

Accounting Bulletin #2007-01

**SUBJECT: Accounting for Capital Reserve funds authorized by
Municipal Code 53 PS 1431 - 1436**

Effective Immediately

Date: December 12, 2007

The information in this bulletin supplements Accounting Bulletin # 2003-01. It provides clarification regarding accounting procedures related to the establishment and uses of monies transferred to a 1431 Capital Reserve fund by school districts.

- 1) Schools may not deposit bond proceeds directly into this fund. 53 PS 1432 states that this type of fund may only consist of: 1) moneys transferred during any fiscal year from appropriations made for any particular purpose which may not be needed; or 2) of surplus moneys in the general fund of the treasury of the municipality (school district) at the end of the fiscal year.
- 2) The money in this type of capital reserve fund may only be used for the following expenditures: capital improvements and for replacement of and additions to public works and improvements, and for deferred maintenance thereof, and for the purchase or the replacement of school buses, and for no other purpose. Transferring money out of the Capital Reserve fund is not permitted.
- 3) The construction of new buildings and the debt service associated with these projects have been determined to fall within the parameters of capital improvements. As such, accounting transactions that involve the money in the Capital Reserve fund must be maintained within this fund. The remainder of the project not covered by the money in the Capital Reserve fund should be accounted for in a Capital Projects fund.

Schools should use discretion when determining whether to establish a Capital Reserve fund for new construction. The recommended accounting procedure for future construction projects is to designate a portion of the fund balance for this use. Designating these funds will remove them from the available portion of the fund balance, but allow more flexibility with regards to the use of the money for unexpected emergencies.

Questions regarding this bulletin may be directed to the School Finance staff within the Office of Comptroller Operations at Ra-Schlfin@pa.gov