

## **BACKGROUND ON FINANCIAL INFORMATION**

### **BACKGROUND**

#### Fund Accounting

Governmental accounting inclusive of the Board of Water Supply (BWS) typically are organized and operated on a fund accounting basis. Fund accounting is defined as:

*A self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes, which are further segregated for the purpose of carrying out specific activities or attaining specific objectives in accordance with rules and regulations.*

Furthermore, since BWS is a semi-autonomous agency of the city, the BWS is accounted for as a separate component unit. The purpose of a component unit financial statements is to account for operations that are:

1. Financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; and
2. Has been determined that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, and accountability.

Additionally, within this framework, it is generally recommended by the American Water Works Association that municipally owned water utilities use essentially the same system of accounts as privately owned utilities; however, this concept requires minor variations in the system of accounts for municipally owned utilities.

#### Uniform Accounting

This Uniform System of Accounts emphasizes the grouping of cost data on a functional basis. The Functional Categories are:

Administrative and General  
Power and Pumping  
Transmission and Distribution  
Maintenance  
Water Reclamation  
Customer Accounting and Collection  
CASE

Source of Supply  
Water Treatment

For Planning and Control purposes, cost information is based on the natural classification basis (BWS monthly financial statements) such as:

Salaries  
Contracted Services  
Supplies  
Utilities  
Repair and Maintenance

Therefore, within each functional group, costs are identified according to their natural classification.

## **PURPOSE**

The essential feature of the reporting classification is that it enables and promotes uniform reporting by water utilities; it enhances the understanding of financial reports of water utilities; and permits comparison of individual utilities with one another and with the industry in general.

This system of accounts:

Enables effective cost control which requires that definite responsibilities of cost be established.

Allows for each Division Head to be responsible only for those costs which he or she can control.

Allows for identification and presentation of cost incurred by each division of the BWS.

Provides reports and data to enable management to set standards of performance and to prepare realistic budgets.

Provides a comparison of planned cost to actual costs by division.

Allows management to control cost and performance and improve future planning.

## **PRESENTATION OF FINANCIAL DATA**

### Monthly

#### 1. Statement of Net Position (unaudited)

Commonly referred to as the Balance Sheet, this statement is an itemized statement that lists the total assets and the total liabilities of a business to portray its net growth at a moment of time. The amounts shown on a balance sheet are generally the historical cost of items or their market value.

#### 2. Statement of Revenues, Expenses and Change in Net Assets (unaudited)

It is also known as the income statement. It shows business revenues and expenses for a specific period of time (normally a fiscal year). The difference between the total revenues and the total expenditures is change in net assets.

A key element of this statement, and one that distinguishes it from the balance sheet, is that the amounts shown on the statement represent transactions over a period of time while the items represented on the balance sheet show information as of a specific date (or point in time).

### Annually

#### 1. Financial Statements and Supplementary Information with Independent Auditors' Report. Performed in accordance with Governmental Auditing Standards issued by the Comptroller of the United States.

##### a) Statement of Net Position

##### b) Statement of Revenues, Expenses, and Changes in Net Assets

##### c) Statement of Cash Flows

##### d) Notes to Financial Statements

##### e) Required Supplementary Information

- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions (Pension)
- Notes to Required Supplementary Information Required by GASB Statement No. 68
- Schedule of Changes in the net OPEB Liability and Related Ratios

- Schedule of Contributions (OPEB)
  - Notes to Required Supplementary Information Required by GASB Statement No. 75
- f) Supplementary Information
- Supplemental Schedule for Bonds Payable
  - Supplemental Schedule of Net Revenue Requirement
2. Reports on the audit of Federal Awards Performed in accordance with Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).
- a) Report on internal control over financial reporting and on compliance and other matters.
  - b) Report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance.
  - c) Schedule of findings and questioned costs.
  - d) Summary schedule of prior audit findings.