

St. Marys City School District Use of Remaining Funds

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Introduction

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Use of Remaining Funds Rubric (By Type)

- State Share Proceeds, State Interest--go back to the State.
- Local Share Proceeds--go back to Fund 004 (Building) since Locally Donated Contribution of Cash¹ to be used in accordance with the purpose clause for the bonds; otherwise, go to Fund 002 (Bond Retirement) by operation of law.

¹OSFC favors post close-out transfers.

- Local Share Interest – 3 choices upon close-out¹ per RC 3318.12–
 - Fund 010 (Classroom Facilities)
 - Fund 034 (Classroom Facilities Maintenance)
 - Fund 003 (Permanent Improvement).
- Locally Funded Initiative Proceeds (Fund 004) (Building) – used in accordance with the purpose clause for the bonds; otherwise, go to Fund 002 (Bond Retirement).

¹OSFC favors post close-out transfers.

- Locally Funded Initiative Interest (Fund 004) (Building)--can be transferred to Fund 003 (Permanent Improvement) per RC 5705.10.

Bond Purpose Clause

constructing school facilities and additions to school facilities under the State of Ohio Classroom Facilities Assistance Program; renovating and improving the same; furnishing and equipping the same; improving the sites thereof, including infrastructure improvements relating thereto; and acquiring land and interests in land as necessary in connection therewith

Analysis

- Timing.
- Type of dollars to be spent.
- Purpose of permanent improvement expenditures—
 - Bond Proceeds—must be "school facility," i.e., used primarily for curricular or co-curricular purposes, but may also be available to public.

- Maintenance/Storage Facility
 - Athletic Facilities, Locker Room
 - Walking Bridge
 - Computers
 - Textbooks
- Investment Earnings – (Fund 003) Permanent Improvement.
- District Office Building
 - (Fund 034) Classroom Facilities Maintenance (cash fund in part)
 - Useful Life of 5 Years or More (banners, art, murals)

- Purpose of bond retirement expenditures—
 - Debt Charges (principal and interest)—fixed.
 - Early Retirement of Bonds—bonds maturing December 1, 2018 and thereafter not callable until December 1, 2017.
 - Reinvestment Rate on (Fund 002) Bond Retirement—below bond yield of 4.11%

Federal Tax Issues

- Temporary Period for Investment of Bond Proceeds – December 27, 2012 and January 15, 2013, respectively, to spend 85% of the bond proceeds or its investment of same will be restricted. The "safe harbor" guidelines for spending the bond proceeds date from the preliminary notes (December 27, 2007 and January 15, 2008) and are as follows:

- Year 1 – 10%
 - Year 2 – 30%
 - Year 3 – 60%
 - Year 5 – 85%
- Arbitrage Rebate—exempt as "Small Issuer."