

FREQUENTLY ASKED QUESTIONS

about a CAPITAL RESERVE FUND

Lyme Central School

What is a Capital Reserve Fund?

- *A capital reserve fund allows the district to set aside money for future construction projects or other major purchases. It can be likened to a savings account. It cannot be established or spent without voter approval.*

Where does the Money for the Capital Reserve Fund come from?

- *The district would utilize money from the fund balance to establish the Capital Reserve Fund, which serves as a savings account for the district.*

Will my taxes go up due to the establishment of a Capital Reserve Fund?

- *No, taxes would not increase due to the Capital Reserve Fund. The account could be fully funded from the district's fund balance.*

Why establish a Capital Reserve Fund now?

- *The fund can only be established with voter approval, therefore needs to be placed on a ballot. Asking the voters to decide on this reserve during an election saves the district and taxpayers from having to finance a separate referendum at a later time. New York State's financial crisis has created uncertainty as to how school districts will receive future funding in numerous areas, including building aid. Should the district need to fund a major construction project, equipment or buses, it would be better prepared.*

What kinds of projects can the money be used for?

- *The Capital Reserve Fund can only be used with voter approval, so any proposed project using the fund would have to be presented to and decided upon by the community. Major building projects (windows, doors, black top, roofs and so on) or purchases such as a new boiler, could be funded using the money saved in the capital reserve.*

How does the Capital Reserve benefit the taxpayer?

- *The more money saved in a Capital Reserve Fund the more benefit to the local tax payer. The money can be used to decrease or even eliminate the local tax share of the cost during major projects or purchases for the district. Using this money from savings would mean that the district wouldn't need to borrow as much money, therefore avoiding altogether or decreasing how much interest is paid.*

Why does the District need a Capital Reserve Fund to save money?

- *Auditors from the State Comptroller's Office have recommended that districts, including Lyme, utilize a Capital Reserve Fund in order to save and prepare for future major expenses, both planned and unplanned.*