

## CALCULATION OF THE AVERAGE NET EQUITY BUY IN FEE OF A SAMPLE UTILITY

Meaningful determination of the Average Net Equity Buy In Fee is achieved only when the following conditions are met in calculation of the fee:

1. An accurate accounting of the fixed and cash assets of the utility should be maintained, preferably by a Certified Public Accountant; and
2. All funds obtained as an "impact fee," Equity Buy In Fee, or other similar funds which are to be used for future capital expenditures should be maintained in a separate fund and ear-marked for this purpose. This amount should not include the Membership Reserve or debt reserves;
3. A realistic depreciation schedule should be maintained for each asset item based on its anticipated useful life rather than on the life of the debt incurred to pay for the asset; and
4. An actual count should be retained of existing and terminated accounts for which capital contributions have been received, but not to include Membership transfers. This count shall be the number of Contributing Members on which the average is taken in calculation of the Net Equity Buy In Fee.

### **EXAMPLE:**

|   |                 |
|---|-----------------|
| Fixed Assets Of The Corporation.....                    | \$3,000,000.00  |
| Less Accumulated Depreciation.....                      | \$750,000.00    |
| Less Outstanding Long Term Debt .....                   | \$800,000.00    |
| Equals Corporation Equity.....                          | \$1, 450,000.00 |
| Less Developer's Capital Contribution.....              | \$57,000.00     |
| Less Grants Received.....                               | \$500,000.00    |
| Equals Net Equity.....                                  | \$893,000.00    |
| Average Net Equity Per 2,000 Contributing Members ..... | \$446.50        |