

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:

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

Enterprise Fund

Furthermore, since BWS is a municipally owned water utility, the BWS is accounted for as a separate enterprise fund. The purpose of an enterprise fund is:

To account for operations that is:

- a. 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
- b. 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 the framework of the enterprise fund, 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
Meals Mileage
Appraisals
Emergency and Contracted Road Repair
Other Contractual Services
Etc.

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

Statement of Net Assets (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 given business to portray its net worth at a given moment of time. The amounts shown on a balance sheet are generally the historical cost of items and their current values.

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

It is also known as the income statement. It shows your 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 your business net income.

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

- a. Financial Statements and Supplementary Information with Independent Auditors' Report. Performed in accordance with Governmental Auditing Standards issued by the Comptroller General of the United States
 - i. Statement of Net Assets
 - ii. Statement of Revenues, Expenses, and Changes in Net Assets
 - iii. Statement of Cash Flows
 - iv. Notes to Financial Statements
 - v. With accompanying Supplemental Schedules
 1. Schedule of Funding Progress
 - a. Other Post Employment Benefits (OPEB)
 - i. Employee Union Trust Fund (EUTF)

2. Supplemental Schedule for Bonds Payable
3. Supplemental Schedule of Net Revenue Requirement
 - a. Debt Coverage Ratio
 - b. Reports on the audit of Federal Awards Performed in accordance with Office of Management and Budget (OMB) Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations."
 - i. Report on internal control over financial reporting and on compliance and other matters.
 - ii. Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance.
 - iii. Schedule of findings and questioned costs.
 - iv. Summary schedule of prior audit findings.