



FINANCIAL POLICIES

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Greenville Water CEO: _____
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GREENVILLE WATER

POLICY No. FIN-1

DATE: 05/07/2013

SUBJECT: Reserve Policy

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I. Objective

The Reserve Policy provides adequate working capital for cash flow and contingency purposes, while maintaining reasonable and affordable water rates for our customers.

II. Reserve Level

A minimum level of reserves equaling one year of day's cash on hand will be maintained. For purposes of this policy, day's cash on hand is defined as Unrestricted Cash and Investments divided by annual operations and maintenance expenses times 365 days.

The decision authority for use of reserves rests with the Commission. Reserves will be used for the purposes of providing continuity through extreme events, dealing with normal cash fluctuations during the year, maintaining rate stability, and funding capital investment.

The CEO will notify the Commission in advance if there are indications that the reserve will fall below the minimum level and will identify actions to be taken to avoid or mitigate the situation. Should reserves fall below the minimum level, it is the Commission's intent to replenish reserves within 2 fiscal years.

Excess reserves above the minimum level will not be used for recurring expenditures, only for capital expenditures and/or one-time expenditures.

It is the intent of the Commission to maintain a rate structure sufficient to maintain the minimum level of reserves.