

Section I. Overall Policies

1. The Town is committed to an open and transparent government, including its financial practices. This includes maintaining high standards in accounting practices, financial reporting, ongoing review by an independent certified public accountant, and a comprehensive annual financial report prepared by the Town Auditor.
2. The Town shall maintain two separate funds, a General Fund and a Utility Fund. Transfers between the funds shall only be for the purpose of refunding of direct expenses by one fund on behalf of the other.
3. The Town shall prepare and adopt a five-year Capital Improvement Plan (CIP) for each fund at the time it adopts the annual budget. The CIP plan shall project capital expenditures over the next five years and identify funding sources for each project from cash, bond or other sources.
4. The Town shall set utility rates based on the recommendations of a utility rate study conducted using adopted guidelines.
5. The Town shall monitor and report several fiscal benchmarks through quarterly reports, which will include unrestricted reserves, debt ratio, and overall debt. The Treasurer shall prepare multi-year forecasts of those benchmarks on an annual basis.
6. Town financial reports and budget information shall be readily available to the public, including remote accessibility such as the Town web page.

Section II. Reserve Benchmark

1. The Town shall maintain, at the end of each fiscal year, unrestricted reserves in the General and Utility Funds equal to their annual operating and debt service expenses.
 - a. Utility Fund reserve is calculated as operating expenses without depreciation plus General Fund transfers. Debt service costs are included but other capital expenses are not included.
 - b. General Fund operating reserve is calculated as operating expenses without depreciation less incoming Utility Fund transfers. Debt service costs are included but other capital expenses are not included.

Section III. Debt Ratio Benchmark

1. The Town shall keep debt servicing costs below 30% of total Utility Fund expenditures, not including any transfers to reserves. Expenditures include both operating and capital expenses, as well as any transfers to the General Fund.
2. The Town shall keep debt servicing costs below 10% of total General Fund expenditures, not including any transfers to reserves. Expenditures include both operating and capital expenses, less any incoming transfers from the Utility Fund.

Section IV. Debt Level Benchmark

1. The Town shall carry bonded debt in the General Fund that is no greater than 1.5% of real property assessments.
2. The Town shall carry pro-rated bonded debt in the Utility Fund that is no greater than 2% of real property assessments. This benchmark shall be calculated by pro-rating the total Utility Fund debt by the portion of utility customers within Town boundaries.

Section V. Financing of Capital Improvements

1. The goal of the Town is to finance at least 25% of Utility Fund capital improvements (in excess of proffers) from non-debt resources.
2. The goal of the Town is to finance General Fund capital improvements from non-debt resources.

Section VI. Reserve Management

1. The Town shall maintain a minimum balance of 90 days of operating expenses in its primary bank account for both the Utility and General Fund.
2. Reserves not needed for immediate operating expenses or obligations should be invested according to best practices commonly accepted by political subdivisions of Virginia, such as in the Virginia Investment Pool.