

## Notes on Liquid Net Assets and Fund Balance Accounts

### Water:

- Net Liquid Assets: This is cash (or close to cash assets) that we have on hand at the end of FY21. This factors out budgeted expenses for FY21 and the three Fund Balances in the Water Fund.
- Short-term (10 yr) capital fund. This is to replace items that have an estimated life span of 10 years or less. The yearly contribution is based on a spreadsheet which details all of this equipment and is confirmed by an engineer. Then there is an expected amount per piece of equipment that needs to be set aside each year so that each piece of equipment can be paid for in cash when it is due to be replaced (or it fails).
- Distribution System Capital fund. The goal is to fund this at 5% of revenue annually. This includes pipes and major underground replacement including payments for parts, engineering, contractors etc.
- Water Capital Reserve. Funding this at 10% of revenue is advised by industry standards, and we have been at or above this for the past few years. This includes assets with a longer than a 10 year life expectancy but the fund could be used for anything in the system as needed.

### Wastewater:

- Net Liquid Assets: This is cash (or close to cash assets) that we have on hand at the end of FY21. This factors out budgeted expenses for FY21 and the three Fund Balances in the Wastewater Fund.
- Short-term (10 yr) capital fund. This is to replace items that have an estimated life span of 10 years or less. The yearly contribution is based on a spreadsheet which details all of this equipment and is confirmed by an engineer. Then there is an expected amount per piece of equipment that needs to be set aside each year so that each piece of equipment can be paid for in cash when it is due to be replaced (or it fails).
- Collection System Capital Fund. The goal is to fund this at 3% of revenue annually. This includes pipes and major underground replacement including payments for parts, engineering, contractors etc.
- Wastewater Capital Reserve. Funding this at 10% of revenue is advised by industry standards and is where we have been for the past few years. This includes assets that have a longer than a 10 year life and which are not pipes.