

THE SCHOOL DISTRICT OF SOUTH ORANGE AND MAPLEWOOD, NEW JERSEY

FINANCES

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~~Capital Reserve Account~~ Reserve Accounts

6740 ~~CAPITAL RESERVE ACCOUNT~~ RESERVE ACCOUNTS

~~The Board of Education or Board of School Estimate, as appropriate, may at any time establish by Board resolution a capital reserve account, pursuant to N.J.S.A. 18A:21-2 and 3, and 18A:7G-31. On December 1, 1999, the Board established a Capital Reserve Account and subsequently filed a copy of the enabling resolution with the County Superintendent of Schools. Funds in the Capital Reserve Account will only be used to implement capital projects in the district's Long Range Facilities Plan (LRFP) required pursuant to N.J.S.A. 18A:7G-4(a) and N.J.A.C. 6A:26.2.1 et seq. and may not be used for current expenses pursuant to N.J.S.A. 18A:22-8.2.~~

Funds in the capital reserve account shall not be used for current expenses, pursuant to N.J.S.A. 18A:22-8.2, and shall only be used for purposes as outlined in N.J.A.C. 6A:23A-14.1(b). The Board may increase the balance in the capital reserve account by appropriating funds in the district's annual general fund budget certified for taxes to meet the needs of the its Long-Range Facilities Plan (LRFP) that are not met by State support, in accordance with N.J.A.C. 6A:26-9.1. When the district submits the LRFP to the Department of Education the Board may deposit funds into the Capital Reserve Account at any time by Board resolution. This may be completed through the transfer of undesignated, unreserved general fund balance or through the transfer of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. No transfer of undesignated, unreserved fund balance shall be made subject to the provisions of N.J.A.C. 6:19-2.5(b). Audited excess undesignated, unreserved general fund balance shall not be deposited into a Capital Reserve Account and shall be reserved and designated in the subsequent year's budget pursuant to N.J.A.C. 6:19-2.5(c). The balance in the account may also be increased by requesting approval from the Executive County Superintendent, as the Commissioner's designee, to appropriate any excess unreserved general fund balance as calculated in the supporting documentation of the proposed budget into capital reserve in the proposed budget pursuant to N.J.S.A. 18A:7F-7b only when the Board of Education has formally established a capital reserve account and obtained an approved LRFP in accordance with N.J.A.C. 6A:26-2. The Board of Education, at its option, may satisfy the withdrawal approval requirements set forth in N.J.A.C. 6A:23A-14.1(h) in accordance with the procedures as outlined in N.J.A.C. 6A:23A-14.1(d).

The Board of Education may request express approval of the voters for appropriation of additional amounts into the capital reserve in accordance with the procedures as outlined in N.J.A.C. 6A:23A-14.1(e). The Board of Education shall not deposit into a capital reserve account audited excess undesignated, unreserved general fund balance. The Board of Education shall reserve and designate such funds in the subsequent year's budget pursuant to N.J.A.C. 6A:23A-8.5(b). The Board of Education shall maintain an amount of funds in the capital reserve account that does not exceed the amount needed to implement capital projects in a school district's LRFP that are not met by State support. The amount of money in the Capital Reserve Account shall not exceed the amount needed to implement the capital projects in the district's LRFP not met by State support. The amount of money in the Account must be adjusted annually in the district's Quality Assurance Annual Report (QAAR) pursuant to N.J.A.C. 6:8-2.1. If the amount in the capital reserve exceeds the maximum amount approved, the district must withdraw the excess and reserve and designate it in the subsequent year's budget. As part of the district's annual audit mandated by N.J.S.A. 18A:23-1, the district's independent auditors will, pursuant to procedures developed by the Commissioner, verify the amount in the Capital Reserve Account at any time during the year does not exceed the maximum permitted amount. All excess amounts in the Capital Reserve Account identified in the annual audit shall be

~~reserved and designated in the subsequent year's budget.~~

~~The Board of Education may withdraw funds from the Capital Reserve Account at any time in accordance with the provisions of N.J.A.C. 6A:23A-14.1(h). However, the Board of Education or Board of School Estimate, as appropriate, district may at any time, apply to the Commissioner for approval to withdraw funds from its Capital Reserve Account for uses authorized in pursuant to N.J.A.C. 6A:23A-14.1(b)26-9.1(f). The Board of Education or Board of School Estimate, as appropriate, may make a withdrawal pursuant to N.J.A.C. 6A:23A-14.1(i) only upon written approval of the Commissioner and the Board of Education approval to withdraw funds, the district shall establish, to the satisfaction of the Commissioner, that an emergent condition exists necessitating an immediate withdrawal of Capital Reserve Account funds. The Capital Reserve Account will be established and held in accordance with Generally Accepted Accounting Principles and is subject to annual audit pursuant to N.J.S.A. 18A:23-1 et seq.~~

The Board of Education shall administer and account for the capital reserve account in accordance with the requirements of N.J.A.C. 6A:23A-14.1(j). Funds in capital reserve accounts in existence prior to July 18, 2000 are subject to the Educational Facilities Construction and Financing Act (EFCFA), P.L. 2000, c. 72, and N.J.A.C. 6A:23A-14, and the Board of Education shall only use such funds for the original purpose for which the funds were deposited and as outlined in N.J.A.C. 6A:23A-14.1(k)1. and (k)2.

The Board of Education shall establish, by resolution, a maintenance reserve account in accordance with the provisions of N.J.A.C. 6A:23A-14.2 to be used to implement required maintenance of the school district's facilities. The Board of Education is prohibited from using such funds for routine or capital maintenance and the account shall be established and maintained in accordance with Generally Accepted Accounting Principles (GAAP) and shall be subject to annual audit pursuant to N.J.S.A. 18A:23-1 et seq. The balance in the maintenance reserve account may be increased by appropriating funds in the annual general fund budget certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year for use on required maintenance activities for a school facility as reported in the comprehensive maintenance plan pursuant to N.J.A.C. 6A:26A-4 in accordance with the provisions of N.J.A.C. 6A:23A-14.2(d). In any year that maintenance reserve account funds are withdrawn, the Board of Education shall restore any unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, to the maintenance reserve account at year-end.

The Board of Education shall, by resolution, transfer to the general fund on an annual basis any interest earned on the investments in the maintenance reserve account. Such interest may be transferred on a more frequent basis at the discretion of the Board of Education. The Board of Education shall ensure the maintenance reserve account balance does not, at any time, exceed four percent of the replacement cost of the school district's school facilities for the current year. If the account exceeds this maximum amount at June 30, the Board of Education shall reserve and designate such excess in the subsequent year's budget.

The Board of Education or Board of School Estimate, as appropriate, may supplement a capital reserve account in accordance with requirements as outlined in N.J.A.C. 6A:23A-14.3. The Board of Education or a Board of School Estimate, as appropriate, may through the adoption of a Board resolution, establish a current expense emergency reserve account, a debt service reserve account, and a tuition adjustment reserve account in accordance with requirements as outlined in N.J.A.C. 6A:23A-14.4.

All reserve accounts shall be recorded in accordance with GAAP and subject to annual audit. Any capital gains or interest earned shall become part of the reserve account. A separate bank account is not required; however, a separate identity for each reserve account shall be maintained.

N.J.S.A. 18A:7G-31; 18A:21-2

N.J.A.C. 6A:23A-14.1; 6A:23A-14.2; 6A:23A-14.3; 6A:23A-14.4; 6A:23A-14.5

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Capital Reserve Account

~~If the cost to complete an approved school facilities project, not funded in whole or part by school bonds, exceeds the local share less excess costs, those costs up to ten percent above the local share less excess costs may be withdrawn from Capital Reserve in accordance with N.J.A.C. 6A:26-9.1(e)1. Funds withdrawn for the local share of a school facilities project not using school bonds or loan bonds for all or part of the local share which received a grant pursuant to N.J.S.A. 18A:7G-15 must be transferred to the capital projects fund and accounted for separately with the corresponding grant. Any unexpended transferred capital reserve funds remaining after completion of such school facilities projects must be reserved and designated in the subsequent year's budget.~~

~~The Capital Reserve Account will be increased by the earnings attributable to the investment of the account's assets pursuant to N.J.S.A. 18A:21-3. Anticipated investment income must be included in the original annual general fund budget certified for taxes as miscellaneous income. Investment earnings shall be included in the maximum amount of capital reserve permitted in N.J.A.C. 6A:26-9.1(d).~~

~~A separate account shall be established in the general fund for bookkeeping purposes only in order to account for increases to and withdrawal from the Capital Reserve Account and its balance.~~

~~Funds in Capital Reserve Accounts in existence prior to July 18, 2000 are subject to Educational Facilities Construction and Financing Act (EFCFA) and N.J.A.C. 6A:26-9.1 et seq., and must be utilized for the original purpose for which the funds were deposited in accordance with~~

~~N.J.A.C. 6A:26-9.1(h).~~

~~N.J.A.C. 6A:26-9.1 et seq.~~

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