GEORGIA STATE FINANCING AND INVESTMENT COMMISSION (GSFIC)

Policy and Procedures, Owner
Commission

Policy Title/Number
Request for Reimbursement from General Obligation Bond Proceeds
CO-01-01-003

Effective Date: July 1, 2011 **Revises Previous Effective Date:** Feb. 28, 2006

References:

- Constitution of the State of Georgia, as amended (the "Georgia Constitution", Article VII Section IV
- The Georgia State Financing and Investment Commission Act, O.C.G.A. § § 50-17-20 through 50-17-30 (the "GSFIC Act")
- Attorney General Memorandum - November 20, 2000
- Treasury Regulation §1.150-2 under the Internal Revenue Code of 1986, as amended (the "Tax Code")
- Secretary of State Record Retention Schedule (Current)
- State Accounting Office – Statewide Policy & Procedure, GSFIC Reimbursements for Bond Funded Construction Projects

1. Introduction

In accordance with Article VII, Section IV, Paragraph VII (a) of the Georgia Constitution and the GSFIC Act, the Georgia State Financing and Investment Commission (GSFIC) is responsible for:

(i) the issuance of all public debt and for the proper application of the proceeds of such debt to the purposes for which it is incurred,

(ii) the investment and accounting of proceeds from general obligation debt, and

(iii) the acquisition and construction of projects for the benefit of any department or agency of the state or to contract with any such department or agency for the acquisition or construction of projects under policies, standards, and operating procedures to be established by GSFIC.

GSFIC is constitutionally and statutorily charged with the responsibility for the proper application of the proceeds of State of Georgia (the "State") general obligation bonds to the purpose for which the bonds were appropriated, and to the extent not so used, bond proceeds shall be used to purchase and retire public debt.[1]

Furthermore, GSFIC is charged with ensuring that bond proceeds are utilized for public property of the State and that the federal tax exempt status of general obligation bonds is not compromised while the bonds are outstanding.

2. Applicability

State departments, agencies, and authorities.

3. Definitions

Agency: Any agency, department, institution, state authority, or instrumentality of the State that is authorized to issue debt or otherwise receive general obligation bond proceeds pursuant to the Georgia Constitution and the GSFIC Act.

General Obligation Debt: Obligations of the State issued pursuant to the GSFIC Act to:

(i) acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, buildings, structures, equipment, or facilities of the state, its agencies, departments, institutions and specific state authorities as provided by the GSFIC Act,

(ii) provide educational facilities for county and independent school systems and to provide public library facilities for county and independent school systems, counties, municipalities, and boards of trustees of public libraries or boards of trustees of public library systems, and

(iii) make loans to counties, municipal corporations, political subdivisions, local authorities, and other local governmental entities for water, or sewage facilities or systems.

Project: Any capital outlay activity which utilizes proceeds from general obligation bonds for any of the funding necessary for the project.

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[1] Georgia Constitution Article VII, Section IV, Paragraph VII(b) provides that proceeds from general obligation bonds used for making certain loans related to water, sewer, solid waste and recycling facilities or systems are exempt from this provision, and that such proceeds are administered and invested by the Agency responsible by law for such activities, including disbursements related to such loans.

4. Policy Statements

An Agency seeking reimbursement of eligible project related expenditures from general obligation bond proceeds and/or reimbursement of eligible project related expenditures incurred prior to the appropriation or issuance of general obligation bond proceeds, must comply with the requirements of this policy.

An Agency will not receive reimbursement for expenditures made prior to bond appropriation or issuance, unless they have been issued a Declaration of Official Intent to Reimburse (DOIR) approved by the Director of the Financing and Investment Division of GSFIC, and otherwise complied with the requirements of this policy. When requesting reimbursement of expenditures incurred prior to the general obligation bonds being appropriated or issued, a copy of the DOIR must be included with the request.

If for any reason the anticipated general obligation bond appropriation or issuance does not occur the Agency is solely responsible for expenditures which it has incurred, even if an approved DOIR was issued by GSFIC.

The Agency is solely responsible for any and all expenditures which are deemed an inappropriate use of general obligation bond proceeds by GSFIC.

An Agency may manage its general obligation bond funded project(s) only after receiving approval from GSFIC to do so. An Agency which manages general obligation bond funded projects is responsible for first making direct payments to the contractors and/or vendors and then requesting reimbursement from GSFIC.

5. Procedure

a. Reimbursement of Agency Expenditures Prior to Appropriation of General Obligation Bonds

An Agency seeking reimbursement of expenditures incurred prior to the appropriation of general obligation bonds must meet the conditions set forth below. An Agency which incurs expenditures in anticipation of general obligation bonds being appropriated does so entirely at its own risk. If for any reason the anticipated general obligation bond appropriation does not occur, the Agency will not receive reimbursement from GSFIC and the Agency shall be solely responsible for expenditures it incurred, even if a DOIR was issued by GSFIC.

In order for an Agency to be reimbursed for expenditures incurred prior to the appropriation of general obligation bonds, the following must occur:

(i) the Agency must send a written request for a DOIR to the Director of GSFIC's Financing and Investment Division no later than sixty (60) days of the Agency expenditure,

(ii) a DOIR must be approved, signed and issued to the Agency by the Director of GSFIC's Financing and Investment Division,

(iii) the actual expenditure must be eligible for payment from general obligation bond proceeds under Section 1.150-2 of the regulations under the Tax Code,

(iv) the general obligation bonds for the project must be appropriated, issued and proceeds available, and

(v) the Agency must also provide GSFIC with a preliminary Asset Tracking Form not later than the first request for reimbursement submitted for the project.

If any of the above conditions are not met, the request for reimbursement will be denied by GSFIC, and any expenditure incurred will remain the responsibility of the Agency.

The Agency should not submit requests for reimbursement until after notification by GSFIC that general obligation bond proceeds are available.

Requests for reimbursement shall be made in accordance with Section 5c, below.

b. Reimbursement of Agency Expenditures Incurred After Appropriation, But Prior to Issuance, of General Obligation Bonds

An Agency seeking reimbursement of expenditures incurred after the appropriation, but prior to the issuance, of general obligation bonds must meet the conditions set forth in Section 5.a., above. An Agency which incurs expenditures prior to the issuance of general obligation bonds does so entirely at its own risk.

If for any reason the anticipated general obligation bond issuance does not occur, the Agency will not receive reimbursement from GSFIC and the Agency shall be solely responsible for expenditures it incurred, even if a DOIR was issued by GSFIC.

c. Reimbursement of Agency Expenditures After Issuance of General Obligation Bonds

When requesting reimbursement from GSFIC, the Agency shall include supporting documentation of all expenditures and certify that the expenditures

have been reviewed and are believed to be an appropriate use of general obligation bond proceeds.

The Agency must also provide GSFIC with a preliminary Asset Tracking Form not later than the first request for reimbursement submitted for the project.

Requests for reimbursement may be submitted using the GSFIC Request for Reimbursement form or by a reimbursement request on Agency letterhead.

All requests for reimbursement shall reference the project number, project name and contain an approving signature. All requests for reimbursement must be clear, informative and include an agency contact for questions or issues. Requests for reimbursement must also contain the following language:

> *"To the best of my knowledge and belief, I hereby certify that all items, units, quantities, prices of work and material shown on this Reimbursement Request are correct; all work has been performed and materials supplied in full accordance with the terms and conditions of the applicable contract(s); the work has been accepted by <<Insert Agency Name>>; and all invoices for which the <<Insert Agency Name>> is requesting payment herein have been paid. I further certify, to the best of my knowledge and belief, the payment(s) herein requested is a proper expenditure of general obligation debt proceeds."*

In accordance with the State Accounting Office's Statewide Accounting Directive regarding Interagency Receivables and Payables, requests for reimbursement should be sent on a periodic basis, preferably monthly, but **at a minimum quarterly. Requests for reimbursement that are not received timely, or contain invoices over one hundred twenty (120) days old, are subject to denial by GSFIC.**

GSFIC will review requests for reimbursement promptly and, if deemed a proper application of general obligation bond proceeds, will authorize payment within 30 days of the request for reimbursement date. If part, or all, of a request for reimbursement is denied by GSFIC, the denied expenditure will remain the responsibility of the Agency.

Payment of requests for reimbursement will be paid by GSFIC using an electronic payment method via ACH or wire payment when possible.

d. Final Reimbursement Requests

Request for final reimbursement for each separate contract shall be accompanied by a statement from the Agency with the following language:

"This is to certify that the <<Insert Agency Name>> has found and determined that all accounts for labor, materials, and services for the construction of GSFIC <<Insert GSFIC project number and name>> have been paid in full and there are no claims of any nature outstanding either liquidated or disputed."

The request for final reimbursement also shall be accompanied by a completed and accurate "Asset Tracking Form" signed by the Chief Financial Officer of the Agency.

6. Record Retention

The Agency agrees to maintain all documentation of expenditures and requests for reimbursements for the term of the general obligation bonds plus five (5) years. The Agency also agrees to:

(i) provide GSFIC with a preliminary Asset Tracking Form not later than the first request for payment submitted for the project,

(ii) submit an updated, detailed and accurate Asset Tracking Form, signed by the Chief Financial Officer or Commissioner of the Agency, with the final request for reimbursement,

(iii) maintain up-to-date records at the Agency as to the location, disposition, or transfer of any project or equipment financed with tax-exempt bond proceeds while those bonds are outstanding, and

(iv) retain copies of all Asset Tracking Forms together with all other required project documentation, including records as per Section 6.(iii) above, for five (5) years after the final bond payment date.