

Date: May 25, 2022
To: NWSRA Board of Directors
From: Tracey Crawford, Executive Director
Kyle Nichol & Bob Tannehill, Finance Department
RE: 2022 NWSRA Fund Balance Summary

In December of 2021, the NWSRA Board of Directors approved an updated Fund Balance Policy, outlined below:

FUND BALANCE POLICY

NWSRA believes that strong financial management principles require that sufficient funds be retained to provide a stable financial base at all times. To retain a stable financial base, NWSRA needs to maintain a Fund Balance Policy sufficient to fund all cash flows for its daily operations, Annual Capital Expenditures, General Reserves and Capital Reserves to sustain the Association's fiscal resilience.

NWSRA has one operating fund used to account for the transactions of the Association, which are reported in a single fund on the financial statements. NWSRA must provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, long range strategic planning, planned capital improvement projects, such as vehicle replacements essential to the services provided by the agency and additional Capital Tier recognized legal obligations. (See Capital Policy).

NWSRA Fund Balance Requirements:

General Reserves – The General Reserve will hold all unrestricted funds from the operating accounts and the investment holding account. The General Reserve should not exceed 40% of the operating budgeted expenditures less the Capital Improvement Plan (CIP) expenditures.

Capital Reserves – The Capital Reserve shall represent the amount needed to fund the approved Capital Improvement Plan (CIP) as well as, any approved transfers by the Board of Directors for future capital beyond the current CIP plan.

Unassigned Balance – These are the dollars that remain after the above requirements have been met and upon completion of the annual audit. Any excess funds, following the presentation and acceptance of the annual audit, may result in any of the following or a combination thereof, if approved by the Board of Directors:

- Reduce the final installment of the Member District Annual Assessment (MDAA) payment for each Member District. Any reduction will be calculated based on the MDAA percentage calculator.
- Transfer to Capital Reserve for future capital beyond the current CIP
- Any other purposes as approved by the Board of Directors

Based on the Fund Balance Policy Above the following calculations have been completed:

Audited Net Fund Balance FY 2021	6,021,425
40% for Reserve from 2022 Expenses (Assigned)	(2,363,823)
Capital Improvement Funds (Committed)	(2,313,326)
Prepaid Expenses (Nonspendable)	<u>(7,875)</u>
Current Unassigned as of 4/30/22	1,336,401