6740 RESERVE ACCOUNTS

The Board of Education 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.

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 of Education may increase the balance in the capital reserve account by appropriating funds in the annual general fund budget certified for taxes to meet the needs of the Long-Range Facilities Plan (LRFP) that are not met by State support. 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 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, may at any time, apply to the Commissioner for approval to withdraw funds from its capital reserve account for uses authorized in N.J.A.C. 6A:23A-14.1(b). 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 receipt of written approval of the Commissioner and the Board of Education shall establish to the satisfaction of the Commissioner that an emergent condition exists necessitating an immediate withdrawal of capital reserve account funds.

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 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 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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