</u>

City and Borough of Sitka
Financial Review
General Fund Balance
December 31, 2017 versus 2016

	12/31/2017	12/31/2016	Difference
Net Available Cash	3,801,371	1,634,730	2,166,641
Unassigned and Available Fund Balance	6,084,330	6,112,500	(28,170)
Total Fund Balance	15,929,311	16,475,558	(546,247)

Notes:

Net Available Cash equals cash plus investments less liabilities less all non-spendable, restricted, committed and assigned fund balances

Nonspendable Fund Balance as of 9/30 = \$76,836

Restricted Fund Balance as of 9/30 = \$0

Committed Fund Balance as of 9/30 = \$0

Assigned Fund Balance as of 9/30 = \$9,166,162

City and Borough of Sitka
Financial Review
Fund Net Income and Working Capital
FY2018 Results Through December 31, 2017

<u>Fund</u>	12/31/2017 Accrual Basis Net Income / (Loss)	Unspent Working Capital Appropriated For CAPEX	12/31/2017 Unappropriated Working Capital	12/31/2017 Total Working Capital
Electric Fund	(2,179,188)	12,593,238	(1,606,609)	10,986,629
Water Fund	503,139	1,121,745	1,305,691	2,427,436
Wastewater Fund	353,615	3,023,730	3,546,837	6,570,567
Solid Waste Fund	(147,835)	497,782	(1,006,515)	(508,733)
Harbor Fund	368,078	1,607,419	5,709,234	7,316,653
Airport Terminal Fund	(13,894)	257,820	683,422	941,242
Marine Service Center Fund	35,503	-	1,792,614	1,792,614
SMC Industrial Park Fund	2,590,712	751,315	896,599	1,647,914
MIS Fund	(63,600)	-	(145,929)	(145,929)
Central Garage Fund	364,290	422,000	3,111,776	3,533,776
Building Maintenance Fund	(80,729)	-	1,673,632	1,673,632
CPET Fund	(138,503)	-	281,028	281,028
Permanent Fund	(385,714)	-	23,534,887	23,534,887

Financial Statements

- You will find attached financial statements for the various significant funds of the City and Borough of Sitka. Information is presented through December 31, 2017.
- Financial reporting is shown in the custom reporting format designed by the Finance Department, which combines significant elements of the income statement, balance sheet, and cash flow statement into one single page report. Traditional financial statements are produced monthly and are distributed to the Administrator and appropriate Department Heads.

Comments on Net Losses and Working Capital

- Net losses signify that depreciation expense (the decline in value of infrastructure) exceeds revenue and may signify that infrastructure replacement may eventually need to be funded by bonding and higher user fees.
- Negative undesignated working capital signifies that we have more approved spending for infrastructure than we have fund balance to pay for.
- Net Income/and loss includes grant revenue.
- Long-term infrastructure plans have been developed for all major enterprise funds; these plans seek to identify long-term infrastructure needs and determine the correct level of user fees necessary to finance the plan. A long-term capital improvement plan has been developed for the General Fund; however, due to lack of dedicated revenue streams, funding has not been identified to finance the plan.

Definitions of Key Terms

Working Capital - This is essentially what a Fund has to spend. It is defined as current assets less current liabilities, including the current portion of long term debt. Working capital already appropriated for capital expenditures but unspent is called appropriated but unspent working capital; the remainder is unappropriated working capital. The calculation of General Fund working capital also excludes designated amounts for liquidity and emergency response.

Depreciation Expense - This is an estimation of the decline in value of a long lived asset, which is an expense. When a long lived asset is purchased, cash is paid but expense is not recorded; instead, expense is recorded gradually, over the life of the asset, to match its use against revenues earned in the same period. Most importantly, Depreciation Expense **IS NOT** the accumulation of cash to replace an asset; that is called a sinking fund and is part of Working Capital.

Fund Balance – This is the net assets of a fund. It is equal to total assets less liabilities. It is important to note that a Fund Balance is usually only partially in cash; the remainder may be made up of long lived assets, receivables, and other assets. Fund balances for governmental-type funds are classified in one of 5 classifications: non-spendable, restricted, committed, assigned, and unassigned and available. Fund balances for enterprise and internal service funds are classified as either restricted or unrestricted.

Definitions of Key Terms

Net Available Cash – This is equal to cash and investments, less liabilities and restricted or designated fund balances. This is similar to “cash on the barrelhead”.

EBI/EBID – These are accounting terms which measure earnings before certain expenses. EBI is Earnings Before Interest and measures earnings before interest expense. EBID is Earnings Before Interest and Depreciation, and is a rough measure of cash flow from operations.

Enterprise Fund – A fund which is run, and accounted for, similar to a private business. In such a fund, profit is measured and operations are accounted for on a full accrual basis.

Internal Service Fund - A fund which provides services to other funds. Such funds usually have no external source of revenue. Similar to an enterprise fund, profit is measured and operations are accounted for on a full accrual basis.