

RESPONSE TO TRANSCRIPT REQUEST NO. 19

BEFORE THE  
PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD

In the Matter of the Philadelphia Water Department's Proposed Change in Water, Wastewater and Stormwater Rates and Related Charges	Fiscal Years 2019-2021
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**Response to Transcript Request No. 19**

**on behalf of**

**The Philadelphia Water Department**

Dated: May 17, 2018

1 **PHILADELPHIA WATER DEPARTMENT RESPONSE TO TRANSCRIPT REQUEST**

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4 **TR-19.** PLEASE PROVIDE THE SCHEDULE FROM THE GAAP FINANCIAL  
5 STATEMENTS DETAILING EQUITY IN TREASURERS ACCOUNT?  
6 PLEASE PROVIDE INFORMATION AS TO WHAT IS INCLUDED IN THE  
7 ACCOUNT, HOW IS CASH DEPOSITED INTO THE ACCOUNT AND WHY  
8 THE FUNDS IN THE ACCOUNT ARE NOT AVAILABLE TO THE  
9 DEPARTMENT?  
10

11 **RESPONSE:**

12 Please see attachment to Transcript Request 19.  
13

14 The City of Philadelphia prepares financial statements in conformity with Generally Accepted  
15 Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is  
16 the accepted standard setting body for establishing governmental accounting and financial  
17 reporting principles. The City of Philadelphia’s financial statements are detailed in the  
18 Comprehensive Annual Financial Report (“CAFR”) which detail both the GAAP financial  
19 statements as well as provide schedules on a legally enacted basis.  
20

21 As detailed in the PWD Statement number 2, Direct Testimony of M. LaBuda (page 2-6, lines  
22 18 -25) the Department’s water, sewer, and stormwater rates and charges are set using the cash  
23 basis (also known as legally enacted) of accounting. Under this basis, revenues are recorded on  
24 a receipt basis, except revenues from other governments and interest.  
25

26 Expenditures are recognized and recorded as expenses at the time they are paid or encumbered,  
27 except for debt service, which are recorded when paid. The Department’s legally enacted  
28 schedules differ from the GAAP basis statements in that both expenditures and encumbrances

1 are applied against the current budget, adjustments affecting activity budgeted in prior years  
2 are accounted as a reduction of expenditures and certain interfund transfers and  
3 reimbursements are budgeted as revenues and expenditures.  
4

5 Due to the various adjustments noted above, the Department's portion of the CAFR reflects  
6 balances in the Water Revenue Fund referred to as "Equity in Treasurer's Account".  
7

8 It is important to note that, with respect to the cost of service rate model, expenditures and  
9 encumbrances, as well as liquidated encumbrances, defined on a legally enacted basis, are an  
10 integral component of the total Operating Expenses reflected in the PWD rate model.

11 Similarly, the interfund transfers and reimbursements are reflected as either expenses or as  
12 miscellaneous revenues as appropriate.  
13

14 The GAAP statement line item "Equity in Treasurer's Account – Current Assets" is the  
15 *Revenue Fund*. As detailed in PWD Statement No.2, Direct Testimony of M. LaBuda, white  
16 paper prepared by Valarie J. Allen, pdf page 83 and 84, all Project Revenues initially are  
17 deposited into the Revenue Fund for payment of Operating Expenses; and then remaining  
18 Project Revenues are transferred to the other funds and accounts established under the General  
19 Bond Ordinance, as described in Section 5 of the paper (and set forth in Section 4.06 of the  
20 General Bond Ordinance). Other moneys may be transferred or deposited into the Revenue  
21 Fund at the City's direction.  
22  
23  
24  
25  
26

27 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department and Black &  
28 Veatch Management Consulting, LLC

## CITY OF PHILADELPHIA WATER DEPARTMENT

## STATEMENTS OF FUND NET POSITION, JUNE 30, 2017 AND 2016

(amounts in thousands)

	2017	2016
<b>ASSETS</b>		
Current Assets:		
Cash on Deposit and on Hand	\$ 30	\$ 30
Equity in Treasurer's Account	95,258	79,044
Due from Other Governments	-	125
Accounts Receivable	161,306	152,588
Allowance for Doubtful Accounts	(13,058)	(13,007)
Inventories	14,772	14,915
Receivables	136	126
Total Current Assets	258,444	233,821
Noncurrent Assets:		
Restricted Assets:		
Equity in Treasurer's Account	667,688	550,746
Sinking Funds and Reserves	219,100	220,890
Receivables	1,136	740
Total Restricted Assets	887,924	772,376
Capital Assets:		
Land	5,919	5,919
Infrastructure	2,544,238	2,466,451
Construction in Progress	354,702	296,254
Buildings and Equipment	1,766,014	1,768,387
Accumulated Depreciation	(2,352,463)	(2,306,778)
Total Capital Assets	2,318,410	2,230,233
Total Noncurrent Assets	3,206,334	3,002,609
<b>Total Assets</b>	<b>3,464,778</b>	<b>3,236,430</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred Outflow - Fin. Instruments	356	1,508
Deferred Outflow - Net Pension Liability	37,683	59,042
Unamortized Loss - Refunded Debt	56,172	48,259
<b>Total Deferred Outflows</b>	<b>94,211</b>	<b>108,809</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Vouchers Payable	4,794	6,635
Accounts Payable	14,299	11,939
Salaries & Wages Payable	3,024	6,598
Construction Contracts Payable	39,851	42,880
Accrued Expenses	32,195	33,215
Due to Other Components	1,052	918
Due to Other Funds	3,804	103
Unearned Revenue	9,914	9,785
Funds Held in Escrow	1,682	1,741
Current Portion of Long Term Obligations	129,849	124,728
Total Current Liabilities	240,464	238,542
Noncurrent Liabilities:		
Bond Payable - Net	2,022,636	1,842,386
Derivative Instrument Liability	356	1,508
Other Noncurrent Liabilities	39,057	38,995
Net Pension Liability	444,233	455,841
Total Noncurrent Liabilities	2,506,282	2,338,730
<b>Total Liabilities</b>	<b>2,746,746</b>	<b>2,577,272</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred Inflow - Net Pension Liability	2,144	2,863
<b>NET POSITION</b>		
Net Investment in Capital Assets	542,042	523,367
Restricted For:		
Capital Projects	89,905	73,266
Debt Service	219,100	220,889
Rate Stabilization	202,108	205,761
Unrestricted	(243,056)	(258,179)
<b>Total Net Position</b>	<b>\$ 810,099</b>	<b>\$ 765,104</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF PHILADELPHIA WATER DEPARTMENT**

**BUDGETARY COMPARISON SCHEDULE**

**Water Operating Fund**

**For the Fiscal Year Ending June 30, 2017**

**(Legally Enacted Basis)**

**(Thousands of Dollars)**

<u>Revenues</u>	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Locally Generated Non-Tax Revenue	\$ 663,450	\$ 663,440	\$ 685,515	\$ 22,075
Revenue from Other Governments	1,000	1,000	1,408	408
Revenue from Other Funds	86,735	88,986	38,285	(50,701)
<b>Total Revenues</b>	<b>\$ 751,185</b>	<b>\$ 753,426</b>	<b>\$ 725,208</b>	<b>\$ (28,218)</b>
<u>Expenditures and Encumbrances</u>				
Personal Services	131,865	129,886	125,010	4,876
Pension Contributions	60,200	68,915	68,915	-
Other Employee Benefits	53,765	52,652	52,652	-
Sub-Total Employee Compensation	245,830	251,453	246,577	4,876
Purchase of Services	187,942	183,942	167,609	16,333
Materials and Supplies	49,813	50,177	42,592	7,585
Equipment	6,522	6,157	4,030	2,127
Contributions, Indemnities and Taxes	7,006	7,481	7,352	129
Debt Service	207,372	218,372	215,898	2,474
Payments to Other Funds	66,700	65,700	65,700	-
Advances and Other Miscellaneous Payments	-	-	-	-
<b>Total Expenditures and Encumbrances</b>	<b>771,185</b>	<b>783,282</b>	<b>749,758</b>	<b>33,524</b>
<b>Operating Surplus (Deficit) for the Year</b>	<b>\$ (20,000)</b>	<b>\$ (29,856)</b>	<b>\$ (24,550)</b>	<b>\$ 5,306</b>
Fund Balance Available, July 1, 2016	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	20,000	25,000	24,550	(450)
Prior Period Adjustments	-	-	-	-
Adjusted Fund Balance, July 1, 2016	20,000	25,000	24,550	(450)
<b>Fund Balance Available, June 30, 2017</b>	<b>\$ -</b>	<b>\$ (4,856)</b>	<b>\$ -</b>	<b>\$ 4,856</b>

**CITY OF PHILADELPHIA WATER DEPARTMENT  
SUPPLEMENTAL CASH RECONCILIATION  
YEARS ENDED JUNE 30, 2017 and 2016**

	<b>YEAR ENDED JUNE 30</b>	
	<b>2017</b>	<b>2016</b>
Cash on Deposit and on Hand	\$ 30,000	\$ 30,000
Equity in Treasurer's Account	\$ 95,258,000	\$ 79,043,670
<b>Total Ending Cash - GAAP Basis</b>	<b>\$ 95,288,000</b>	<b>\$ 79,073,670</b>
 <b>Total Cash to be Received Accrued Interest</b>	 <b>\$ 135,562</b>	 <b>\$ 125,926</b>
 <b>Total Liabilities to be Paid</b>	 <b>\$ (28,164,747)</b>	 <b>\$ (26,507,697)</b>
 <b>Total Encumbrances (Paid or Liquidated)</b>	 <b>\$ (67,258,815)</b>	 <b>\$ (52,691,899)</b>
 <b>Total Ending Cash - Legal Basis</b>	 <b>\$ -</b>	 <b>\$ -</b>