

Town of Windsor, Virginia
Comprehensive Financial Policies
December 9, 2008

The Town of Windsor has an important responsibility to carefully account for public funds, to manage its municipal finances wisely, and to plan and provide for the adequate funding of services desired by the citizens of Windsor and as may be required by various state or federal laws. The financial policies set forth in this document are intended to continue the financial strength and stability of the Town of Windsor. In this regard, they are both timeless and conservative.

Policy I
Fund Balance

The Fund Balance measures the net financial resources available to finance expenditures of future periods. Credit rating agencies examine the Fund Balance when considering the overall economic health and credit quality of the Town.

1. The undesignated portion of the Town's General Fund Balance shall be maintained to provide the Town with sufficient working capital and a comfortable margin of safety to address emergencies, withstand local and regional economic distresses and expected declines in revenue without borrowing.
2. The Town's General Fund Balance should not be used to support recurring operating expenses outside of the current budget year. Use of the General Fund Balance shall be done only to cover emergencies and unexpected declines in revenue. If the Town uses the undesignated portion of the General Fund Balance within any one fiscal year, then Council will increase its General Fund revenues or decrease its expenditures to prevent using the General Fund Balance in two consecutive fiscal years to subsidize the Town's General Fund operations.
3. Funds from the undesignated portion of the General Fund Balance shall only be appropriated by a resolution or ordinance adopted by the Town Council.
4. The undesignated portion of the General Fund Balance will not be less than thirty-five percent of the year's General Fund revenues in every fiscal year.
5. In the event the Town uses the undesignated portion of the General Fund Balance to provide temporary funding of unforeseen emergency needs, then the Town shall restore the undesignated portion of the General Fund Balance to the minimum level of thirty-five percent of General Fund revenues within two fiscal years following the fiscal year in which the event occurred.

Policy II Budgeting

The Town's annual operating budget is one of the most important documents the Town prepares because it identifies the services that the Town will provide its citizens and the financing plan for the same. The Town considers the budget as a controlled spending plan for the fiscal year. Furthermore, the Town realizes that the fiscal decisions of one fiscal year can have a multi-year fiscal impact; therefore, the Town considers each annual budget to provide the foundation for the Town's financial health for at least a three-year period going forward.

1. The Town Manager shall submit to the Town Council an annual proposed operating budget within the time frames and in the format established by the Town Charter.
2. The proposed budget shall be balanced.
3. For the annual operating budget, the Town shall fund current expenditures with current revenues. To this end, the Town shall not balance the current budget at the expense of meeting future years' expenditures. Furthermore, the Town shall not use debt to fund current operations nor the fund balance.
4. The Town Manager shall estimate revenues both prudently and realistically; he shall estimate revenues of a volatile nature conservatively.
5. Enterprise funds, such as the Water Fund, shall reimburse the General Fund for a proportionate share of administrative costs. The Town Manager shall include in his proposed budget the basis for this indirect cost allocation.
6. In addition to the proposed annual operating budget, the Town Manager shall, at the same time that he submits the proposed operating budget, submit to Council a five-year Capital Improvements Plan (CIP). The Town Manager shall recommend the appropriate funding source for the first year of the proposed five-year CIP, and it shall constitute the proposed capital budget for the ensuing fiscal year. Years two through five of the CIP are a planning document, and the document itself does not authorize or fund the various projects set forth in years two through five of the CIP. Prior to submitting his proposed CIP to Council, the Town Manager shall submit the proposed CIP to the Town's Planning Commission for its recommendation.
7. The Town Manager's proposed annual operating budget shall include proposed staffing levels for the ensuing fiscal year. At no time shall the number of permanent full-time employees on the Town's payroll exceed the number of positions authorized by the Council through its adoption of the annual operating budget.
8. The Town Manager shall integrate operational performance measures into the budget process as appropriate.

9. The Town Manager shall consider alternatives for improving the efficiency and effectiveness of the Town's programs and the productivity of its employees in preparing the proposed operating budget.
10. The Town shall not use the undesignated General Fund Balance to finance current operations except in emergencies.
11. At the same time that the Town Manager submits to Council his proposed annual operating budget and his proposed five-year capital improvements plan, he shall make copies available to the public at such places as Town Hall, the library, etc.
12. The Town Council shall consider and adopt the annual operating budget in accordance with the provisions of the Town Charter and the applicable provisions of the Code of Virginia.
13. At the first Council meeting of each month and beginning with the first month of the fiscal year, the Town Manager shall give Council monthly reports on the status of revenues and expenditures by major categories for the prior month. In addition, the report shall include an accumulated total of revenues collected and expenditures made thus far for the fiscal year.
14. As a matter of internal controls, at the first meeting of each month, the Town Manager shall present to Council a summary list of all of the expenditures for the prior month.
15. In addition to providing the Council the monthly budget reports, the Town Manager shall provide Council a quarterly report of revenue and expenditure projections through the end of the fiscal year.
16. The Town shall follow an aggressive policy of collecting revenues due to the Town. As for delinquent payment for water, the Town shall discontinue (turn-off) water service for non-payment of water bills in accordance with established water service policy. The Town Manager and the Town Treasurer shall be responsible for delinquent tax collection or any other delinquent payment due to the Town, and they shall use any and all means and methods that the Code of Virginia provides for the collection of the same.
17. The Town Manager shall be responsible to Council for the faithful execution of the budget.

Policy III Cash Management

Cash management is the practice of safeguarding the Town's cash, cash equivalents, and other liquid assets. This policy applies to all money and other financial resources available to the Town of Windsor for deposit and/or investment on its own behalf or on the behalf of any other entity.

1. All employees of the Town who handle cash or cash equivalents shall act responsibly as custodians of the public trust, and they shall avoid any transaction that might impair public confidence in the Town.
2. All money collected by any employee of the Town shall pass on such monies to the Town Treasurer as soon as practicable within the same business day that the funds are collected.
3. Except for maintaining the sum of \$100 within a secure place within the Town Treasurer's Office for the purpose of making change, the Town Treasurer shall deposit the money collected by the Town on a daily basis in a bank authorized by the Town Council.
4. The Town Treasurer is authorized to maintain a petty cash account of \$50.00, and the Treasurer shall post and reconcile this account on a monthly basis.
5. The Town Treasurer shall reconcile all bank accounts on a monthly basis, and they shall be reviewed and signed off by the Town Manager.
6. All checks drawn on any of the Town's bank accounts shall bear the two signatures of the Town Treasurer and the Town Manager. If the Town Treasurer or the Town Manager is not available, then the Deputy Town Treasurer is authorized to provide one of the two required signatures. No check shall carry only one signature.
7. The Town shall promptly pay its obligations; in this regard, all invoices approved for payment by the proper Town authorities shall be paid by the Treasurer within thirty calendar days of receipt. The Town shall endeavor to take advantage of all purchase discounts offered on invoices in order to maximize savings to the Town.

Policy IV Risk Management

The Risk Management Policy functions to protect the Town's resources such as employees, buildings, equipment, vehicles, and financial assets. The Town will manage its risk and limit risk exposure in a prudent manner.

1. The Town shall make diligent efforts to protect and preserve Town assets against losses that could deplete the Town's resources or impair the Town's ability to provide services to its

citizens. The Town shall reduce its exposure to liability through training, safety, risk financing, and insurance.

2. Town Manager is responsible for the general risk management function of the Town and the maintenance of the various insurance policies that the Town may carry. He shall make recommendations for deductibles, limits of coverage, etc. to the Town Council for its consideration.

Policy V Capital Assets

Capital assets include land, improvements to land, buildings, building improvements, vehicles, equipment, infrastructure, construction in progress, and other tangible assets that are owned and used by the Town.

1. The Town shall maintain its capital assets at a level adequate to protect the Town's capital investment and minimize future maintenance and replacement requirements. The Town Manager shall include in his proposed budget funds necessary for the adequate maintenance and the orderly replacement of capital assets.
2. The Town shall maintain a schedule of fixed assets as part of its financial records. Capital assets associated with the operation of enterprise funds shall be recorded in those funds.
3. The Town Manager shall ensure that the Town's capital assets are reasonably safeguarded and properly accounted for. The responsibility for the safeguarding of the Town's capital assets lies with the Department Head in whose department the capital asset is assigned.

Adopted by Town Council on December 9, 2008