

Town of Sykesville  
Fund Balance Policy

March 11, 2013

At each fiscal year end, operating surpluses that revert to fund balance over time constitute available reserves of the Town. The Sykesville Mayor and Town Council realize that it is essential for government to maintain adequate levels of reserves to mitigate current and future risks such as revenue shortfalls, natural disasters, unanticipated expenditures, and to ensure stable tax rates.

Therefore, the Mayor and Town Council of the Town of Sykesville have established the following fund balance reserve policies:

**1. Stabilization Reserve**

The Town will maintain a Stabilization Reserve of at least 12 percent of the average actual General Fund audited expenditures, excluding Capital Outlay expenditures, for the preceding five years for which the audit is available.

The purpose of this reserve is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provision of services to Town residents.

It is the intent of the Town to limit use of the Stabilization Reserve to address unanticipated, non-recurring needs or known and planned future obligations. Fund balances shall not normally be applied to recurring annual operating expenditures.

Any expenditure of funds from the Stabilization Reserve must be approved by a majority of the total number of members of the Mayor and Town Council.

A decision by the Mayor and Town Council to use funds that will reduce the Stabilization Reserve below the minimum required will include a financial plan to restore the reserve to the minimum level required within the following two fiscal years thereafter.

To the extent that the Stabilization Reserve exceeds the target, the Town may draw upon the fund balance to provide cash financing for capital projects or to address other one-time expenditures.

**2. Capital Reserve**

The Town will maintain a Capital Reserve of at least \$250,000. The purpose of this reserve is to have guaranteed funds available for capital projects, to provide funds for planned and anticipated projects, and to allow for completion of projects in a timely manner that is not dependent on Town cash flow. A capital project has an initial useful life extending beyond one year and is a major construction, acquisition, or renovation purchase which adds value to the Town's physical assets or significantly increases their useful life.

Any expenditure of funds from the Capital Reserve must be approved by a majority of the Mayor and Town Council.

Town of Sykesville

General Fund Balance Policy

**Capital Reserve** (cont'd)

A decision by the Mayor and Town Council to use funds that will reduce the Capital Reserve below the minimum required will include a financial plan to restore the reserve to minimum level required within the following fiscal year thereafter.

**3. Replenishment of Reserves**

At each fiscal year end, operating surpluses as determined through the annual audit will first be used to replenish the Capital Reserve to the minimum required, if needed, and then be added to replenish the Stabilization Reserve, if needed, to the minimum required. After funding the reserves, there may be an available cash fund balance remaining. It is the intent of the Town to avoid using the available cash balance to address recurring needs.

**4. Changes to Policy**

Any change to this policy must be approved by a majority of the total number of members of the Mayor and Town Council.