

**TOWN of COLCHESTER**  
**Unassigned Fund Balance Policy (amended 2012)**

		POTENTIAL USES		REQUIRED ACTION TO USE
Hi Caution Zone	< 5%	Specific Urgent and Unexpected Situation Only as deemed by the Board of Finance and the Board of Selectman		<p>Requires approval by a vote of 4 members of the Board of Finance at an official meeting, and only upon the determination of a specific urgent situation by both the Board of Finance and the Board of Selectmen (by regular voting procedures).</p> <p>Board of Finance shall adopt a plan to restore the Fund Balance to greater than 5% over the next two fiscal years</p>
Cautionary Zone	5% to 6%	Specific Urgent and Unexpected Situation as deemed by the Board of Finance.		<p>Requires approval by 4 members of Board of Finance.</p> <p>Board of Finance shall adopt a plan to restore the Fund Balance to greater than 5% over the next 2 fiscal years and to replace funds over 5 fiscal years</p>
Confidence Zone	7% to 10%	<p>Capital Projects</p> <p>Repay debt, if permissible</p> <p>Other Designated Accounts</p> <p>Other One Time Projects</p>	Should not bring Fund Balance below 7%	<p>Requires a majority vote of Board of Finance members present, but no less than 3 members in favor of approval</p> <p>Identify one time expenditure; or expected revenue or expense reduction to occur in next fiscal year.</p> <p>Board of Finance shall adopt a plan to restore the Fund Balance to greater than 7% over the next 2 fiscal years and to replace funds over 5 fiscal years</p>
High Confidence Zone	>10%	<p>Capital Projects</p> <p>Repay debt, if permissible</p> <p>Other Designated Accounts</p> <p>Other One Time Projects</p>	Should not bring Fund Balance below 7%	<p>Requires a majority vote of Board of Finance members present, but no less than 3 members in favor of approval</p> <p>Board of Finance shall adopt a plan to restore the Fund Balance to greater than 7% over the next 2 fiscal years and to 10% over 5 fiscal years.</p>