

# City and Borough of Sitka

## Financial Review December 31, 2016

Results as of December 31, 2016 (All Funds)

**City and Borough of Sitka**  
**Financial Review**  
**FY2017 General Fund Budget Execution**  
**December 31, 2016**

Original Planned Deficit Per Budget Ordinance:	0
Budget Adjustments	<u>(1,526,058)</u>
Budget Deficit As Of 12/34:	(1,526,058)
Revenues Thru 12/31 (50%)	14,283,971
Expenditures Thru 12/31 (50%)	15,011,676

*Note: Budget adjustments in FY17 include Ordinances 2016-22 and 2016-37A, which appropriated/re-appropriated \$1,072,671 for contingency expenditures*

City and Borough of Sitka  
Financial Review  
FY2017 General Fund  
Budget Adjustments

Ordinance 2016-22	873,579
2016 Encumbered Funds Brought Forward	488,050
Other supplemental budget ordinances	<u>214,429</u>
<b>Total Net Budget Adjustments</b>	<b><u>1,526,058</u></b>

City and Borough of Sitka  
 Financial Review  
 General Fund Balance  
 December 31, 2016 versus 2015

	12/31/2016	12/31/2015	Difference
Net Available Cash	3,843,574	3,005,757	837,817
Unassigned and Available Fund Balance	8,305,355	7,695,861	609,494
Total Fund Balance	16,475,558	16,166,639	(308,919)

**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 12/31 = \$220,027***

***Restricted Fund Balance as of 12/31 = \$900,383***

***Committed Fund Balance as of 12/31 = \$250,000***

***Assigned Fund Balance as of 12/31 = \$6,799,813***

**City and Borough of Sitka  
Financial Review  
Fund Net Income and Working Capital  
FY2017 Results Through December 31, 2016**

<u>Fund</u>		<u>Income/(Loss)</u>	<u>Designated Working Capital</u>	<u>Undesignated Working Capital</u>	<u>Total Working Capital</u>
Electric Fund		1,942,026	14,388,381	(1,228,982)	13,159,399
Water Fund		387,965	1,244,719	1,207,356	2,452,075
Wastewater Fund		(82,555)	1,841,817	3,808,934	5,650,751
Solid Waste Fund		14,278	74,026	190,194	264,220
Harbor Fund		357,673	606,830	6,540,715	7,147,545
Airport Terminal Fund	*	(20,712)	385,580	541,827	927,407
Marine Service Center Fund	*	30,645	35,064	1,703,564	1,738,628
SMC Industrial Park Fund	*	(41,816)	351,417	558,100	909,517
MIS Fund	*	(1,606)	87,948	(148,404)	(60,456)
Central Garage Fund	*	332,767	3,387,707	100,000	3,487,707
Building Maintenance Fund	*	937	1,766,943	100,000	1,866,943
CPET Fund	*	(312,583)	185,426	-	185,426
Permanent Fund		277,084	23,392,839	-	23,392,839

# 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 funds; these plans seek to identify long-term infrastructure needs and determine the correct level of user fees necessary to finance the plan.

# 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, 2016.
- Financial reporting is shown in the custom reporting format designed by the Finance Department, which combines significant elements of the income statement, cash flow and working capital into one single page report. Traditional financial statements are produced monthly and are distributed to the Administrator and appropriate Department Heads.

# 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 earmarked for capital expenditures or otherwise restricted is called Designated Working Capital; the remainder is Undesignated Working Capital. The calculation of General Fund working capital also excludes designated amounts for liquidity and emergency response.

**Depreciation Expense** - This 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.



# 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.