

## FUND BALANCE POLICY

Adopted Town Council 12/11/06

Resolution # 2006-98

The Town of Montville recognizes the importance of maintaining an appropriate level of Undesignated Fund Balance to provide the required resources to meet operating needs and to allow for unforeseen needs of an emergency nature. After evaluating the Town's operating characteristics, diversity of tax base, reliability on non-tax revenue sources, working capital needs, impact on bond rating, local and economic outlooks, emergency and disaster risk and other contingent issues the Town establishes the following goals regarding the Undesignated Fund Balance of the General Fund for the Town of Montville, Ct.

The level of fund balance that the Town strives to maintain as undesignated is an amount no less than 8.5% of the Town's general fund budget and no greater than 17%. It is the intent of the Town to aim for the greater level of 17%. This amount equates to a minimum 1 month of operating expenses from the current operating budget and a maximum 2 months of operating expenses from the current budget.

Once the Town achieves its goal of an appropriate level of Undesignated Fund Balance, any excess funds may be utilized for other municipal fiscal purposes, such as additional capital improvement needs, debt reduction and emergency situations. In this manner, the Town will reduce the need to incur long-term debt and will avoid creating and operating funding gap for subsequent fiscal years.

This policy has been adopted by the Town to recognize the financial importance of a stable and sufficient level of the Undesignated Fund Balance. However, the Town reserves the right to appropriate funds from the Undesignated Fund Balance for emergencies and other requirements the Town believes to be in the best interest of the Town.