

## SCHOOL CAPITAL RESERVE FUND

This fund is used to account for those revenue sources earmarked for school debt service payments or capital outlay. The funds are collected here, and then transferred to the General Fund to pay a portion of the principal and interest of bonds and certificates of participation issued for construction of school facilities.

A  $\frac{1}{2}$  % Sales and Use Tax is authorized by NCGS 105, Article 40. It is pooled at the state level, and then distributed on a per capita basis. This statute requires that 30% of it be set aside for school capital outlay or debt service.

A  $\frac{1}{2}$  % Sales and Use Tax is authorized by NCGS 105, Article 42. It also is pooled at the state level, and then used to be distributed on a per capita basis. Starting in FY 2010, the distribution was changed to 50% on a per capita basis, and 50% on the point of sale basis. This significantly reduced our revenues for FY 2010 and beyond. This statute requires that 60% of the proceeds be set aside for school capital outlay or debt service.

The State School Building Funds are state appropriations funded by a portion of the corporate income tax. These funds are distributed on an ADM (average daily membership) basis, and must be earmarked for school capital outlay or debt service. However, the NC General Assembly seized these funds in FY 2010, 2011, 2012, and 2013 to help balance the State's budget. They are not expected to be returned to counties for some years if at all. This has cost Lincoln County about \$643,000 annually.

The NC Lottery proceeds are apportioned based on average daily attendance and a formula taking effective property tax rates into account. However, the NC General Assembly seized \$823,000 of these funds in FY 2011, 2012, and 2013 to balance the State's budget.

The total amount budgeted for school debt service is broken out from general county debt on the General Fund Expenditure Summary. You can see the details of all existing debt issues for the schools in the Schools Debt Service Schedule located in the Appendix.

In prior years, the sales tax revenues were posted to the General Fund, and then the portion reserved for school debt service was transferred to this fund. Later in the year, the money was transferred back into the General Fund to cover the expenses of schools debt service. This was done to document that we used all the funds for education. However, we spend over \$11,500,000 on school debt, which is far more than this amount. Consequently, we no longer need to transfer the earmarked sales taxes out of, and back into the General Fund to prove we have used the funds correctly. This change was made beginning in FY 2013.

### NOTES:

A considerable fund balance had built up in this fund. At the same time, the State seized the ADM and Lottery funding. This fund is heavily dependent on the sales tax, and that

revenue source is recovering, but still lower than when the recession began. We recommend an appropriation of \$699,000.00 in FY 2016, but need to continue reducing this reliance on fund balance over the next couple years. Therefore, we are recommending that you continue to deplete this fund balance; as a result, the monies going in this fund will be the only monies going out. In essence, no more fund balance should be appropriated from this fund.

Looking ahead, the sales tax revenues should continue to improve as the economy improves. However, it is doubtful the State will be in a financial position to return to counties anytime in the near term the ADM and Lottery funds seized.

**SCHOOL CAPITAL RESERVE FUND  
FISCAL YEAR 2016**

ACCOUNT	DESCRIPTION	FY 2014 ACTUAL	FY 2015 BUDGET	FY 2015 THRU 2/28/15	FY 2015 PROJECTED	FY 2016 REQUESTED	FY 2016 RECOMMENDED
<b>REVENUES</b>							
21-0000-00-00-34399-	Lottery Revenue	\$ (1,036,450)	\$ (820,000)	\$ (375,880)	\$ (700,000)	\$ (700,000)	\$ (700,000)
21-0000-00-00-37000-	Interest Revenue	\$ (1,510)	\$ (1,000)	\$ (308)	\$ (500)	\$ (1,000)	\$ (1,000)
21-0000-00-00-39999-	Fund Balance Appropriated	\$ -	\$ (579,000)	\$ -	\$ -	\$ (699,000)	\$ (699,000)
<b>TOTAL REVENUES</b>		<b>\$ (1,037,960)</b>	<b>\$ (1,400,000)</b>	<b>\$ (376,188)</b>	<b>\$ (700,500)</b>	<b>\$ (1,400,000)</b>	<b>\$ (1,400,000)</b>
<b>EXPENDITURES</b>							
21-9840-59-00-59111-	Transfer to General Fund	\$ 1,692,383	\$ 1,400,000	\$ 350,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000
<b>TOTAL EXPENDITURES</b>		<b>\$ 1,692,383</b>	<b>\$ 1,400,000</b>	<b>\$ 350,000</b>	<b>\$ 1,400,000</b>	<b>\$ 1,400,000</b>	<b>\$ 1,400,000</b>

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