

## Accounting Bulletin #2000-05

**Subject: Ability of Area Vocational-Technical School Boards to Establish Capital Reserve Funds**

**Effective Beginning Fiscal Year 2000-01**

**Date: ~~May 16, 2000~~  
Partial Text Revisions April 2011**

The following information is being sent to assist area vocational-technical schools and their member districts with preparing their 2000-2001 fiscal year budget.

Act 16 of 2000 (Senate Bill 652, Printer Number 1922), signed into law May 10, 2000, amends Section 1850.1 of the PA Public School Code to permit area vocational-technical school board, WHEN AUTHORIZED BY THE PARTICIPATING SCHOOL DISTRICTS, to establish a capital reserve fund under the provision of Section 1850.4 of the School Code for the purpose of purchasing equipment and maintaining facilities.

Section 1850.4 was added to the PA Public School Code to permit a capital reserve fund, but specifies the following conditions:

1. The school may establish a "special ~~revenue~~ fund" which may be designated as a capital reserve fund. (The ~~LEGS~~ Comptroller's Office will revise the definition of fund number ~~24~~ 31 of the current Chart of Accounts to include capital reserve funds authorized by Sections 1850.1 and 1850.4 of the PA School Code.)
2. Money may be accumulated, during a period not to exceed five years from the date the first payment was made into the fund, for the purpose of purchasing equipment or maintaining facilities.
3. The capital reserve fund shall consist of funds transferred during any fiscal year from appropriations made for this particular purpose (i.e., expenditure account ~~5220, special revenue fund~~ 5230-931 Capital Projects Fund transfers) and of unencumbered funds remaining from the current and/or prior years' general fund.
4. The money in the capital reserve fund shall be kept separate and apart from any other fund by the treasurer of the area vocational-technical board. The money in the fund may be invested in securities legal for the investment of sinking fund money of school districts. The interest earnings on these investments shall be paid into the capital reserve fund. (Accounting segregation in a ~~special revenue~~ capital projects fund will satisfy this requirement, as long as interest on deposits is properly credited to this capital reserve fund).
5. Money in the capital reserve fund may be expended only upon approval of a majority of the members of the operating agent only during the period of time for which the fund was created, AND only for equipment purchases or facilities maintenance projects and for no other purpose.
6. The area vocational-technical school shall annually show in its financial report the amount of moneys in the capital reserve fund which shall at all times be properly identified as to purpose. (The Annual Financial Report will collect your capital reserve fund information at the functional level, unless otherwise required by the vocational-technical program offices.)

Questions regarding this bulletin may be directed to the School Finance staff within the Office of Comptroller Operations at [Ra-Schlfm@pa.gov](mailto:Ra-Schlfm@pa.gov)