



State of North Carolina Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

July 14, 2004
REVISED

MEMORANDUM NO. 05-03

TO: Vice Chancellors
Agency/University Bond Contacts

FROM: John Barfield
Assistant State Controller

SUBJECT: General Obligation Bonds and Certificates of Participation Proceeds Procedures

General Obligation (GO) Bond Proceeds must be invested by the State Treasurer and Certificates of Participation Proceeds (COPs) must be held by the Trustee, until they are required for expenditure. In addition, IRS Regulation Chapter 26 Part 1.148-6 (D)(7), mandates that funds derived from these two sources must be disbursed to contractors within 24 hours of receipt, in order to prevent violation of arbitrage laws. To insure compliance with both of these requirements, the Office of the State Controller (OSC) has established the following procedures, which must be followed when requisitioning funds or preparing transfers.

Requisition for Payment Directly from General Obligation Bonds

- Submit separate requisitions for expenditures supported by bond proceeds and for expenditures supported by receipts or refunds of expenditures. **Expenditures must be made first from receipts or refunds of expenditures, when receipts and/or refunds are available. The expensing of refund of expenditures must occur in the next weekly bond draw to comply with current IRS Regulations.** If receipts or refunds only cover a portion of the expenditure requirement for the week, two requisitions must be submitted. The first requisition is to exhaust the receipts and/or refunds and the second is to request the remaining balance from bond proceeds.
- Identify each requisition supported by receipts and/or refunds by inserting an **R** in the **last** position of the requisition number.
- Identify each requisition supported by bond proceeds by inserting an **A** in the **last** position of the requisition number.
- Requisitions must be submitted to OSC before **11:00 a.m.** each **Thursday** and will be approved by OSC on **Friday**. If the requisition is submitted after 11:00 a.m., it will be left in a submitted status until the following Friday, when it will be approved. **Also, if the requisition does not include the proper (A) or (R), it will not be approved on Friday, and it will be returned to the agency for correction.**
- Agencies will need to use account **438050** to record in NCAS a corresponding entry for the receipt recorded in CMCS during the 13th month accrual process. **(Revised)**
- Universities will need to use account **432994** to record in NCAS a corresponding entry for the receipt recorded in CMCS during the 13th month accrual process. **(Revised)**

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LOCATION
3512 Bush Street
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- To comply with arbitrage laws, **payments to vendors/contractors must be made within 24 hours of the approval of the requisition.**

Transfer from a General Obligation Bond Code to an Existing Budget Code

- Identify each transfer supported by bond proceeds by inserting an **A** in the **first** position of the transfer reference number.
- Identify each transfer supported by receipts and/or refunds by inserting an **R** in the **first** position of the transfer reference number. **The expensing of refund of expenditures must occur in the next weekly bond draw to comply with current IRS Regulations.**
- Transfers must be submitted to OSC before **11:00 a.m.** each **Thursday** and will be approved by OSC on **Friday**. If the transfer is submitted after 11:00 a.m., it will be left in a submitted status until the following Friday, when it will be approved. **Also, if the transfer does not include the proper (A) or (R), it will not be approved on Friday, and it will be returned to the agency for correction.**
- Transfers from a General Obligation bond code to an existing budget code do not comply with arbitrage laws. **Payments to vendors/contractors must be made within 24 hours of the approval of the transfer.**

Requisition for Payment Directly from Certificates of Participation (COPs)

- Requisitions must be submitted to OSC before **11:00 a.m.** on the date of the established scheduled draw, and will be approved by OSC on Thursday or Friday depending on receipt of funds from the trustee. (See attachment for schedule.) If the requisition is submitted after 11:00 a.m., it will be left in a submitted status and processed the next business day.
- A journal entry will be prepared and entered by OSC to record the receipt of the COPs proceeds to the individual agency/university budget codes. The posting of this can be viewed on CMCS screen AK07.
- OSC will notify the agency/university of the CMCS receipt via e-mail.
- Agencies will need to use account **438051** to record in NCAS a corresponding entry for the receipt recorded in CMCS.
- Universities will need to use account **432993** to record in NCAS a corresponding entry for the receipt recorded in CMCS.
- To comply with arbitrage laws, **payments to vendors/contractors must be made within 24 hours of the approval of the requisition.**
- The handling of refunds of expenditures for COPs must be processed in accordance with procedures that will be issued by OSBM.

Transfer from the COPs Budget Code to an Existing Budget Code

- Transfers must be submitted to OSC before **11:00 a.m.** each **Thursday**, of the established scheduled draw dates, and will be approved by OSC on Thursday or Friday depending on receipt of funds from the trustee. (See attachment for schedule.) If the transfer is submitted after 11:00 a.m., it will be left in a submitted status until the next established draw date.
- OSC will notify the agency/university of the CMCS receipt by e-mail.
- Transfers from a COPs budget code to an existing budget code do not comply with arbitrage laws. **Payments to vendors/contractors must be made within 24 hours of the approval of the transfer.**
- The handling of refund of expenditures for COPs must be processed in accordance with procedures that will be issued by OSBM.

Also, OSBM and OSC will notify the agencies/universities of any receivables that need to be recorded during the 13th period for General Obligation and Certificates of Participation proceeds. A subsequent memo will address the handling of COPs refunds of expenditures.

We appreciate your cooperation in these matters. If you have any questions, or this office can be of any additional assistance, please call Cathy Johnson (919-981-5492) or Melody Tart (919-981-5486).