

SCHOOL CAPITAL PROJECTS FUND

This fund is used to account for the proceeds of general obligation bonds, QZAB (Qualified Zone Academy Bonds), certificates of participation, and other forms of indebtedness used to finance the school system's large capital projects such as school construction and major renovations.

A General Obligation bond issue must be approved by voters in a referendum. They carry the lowest interest at which a county can borrow money, because they pledge the full faith and credit of the county. That is essentially a pledge to adopt property tax rates sufficient to assure payment of the indebtedness in a timely manner.

Qualified zone academy bonds are a state program that the school system can apply for periodically. The advantage is that the State is able to get a lower interest rate on these bonds than general obligation bonds. That is because the State has a AAA credit rating, and the County has a AA- rating. While the program is popular, it has limited funding.

Certificates of participation are a form of installment purchase contract debt that splits the contract among a group of creditors. Each creditor's share is their "participation", hence the name certificates of participation. They are used in lieu of general obligation bonds and do not require a referendum for approval. However, the interest cost is usually higher because the collateral pledged is not the full faith and credit of the county.

NOTES:

In FY 2011, the County issued \$9,600,000 of the \$44,600,000 school bonds approved by referendum in May, 2008. This funding was to complete the major renovations and expansions of existing schools. That leaves \$13,500,007 unissued, which is reserved for the construction of the new elementary school or additions to existing schools and/or major capital expenses. The land has been purchased for that school. The Board of Education and the Board of Commissioners review the student enrollment figures each fall. As part of that process, the need for constructing this school is discussed in detail. We were able to delay construction for several years as enrollments have flattened during the economic downturn. This has saved taxpayers the interest and principal costs on \$13,500,000, as well as increased costs to operate the school. Operating costs are expected to be from \$800,000 to \$1,000,000 annually.

There was no issuance of debt for schools in FY 2016; however, the remaining school bond in the amount of \$13,500,007 will be issued in FY 17. As a result, additional debt will be incurred during FY 17. The issuance of the remaining bond is a result of increased growth in Lincoln County during the last year. While these dollars will not be spent to construct a new school, they will provide short-term relief to the overcrowding issues at three elementary schools in East Lincoln. If growth continues at its current pace, it is expected that more funding will be necessary to build new schools.

Revised February 2016

LINCOLN COUNTY SCHOOL CAPITAL FUND
FISCAL YEAR 2017

ACCOUNT	DESCRIPTION	FY 2015 ACTUAL	FY 2016 BUDGET	FY 2016 THRU 2/29/16	FY 2017 REQUESTED	FY 2017 RECOMMENDED
REVENUES						
20-0000-00-00-37000-	Interest Revenue	(420)	(200)	(888)	-	-
20-0000-00-00-39999-	Fund Balance Appropriated	-	(985,405)	-	(250,000)	(250,000)
	TOTAL REVENUES	(420)	(985,605)	(888)	(250,000)	(250,000)
EXPENDITURES						
20-5910-57-00-57201-	Improvements	2,966,678	985,605	385,574	250,000	250,000
	TOTAL EXPENDITURES	2,966,678	985,605	385,574	250,000	250,000