

	STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES		POLICY AND PROCEDURE NUMBER 11.02.010	PAGE 1 of 7
	Policy and Procedure		EFFECTIVE DATE June 16, 2000	
SUBJECT Fund Financial Statements		SUPERSEDES DPDR 11.02.010	DATED 1/6/1996	
TITLE State Equipment Fleet	CHAPTER HEWCF Management	APPROVED BY Signature on File		

PURPOSE AND SCOPE

Introduction:

The Statewide Equipment Fleet is responsible for managing the Highway Equipment Working Capital Fund. HEWCF is an internal service fund that receives revenues from equipment rentals and pays the expenses of maintenance and replacement of the State's vehicle and equipment fleet.

This procedure describes the actions to be taken in the preparation of the HEWCF annual financial statements as required by the Alaska statutes.

Responsibility/Performance:

The SEF accountant with the guidance of the Department of Administration, Division of Finance (DOA Finance) prepares the annual financial statements.

Reference:

AS 37.05.210

DISTRIBUTION

All holders of the Department of Transportation & Public Facilities Procedures Manual.

PROCEDURE

- A. Within a reasonable time after the re-appropriation period (August 31) DOA Finance will complete the posting of the prior year activity, Month 18, into the Alaska State Accounting System (AKSAS).
- B. The SEF accountant will request a printout of the trial balance that contains the financial information of HEWCF. The data from AKSAS will be reviewed for material accuracy.

C. While additional corrections may be necessary, the following series of financial adjustments must be made.

1. Depreciation Expense: After review, recognize the amount calculated by the Equipment Management System (EMS).
2. Contributed Capital: Recognize as contributed capital the value of fixed assets acquired with non-HEWCF funds.
3. Equipment Sales: Recognize the sales proceeds of the various transactions completed during the fiscal year. Verify the remaining book value of the sold assets as an offset.
4. Accounts Receivable: Recognize the encumbered revenues at fiscal year end from unpaid vehicle rentals and billable services and fuel.
5. Bad Debts: Review the accounts receivable to note specific encumbrances that will not be collectable. Estimate the percentage amount of remaining accounts receivable that will ultimately be uncollectable. If the actual exceeds the estimated, the excess will be recognized in this period.
6. Asset Capitalization: Review accounts for items with expected useful lives in excess of one year.

D. The Annual Financial Report consists of three separate statements:

1. The Balance Sheet at June 30.
2. The Statement of Revenues and Changes in Retained Earnings for the Period Ending June 30.
3. The Statement of Cash Flow for the Period Ending June 30.
4. The preparation of the separate statements can take place once all the information has been collected, reviewed, adjusted, and verified. These statements should be in the form shown in the examples in Attachment A.

E. The SEF accountant will coordinate with DOA Finance the compilation of footnotes to the financial statements required by the Generally Accepted Accounting Principles. GAAP requires full disclosure of the adherence to current accounting policies and procedures.

F. Approval of the final report within DOT&PF is in the following order: Manager of SEF, Director of the Administrative Services Division, and Deputy Commissioner. After these three approvals the report is forwarded to DOA Finance.

Attachments:

Attachment A: SEF Annual Financial Statement

STATE OF ALASKA HIGHWAY EQUIPMENT WORKING CAPITAL FUND BALANCE SHEET AT JUNE 30, 1997
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The notes to the financial statements are an integral part of this statement.

ASSETS

Current Assets:	
Cash and Investments	\$8,271,662
Intergovernmental Receivable	15,949
Other Receivable	20,091
Inventories	3,322,291
Total Current Assets	<u>\$11,629,994</u>
Fixed Assets:	
Machinery & equipment	\$131,763,188
Buildings	386,911
Office equipment	476,440
Total	<u>\$132,626,539</u>
Less: Accumulated depreciation	<u>(68,291,272)</u>
Total Fixed Assets	<u>64,335,267</u>
Total Assets	<u><u>\$75,965,261</u></u>

LIABILITIES AND FUND EQUITY

Liabilities:	
Current Liabilities:	
Accounts payable	\$658,438
Accrued terminal leave	1,671,168
Warrants outstanding	75,471
Equipment note payable-due within 12 months	927,172
Equipment lease payable-due within 12 months	140,000
Total Current Liabilities	<u>\$3,472,248</u>
Long Term Liabilities:	
Equipment note payable-due after 12 months	<u>\$3,914,896</u>
Total Liabilities	<u>\$7,387,143</u>
Fund Equity:	
Retained Earnings:	
Unreserved, Undesignated	\$7,846,242
Reserved	2,354,314
Total Retained Earnings	<u>\$10,200,556</u>
Contributed Capital	58,377,562
Total Fund Equity	<u>68,578,118</u>
Total Liabilities and Fund Equity	<u><u>\$75,965,261</u></u>

<p>STATE OF ALASKA HIGHWAY EQUIPMENT WORKING CAPITAL FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS FOR THE FISCAL YEAR ENDED JUNE 30, 1997</p>

The notes to the financial statements are an integral part of this statement.

RESULTS OF OPERATIONS

Operating Revenue		\$21,278,445
Operating Expenses:		
Personal services	\$11,317,571	
Travel and per diem	266,271	
Contractual services	2,387,726	
Supplies:		
Parts/fuel/etc.	6,062,739	
Other operating	904,375	
Capital outlay	328,700	
Interest expense	414,358	
Bad debts	0	
Administration	688,300	
Total Operating Expenses	<u>22,370,040</u>	
Income (Loss) from Operations		(\$1,091,595)

OTHER REVENUE AND EXPENSE

Nonoperating Revenue:		
Replacement revenue	\$10,505,192	
Gain on sale of fixed assets	183,996	
Miscellaneous revenue	58,557	
Total non operating revenue	<u>10,747,745</u>	
Nonoperating Expense:		
Depreciation expense	<u>(\$7,880,660)</u>	
Total non operating expense	<u>(7,880,660)</u>	
Net Income for the Year		\$1,775,489

RETAINED EARNINGS AND CONTRIBUTED CAPITAL

Fund Equity at 6/30/96	67,868,081
DOA Finance Adjustment	52,525
Non Rental Transactions	(1,203,894)
Capital Contributed during FY97	<u>85,916</u>
Fund Equity at 6/30/97	<u>\$68,578,118</u>

STATE OF ALASKA HIGHWAY EQUIPMENT WORKING CAPITAL FUND STATEMENT OF CASH FLOW FOR THE FISCAL YEAR ENDED JUNE 30, 1997
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The notes to the financial statements are an integral part of this statement.

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss) for the Year	\$1,775,489
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Cash Basis Reconciliation to Operating Activities:

Decrease in accounts receivable-RSA's	58,288	
Increase in inventories	(238,475)	
Decrease in accounts payable	(31,801)	
Increase in accrued terminal leave	33,399	
Decrease in warrants outstanding	(17,541)	
Replacement revenue collected	(10,505,192)	
Miscellaneous revenue	(58,557)	
Gain on sale of fixed assets	(183,996)	
Depreciation expense FY97	7,880,660	
Rounding Adjustment	0	
Total Adjustments	(3,063,215)	

Net Cash Flows from Operating Activities	(\$1,287,726)
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CASH FLOWS FROM NONOPERATING ACTIVITIES

Revenue provided by replacement program	\$10,505,192	
Miscellaneous revenue	58,557	
Total	10,563,749	

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of fixed assets	\$388,034	
Long Term Note Payable	\$5,087,693	
Payment of Capital Lease	(\$7,176,905)	
Reduction of Long Term Note Payable	(\$245,625)	
Purchase of fixed assets	(13,184,844)	
Total	(15,131,647)	

Net Increase in Cash	(\$5,855,624)
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Cash July 1, 1996	14,127,286
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CASH JUNE 30, 1997	\$8,271,662
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<p>STATE OF ALASKA HIGHWAY EQUIPMENT WORKING CAPITAL FUND NOTES TO FINANCIAL STATEMENTS AT JUNE 30, 1997</p>
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements include accounts of the State of Alaska Highway Equipment Working Capital Fund (HEWCF), an internal service fund established by AS 44.68.210-290, which designates it to receive revenue from equipment rental and to expend these monies for a centralized equipment fleet. Internal service funds are established to account for the financing of goods and/or services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis.

The State Equipment Fleet and the HEWCF are under the administration of the Department of Transportation and Public Facilities (DOT&PF), Division of Administrative Services.

a. Governmental Accounting

The accounting policies used in the preparation of the financial statements conform to generally accepted accounting principles applicable to state and local governmental entities.

b. Property and Equipment

Property and equipment is carried at cost. Depreciation is computed using the straight line method recognizing a reasonable salvage value based on recent sales data. Depreciable lives vary between 3 and 20 years based on estimates of the equipment life cycles.

Maintenance and repairs are charged to expense as incurred; expenditures for additions, improvements and replacements are capitalized. Upon disposal of property subject to depreciation, the accounts are relieved of the related costs and accumulated depreciation and resulting gains or losses are reflected in the statements of income.

c. Provision for Income Taxes

No provision for income taxes is provided as the Highway Equipment Working Capital Fund qualifies for exemption from federal income taxes under current provisions of the Internal Revenue Code.

d. Allowance for Doubtful Accounts

To effectively state the amount of cash estimated as realizable, an allowance for doubtful accounts has been provided which includes an estimate of the amounts contained in accounts receivable that will not be collected.

<p>STATE OF ALASKA HIGHWAY EQUIPMENT WORKING CAPITAL FUND NOTES TO FINANCIAL STATEMENTS AT JUNE 30, 1997</p>
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

e. Contributed Capital

Contributed capital recognizes the value of assets that have been initially transferred to the Highway Equipment Working Capital Fund by using agencies.

Certain assets are transferred to or from the HEWCF to non rental (non replacement) status. Such transfers are recognized as a increase or decrease in contributed capital in the amount of the net book value of the asset transferred.

f. Reserved Retained Earnings

Reserved retained earnings are restrictions on equity where a portion of the balance in retained earnings is segregated for a specific purpose. The State Equipment Fleet has determined that \$9,521,314 should be reserved to recognize the amount of active delivery orders at the fiscal year end.

g. Compensated Absences

Routine annual leave is charged to the HEWCF as incurred. An amount is budgeted and recognized as a liability for estimated accumulated leave payable at termination.

2. NOTES PAYABLE:

Note payable between Caterpillar Financial Services Corporation and the State of Alaska converting the Long Term Lease contract to a note payable. Terms include a beginning balance at 5/1/97 of \$5,087,692.55 with quarterly payments due in the amount of \$286,503.55 including interest at 4.95003 annual percentage rate. The balance at 6/30/97 is \$4,842,067.44.