

6740 CAPITAL RESERVE ACCOUNT

The Board adopted a resolution at the October 16, 2000 Board meeting establishing a Capital Reserve Account, a copy of which has been filed 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.

The Board may appropriate funds in the district's annual budget to meet the needs of its LRFP 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 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.

Funds may be withdrawn from the Capital Reserve Account in accordance with N.J.A.C. 6A:26-9.1(e). The district may apply to the Commissioner for approval to withdraw funds from its Capital Reserve Account pursuant to N.J.A.C. 6A:26-9.1(f). To obtain Commissioner 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.

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.

Adopted: 9 February 2004

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