**GREENWICH STOW CREEK PARTNERSHIP SCHOOLS file code: 3410**

**POLICY MANUAL**

**Policy**

Establishment Of Reserve Accounts

Capital Reserve

The board of education may, at any time, establish by board resolution a capital reserve account, pursuant to law (N.J.S.A. 18A:21-2 and 3, and 18A:7G-31). The account shall be established on such form as shall be prescribed by the commissioner, a true copy of which shall be filed with the department. The account shall include the earnings attributable to the investment of the assets of the account.

1. The accounts shall be established and held in accordance with the Generally Accepted Accounting Principles (GAAP) and shall:
2. Be subject to an annual audit;
3. Be used to finance long-range facilities plan;
4. Not exceed the amount of funds required to implement the long-range facilities plans.
5. The board may appropriate funds in the district's annual budget for the establishment of the capital reserve to supplement the funds in the account as required to meet the needs of the long-range facilities plan.
6. The board may, by resolution:
7. Transfer funds from the capital reserve account to the appropriate line item account for the funding of capital projects as contained in the district's long-range facilities plan; and
8. Transfer funds from the capital reserve account to the debt service account for the purpose of offsetting principal and interest payments for bonded projects which are included in the district's long-range facilities plan.
9. The board is prohibited from using the funds in such capital reserve account for current expenses, and shall only use such funds:
10. To implement capital projects in the school district's long-range facilities plan (see board policy 7110 Long Range-Facilities Plan, N.J.S.A. 18A:7G-4(a), and N.J.A.C. 6A:26-2); and
11. To augment a capital project funded in whole or part by bond proceeds only when:
12. The original referendum question separately listed the amount and portion of local share (or portion of total costs of a project receiving debt service aid) to be funded by capital reserve; or
13. Voter approval was received to augment the original approved question by special appropriation in a type I school district, by separate question at a special election or through the appropriate line-items and supporting documentation in the base budget at the annual school election.

Other Reserve Accounts

The board of education may through the adoption of a board resolution establish the following reserve accounts:

1. Definitions

“Debt service" means and includes payments of principal and interest upon school bonds issued to finance the acquisition of school sites and the purchase or construction of school facilities, additions to school facilities, or the reconstruction, remodeling, alteration, modernization, renovation or repair of school facilities, including furnishings, equipment, architect fees and the costs of issuance of such obligations and shall include payments of principal and interest upon school bonds heretofore issued to fund or refund such obligations, and upon municipal bonds and other obligations which the commissioner approves as having been issued for such purposes.

1. Current expense emergency reserve account:
2. The funds in the reserve shall be used to finance unanticipated general fund current expense costs required for thorough and efficient education. For the purpose of the emergency reserve account, "unanticipated" shall mean reasonably unforeseeable and shall not include additional costs caused by poor planning or error;
3. The account shall not exceed $ 250,000 or one percent of the school district's general fund budget as certified for taxes up to a maximum of $ 1,000,000, whichever is greater;
4. A district board of education may appropriate funds to establish or supplement the reserve in the school district's annual budget or through a transfer by board resolution of any unanticipated revenue and/or unexpended line-item appropriation amounts anticipated at year end. Any such transfer resolution shall be adopted by the board no earlier than June 1 and no later than June 30 of the respective school year;
5. Withdrawals from the reserve shall require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent, for which the district did not receive an automatic adjustment for health care costs pursuant to N.J.A.C. 6A:23A-11.4, regarding calculating the adjustment for health care costs. Total health care costs include medical insurance and prescription drug insurance costs.
6. Debt service reserve account in the debt service fund for proceeds from the sale of school district property. For the purposes of the debt service reserve account "property" shall mean land, buildings and other property that was incidental to the sale of land or a building. The following rules shall apply:
7. The funds in the reserve shall be used by the district first to reduce the outstanding principal amount at the earliest call date or to annually reduce the debt service principal payments;
8. The funds in the reserve may be used for any outstanding debt obligation or debt obligations of the district;
9. The reserve shall be liquidated within the lesser of five years from its inception or the remaining term on the obligations;
10. Any remaining balance shall be used for tax relief.
11. Tuition adjustment reserve account in the general fund for up to 10 percent of the estimated tuition cost in the contract year for an anticipated tuition adjustment in the third year following the contract year. In such case, the district board of education shall:
12. Establish the tuition adjustment reserve account at June 30 by board resolution;
13. Make full appropriation of the reserve for the tuition adjustment in the third year following the contract year;
14. Exclude from the cap calculation the budgeted fund balance and appropriation of the tuition adjustment reserve in the third year following the contract year for such tuition adjustments; and
15. Transfer to the general fund, by board resolution, any interest earned on the investments in a tuition adjustment reserve account on an annual basis. Such transfer may be made on a more frequent basis at the discretion of the district board of education.

**Greenwich:**

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NJSBA Review/Update: July 2022

Readopted:

**Stow Creek:**

Adopted: August 25, 2008

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Readopted:

Key Words

Reserve Account, Debt Service, Tuition Adjustment, Capital Reserve

Legal References N.J.S.A. 18A:7F-7(b) Appropriation by school district of undesignated fund

balance; amounts allowable

N.J.S.A. 18A:7G-3  Definitions relative to construction, financing of public

school facilities

N.J.S.A. 18A:7G-4 Long-range facilities plans

N.J.S.A. 18A:7G-31 Capital reserve accounts

N.J.S.A 18A:21-2 Authorization; establishment of a capital reserve account

N.J.S.A 18A:21-3 Credits to capital reserve accounts

N.J.S.A. 18A:22-8.2 Prohibited transfers

N.J.S.A. 18A:23-1 Audit when and how made

N.J.A.C. 6A:23A-8.5 Designation of general fund balances

N.J.A.C. 6A:23A-14.4 Establishment of other reserve accounts

N.J.A.C. 6A:26-2.1 et seq. Educational facilities

See Particularly:

N.J.A.C. 6A:26-3.7, -3.12,

-4.2, -4.4

**Possible**

**Cross References:** \*3100 Budget planning, preparation and adoption

\*3160 Transfer of funds between line items/amendments/purchases not budgeted

\*3220/3230 State funds; federal funds

\*3571.1 Audit

\*7110 Long-range facilities plan

\*Indicates policy is included in the Critical Policy Reference Manual.