

## **CROWN MOUNTAIN WATER SUPPLY CORPORATION FINANCIAL POLICY**

**Section 1. Development / Effective Date of Financial Policy.** This Financial Policy affirms the financial policies adopted by the Crown Mountain Water Supply Corporation (Corporation) Board of Directors (Board) each year. Annual budgets will be developed in accordance with this policy. The Board will recommend changes to the annual budget or the Corporation's Tariffs as needed to conform to this policy. This Financial Policy remains in effect until amended by the Board.

**Section 2. Fiscal Year.** The fiscal year of the Corporation shall be the calendar year January through December.

**Section 3. Annual Budget.** An annual budget for the upcoming fiscal year will be presented for approval to the Board by the Treasurer during the fourth quarter meeting of the Board. The annual budget will be reported to members of the Corporation at the Annual Members Meeting.

**Section 4. Current Revenues Equal / Exceed Current Expenditures.** Current operating revenues will equal or exceed current budgeted expenditures.

**Section 5. Schedule of Rates (Tariff).** The Corporation's Tariff will be reviewed annually and revised as needed to ensure that the terms of Section 4 are met. Members shall be notified in writing at least two months in advance of any change in the Tariff which effects rates.

**Section 6. Committed Fund Balance / Working Capital.** To ensure that current and future services or operations are not severely impacted by any economic slowdowns, emergencies, natural disasters or other unforeseen circumstances, adequate financial resources will be set aside in the committed fund balance. Accordingly, it is the goal of the Board to build and maintain a reserve in the committed fund balance which totals at least ten percent (10%) and up to 25% of total annual expenditures, exclusive of any one-time appropriations. Annually, the amount calculated to be at least 10% up to 25% of total expenditures will be committed for major contingencies and set up in a separate account. Uncommitted fund balance in excess of the ten percent policy requirement may be recommended for expenditure by the Board.

Amounts that can be used for specific purposes associated with the cyclic maintenance and repair of capital infrastructure, pursuant to constraints imposed by formal action of the Board, will be reported as committed fund balance. Those committed fund amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance will also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Section 7. Tariff Schedule for Operations and Maintenance.** Each proposed annual budget shall be prepared assuming that the Corporation has adopted a tariff schedule necessary to be in compliance with Section 2 above.

**Section 8. Operating Contingencies.** The Corporation will budget at least \$1,000 per year as an operating contingency as part of the annual expenditures in order to further insulate the unreserved fund balance from unforeseen circumstances.

**Section 9. Quarterly and Annual Financial Reporting.** The Treasurer shall report quarterly to the Board on financial performance to include detailed year to date revenue and expenditures, as well as explanations for major variances to budget. The Treasurer shall also prepare an annual report for presentation at the Annual Members Meeting with said report to also be provided in the Annual Report to be provided to members in the next monthly bill following the Annual Members Meeting.

**Section 10. Debt Management.** Understanding that an extraordinary event in the operations of the water supply system may require the acquisition of debt, the Board will endeavor to enter into a short-term loan in support of capital improvements such that a credit history may be created for the Corporation. As well, accounts shall be set up to facilitate lines of credit with suppliers for the regular purchase of maintenance & operations materials. All such accounts shall be paid timely and in full to ensure the best possible credit rating for the Corporation.

**Section 11. Expenditures.** Expenditures included in the operating budget shall represent the most cost-efficient method to deliver services to the members of the Corporation. Efforts to identify the most cost-efficient method of service delivery shall continue during the fiscal year after the operating budget is adopted and may be implemented during the fiscal year as necessary and of benefit to the members.

Approved on this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_

**ATTEST:**

**CROWN MOUNTAIN WATER SUPPLY CORP.  
BOARD OF DIRECTORS**

\_\_\_\_\_  
Yvonne Miller  
Secretary

\_\_\_\_\_  
Lee Gruver  
President