Agency Guide to Financing Capital Projects with Lottery Revenue Bonds

Department of Administrative Services
Chief Financial Office
Capital Finance Section

February 2024

LOTTERY REVENUE BOND PROGRAM AGENCY GUIDE
TABLE OF CONTENTS

1. Introduction to Lottery Revenue Bond Program

The Lottery Revenue Bond program is administered by the Department of Administrative Services (DAS) Chief Financial Office, Capital Finance Section.

In 1994, Oregon was the first state in the nation to implement a borrowing program using revenue bonds backed by lottery gaming revenues. Article XV, Section 4 of the Oregon Constitution and Oregon Revised Statutes (ORS) 286A.560 – 286A.585 authorize the State of Oregon to issue Lottery Revenue Bonds. Initially, authority to issue bonds for specific purposes was provided in separate statutes (ORS 285B.530 – 285B.548; 327.700 – 327.711; and 390.060 – 390.067); however, Chapter 286A was amended through SB 200 of the 1999 legislative session to combine previously enacted legislation authorizing lottery bonds into a single act. This consolidation allowed the bond program to be centrally managed by DAS using uniform administrative procedures.

1.1 Lottery Revenue Bond Overview

The proceeds of Lottery Revenue Bonds are allowed to be used for the same purposes as the net revenues from operation of the State Lottery: creating jobs, furthering economic development, financing public education in Oregon, or restoring and protecting Oregon's parks, beaches, watersheds and native fish and wildlife. When a new bond issuance is authorized, the authorizing legislation contains findings that the purposes for which the bond proceeds may be spent are lawful uses of lottery revenues.

Given the broad purposes for which Lottery Revenue Bonds can be issued, the program continues to have a statewide impact by providing financial assistance to local governments for facilities and infrastructure improvements. To keep the State's cost of financing as low as possible, the bonds are primarily issued on a tax-exempt basis, which means the interest is excludable from gross income under the IRS federal tax code. To maintain the tax-exempt status, there are substantial restrictions by which the State must abide. Section 3.4 of this guide describes these restrictions.

1.1.1 Lottery Revenue Bond Issuance Overview & Timeline

1.1.1.1 Agency Request Budget - The life of a Lottery Revenue Bond starts at the beginning of the State's biennial budget process. Agencies should include Lottery Revenue Bond requests when they are preparing their Agency Request Budget for the following biennial budget. These requests are submitted to the DAS Chief Financial Office, Capital Finance Section, where they are analyzed and sized for a bond sale. Bond issuance and debt service cost estimates are prepared and sent back to the agency to be included in their budgets.

1.1.1.2 Governor's Budget - During the Governor's Budget process, the Lottery Revenue Bond requests are analyzed by the agency's Chief Financial Office Analyst, the Capital Finance Manager, and the Governor's Office. A determination is made as to whether the request should move forward, as part of the Governor's budget, be adjusted or removed.

1.1.1.3 Legislatively Adopted Budget - If the agency's bond requests are included in the Governor's Budget, the agency's Legislative Fiscal Office (LFO) Analyst and the Legislature will analyze them and determine whether the request should move forward as part of the agency's Legislatively Adopted Budget (LAB). Also, during the legislative session, many grantees will submit additional Lottery Revenue Bond project requests to LFO for review and possible inclusion into the LAB. These projects will be placed in various agency's budget to administer the grants.

If a request moves forward, it will be added to the bond calendar maintained by the Oregon State Treasury, in collaboration with the Capital Finance Section. After the LAB is finalized, the Capital Finance Analyst (Analyst) will contact each agency who has an approved Lottery Revenue Bond funded project to determine if a Declaration of Intent to Reimburse needs to be completed. This is a document that needs to be in place if the agency, or grantee, expects to spend their own source of funds on the project prior to the bond sale date and then get reimbursed for those costs with bond proceeds. Reimbursement can only happen if a Declaration of Intent to Reimburse is on file.

1.1.1.4 Lottery Revenue Bond Sale Pre-Issuance - As the bond sale date approaches (approximately 3 months before the sale), the Analyst will start contacting the agencies to request information related to their project. Below are some of the questions/requests for information agencies can expect to receive.

- Is the agency and grantee ready for the bond proceeds?
- Will the agency/grantee be able to spend the proceeds within 36 months of the bond issuance?
- Agencies will be asked to provide a current spending plan.
- Agencies will be asked to provide an estimate of other funding sources that will be used, amounts and total project cost.
- If using other funding sources, have those been secured?
- How much, if any, of the proceeds are expected to be used to reimburse prior costs already paid?
- Is any of the bond-financed asset (if applicable) going to be used by a non-governmental entity?
- Will there be any lease, management, operation or other preferential use of the financed property (if applicable) by anyone other than the State or a local government?
- What is the useful life of the bond financed asset (if applicable)?
- If bond proceeds will be funding a grant or loan program, agencies will be asked to provide the agency's form of agreement.

Approximately 4-6 weeks prior to the bond issuance closing date, the Capital Finance Coordinator (Coordinator) will establish state treasury accounts for each agency project. The Coordinator will provide the new account number to each agency so they can request new D23 funds in the Statewide Financial Management System. This must happen before the closing date of the bond sale, so the agency can receive proceeds upon closing.

1.1.1.5 **Lottery Revenue Bond Sale Post-Issuance** - Once the bonds are sold, several steps must be taken before agencies can start drawing on their bond proceeds.

- DAS will prepare an IAA for each project and send it to the applicable agency for review and signature.
- Agencies will reconcile and post accounting entries for the bond proceeds deposit received in their new treasury account.
- Agencies will post accounting entries for the bond's payable liability.
- DAS will prepare refunding documentation, if applicable, for each agency that had refunded bonds.
- Agencies will post accounting entries for refunding bonds, if needed.

After the IAA's are signed and the accounting entries are completed, agencies may start reviewing grantee disbursement requests for federal tax code compliance and completeness, and then disburse the funds to the grantee.

When all the proceeds have been used or the project is complete (whichever comes first), there are several steps that must be taken.

- Submission of a "Completion Certificate" to memorialize that all funds have been used on the project in accordance with the terms and conditions in the IAA.
- Close out of the applicable treasury accounts.
- Determination between DAS, LFO and the agency on the best allowed use of the unspent proceeds remaining. Usually, these proceeds are used to pay debt service or are transferred to a different legislatively approved project.

1.1.1.6 **Debt Service** – Every 6 months, for the life of the bond, after a debt service payment is made (April 1 and October 1), agencies will need to record the debt service expenditure based on the transaction shown in monthly bank statements. The DAS Coordinator will provide agencies with the amounts that should be expensed as Lottery Funds debt service vs. Other Funds debt service.

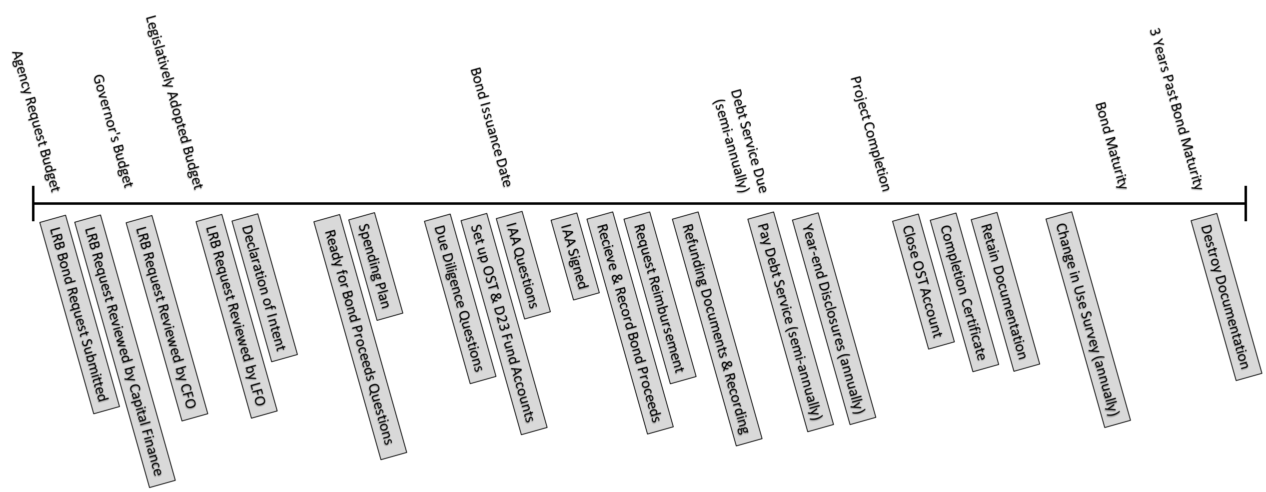
- When the interest earnings in a debt service account are used towards a debt service payment, the agency records the debt service expenditure as Lottery Funds (rather than Other Funds).
- For interest earnings on lottery bond proceeds that are transferred to the debt service account from a project account, the agency will record the debt service expenditure as Other Funds.

1.1.1.7 Post-Issuance Compliance - Over the life of the bond, there are several steps that must be taken.

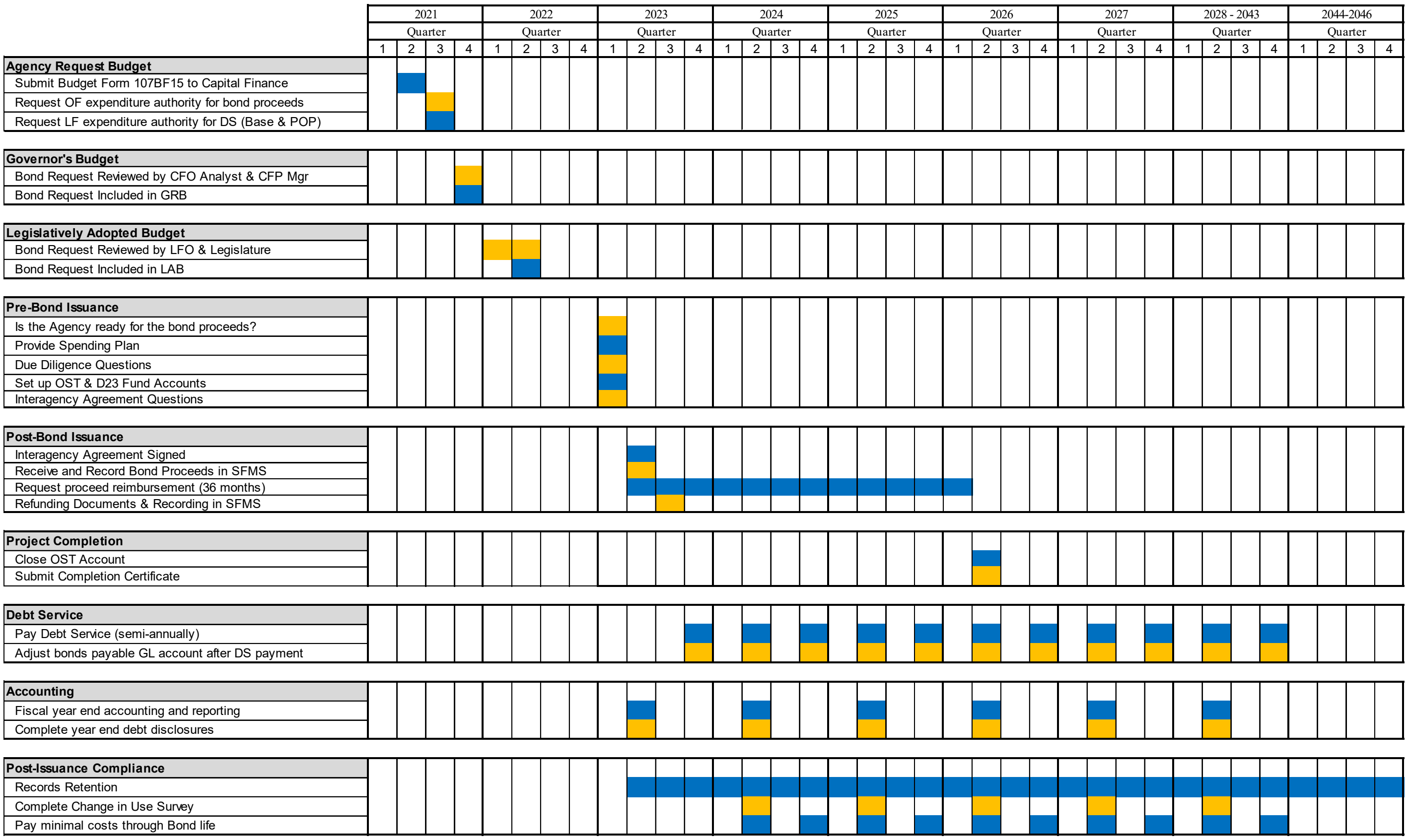
- Agencies will complete annual “Change in Use” surveys to verify that there has not been a change in the use of the asset and there is no (or minimal) private business use. This will apply only if Lottery Bond proceeds were spent on a State-owned asset.
- Agencies will retain all bond-related documents (invoices, construction contracts, management contracts, etc.) for 3 years past the final maturity date of the bond.
- Agencies will pay DAS for various minimal costs over the life of the bond (trustee fees, treasury fees, arbitrage fees, fiscal agent fees, etc.).
- Agencies and DAS will ensure that the debt service funding for all issued bonds is included in the agencies’ budget every biennium.
- Agencies will follow the fiscal year-end policies related to bonding. This includes accounting entries and debt disclosures.

1.1.1.8 Lottery Revenue Bond Program Overview Timeline – Below is a high-level overview and example timeline for the Lottery Revenue Bond program.

Lottery Revenue Bond Overview Timeline



Lottery Revenue Bond Program
Bond Program Timeline
Example: 2021-23 Budget, May 2023 Sale Date, Bond Maturity 20 years



Note: The colored lines are only used to separate the rows. There is no color coding.
Note: Last debt service payment April 1, 2043.
Note: Records retention period ends April 1, 2046.

1.2 Constitutional and Statutory Framework

These bonds are governed by Article XV, Section 4 of the Oregon Constitution. They are also statutorily governed by Oregon Revised Statutes (ORS) 286A.560 – 286A.585 and Oregon Administrative Rules 122-075-0100 through 122-075-0160.

1.3 Biennial Authorizations

Capital projects can include land, buildings, major facility renovations, additions or improvements, and other large infrastructure projects. Such projects change a use, function or cost in such a magnitude that approval by the Governor and the Legislature is warranted.

For capital projects financed through borrowing, every biennium, approval, appropriation and/or limitation must be granted through the agency's budget, for capital costs, special payment expenditures, revenues, debt service, and costs of issuance.

1.4 General Requirements of Tax-Exempt Bonds

A tax-exempt municipal bond is a debt security issued by a state, municipality or other governmental entity to finance capital expenditures, such as constructing or renovating buildings, and other infrastructure-related projects. In the United States, interest income received by holders of municipal bonds is often excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code and may be exempt from state income tax as well, depending on the applicable state income tax laws.

To keep the tax-exempt status of the bonds, there are many federal regulations that must be followed. Some of the regulations include limiting the amount of non-governmental use of the bond-financed property to no more than 10%, limiting the amount of arbitrage earned on the investment of the bond proceeds, allowing only qualifying costs to be paid with bond proceeds, and spending the proceeds in a timely manner.

Additional federal regulations required to maintain the tax-exempt status of bonds are described in the US Code of Federal Regulations, Title 26, Chapter 1, Part 1, Sections 141 through 150.

1.5 Roles and Responsibilities

After a tax-exempt bond has been issued, the State has an obligation to the Internal Revenue Service and the bondholders to follow the federal regulations set forth for such bonds. The regulations are often referred to as Post-Issuance Compliance.

Post-Issuance Compliance is a collaborative effort between DAS and the agency. Some of the regulations include paying bondholders their principal plus interest over the life of the bonds, disclosing bond information to bondholders, retaining records related to the use of the asset, performing timely arbitrage calculations, using the bond-financed asset for a governmental purpose, and limiting the amount of private business use (if applicable). The roles and responsibilities are discussed throughout this agency guide, with a good portion of them included in Chapter 8. The IAA also helps delineate which items the agency is responsible for and which items are the responsibility of DAS.

2. Lottery Revenue Bond Budget Process

The Department of Administrative Services (DAS), Chief Financial Office (CFO) distributes budget instructions to agencies prior to the budget development cycle for each biennium. As part of the State's budget development process, agencies can request projects or programs to be financed with Lottery Revenue Bonds (LRBs). Agencies should use Lottery Revenue Bond Financing Request Form No. 107BF09 (available on the DAS CFO webpage, under Budget Instructions) to request financing projects or programs with Lottery Revenue Bonds. The forms are submitted to DAS Capital Finance Section to support a centralized process of reviewing and budgeting projects and programs financed with debt. Centralized control ensures the bonds are used only for projects approved by the Legislature and included in the "Bond Bill" and the "Lottery Bond Bill" for each legislative session.

2.1 Request to Finance Capital Project with Lottery Revenue Bonds

If an agency desires to use Lottery Revenue Bonds to finance a capital project or program, approval by DAS, the Governor and the Legislature is required. The agency's budget must include the revenue source (e.g., bond proceeds) and necessary expenditure limitations, including project costs, debt service and cost of issuance (COI). The Capital Finance Analyst (Analyst) is responsible for providing debt service and COI estimates to the requesting agency prior to the date the agency must submit its Agency Request Budget.

2.1.1 Allowed Uses of Lottery Revenue Bonds

When reviewing financing requests submitted by agencies, the Analyst first determines whether the requested purpose is an allowable use of bonds. Article XV, Section 4 of the Constitution and Oregon Revised Statutes (ORS) 286A.560 – 286A.585 authorize the State of Oregon to issue Lottery Revenue Bonds. The proceeds of the bonds are allowed to be used for the same purposes as the net revenues from operation of the Oregon State Lottery, which include:

- Creating jobs;
- Furthering economic development;
- Financing public education in Oregon; or
- Restoring and protecting Oregon's parks, beaches, watersheds and native fish and wildlife.

When a new bond issuance is authorized, the authorizing legislation ("Lottery Bond Bill") contains findings that the purposes for which the bond proceeds may be spent are lawful uses of lottery net revenues. Historically, the program has primarily been used to finance grants for capital projects through established on-going grant programs administered by a state agency as well as one-time grants to specific local governments and non-profit organizations for specific capital projects.

2.1.2 Un-allowed Uses of Lottery Revenue Bonds

Tax-exempt bonds cannot be used to finance certain expenditures, usually because they are not considered capital expenditures, including, but not limited to:

- **Certain Acquisition-Related Costs**
  Costs paid during the process of determining whether to purchase property and which property to purchase. (i.e., costs incurred prior to the final property being determined)
- **Certain Construction-Related Costs**
  Research and Experimental Expenditures
  Taxes Assessed on the Basis of Income
  Strike Expenses
  Warranty and Product Liability Costs
  Unsuccessful Bidding Expenses
  Deductible Service Costs
- **Pollution Remediation** for hazards created when the property was already owned unless such remediation is required to undertake a larger, capital project. See IAA for additional details.
- **Related Party Costs**
  Payments made to an internal group within the same company (payment never reaches an outside third party)
- **Repair/Maintenance Costs**
- **Indirect/Administrative Costs**
  Rent
  Office supplies
- **Operational Costs**
  Membership Dues
  Moving Expenses

2.1.3 Submitting Budget Form 107BF09

During the Agency Request Budget process, agencies complete the Lottery Revenue Bond Financing Request Form (107BF09) to request a project or program be financed with Lottery Revenue Bonds. To guide agencies, the request form lists the purposes for which LRBs can legally be issued and states that, generally, bonds are limited to capital costs for the State to obtain the lowest cost of funds when issuing bonds. The following information is included in the 107BF09 form:

- **Name of Project, Grant, or Loan Program**
- **Description of Purpose/Use of Lottery Bond Proceeds:** Include a thorough description of the project; this description is helpful in determining the tax status of the bonds and is used during the process to evaluate requests.
- **Estimated Useful Life of Capital Asset:** If applicable, provide the estimated useful life that the agency will use when recording the asset in the Statewide Financial Management System (SFMS).

- **Amount of Proceeds Being Requested in Upcoming Biennium:** Provide only the amount of bond financing being requested for the upcoming biennium.
- **Date Financing Needed:** Choose from the drop-down box one of the dates available to receive the financing during the biennium. The standard sale dates each biennium consist of late spring of the first year of the biennium, and early spring of the second year of the biennium. Please note that regardless of the date requested, the Legislature can elect to change the timing during the legislative review and approval process.

Form 107BF09 should be submitted to Capital Finance by the date indicated in the CFO biennial budget instructions, usually in mid-May of each even-numbered year. The form will provide the Analyst with the information needed to determine the size of the bonds, the costs of issuing the bonds, and the amount of debt service reserves. All 107BF09 requests are reviewed by the CFO and Governor's office to determine which requests are included in the Governor's Budget. For a copy of form 107BF09, please see the current biennium budget instructions or request a copy from the Analyst.

2.2 Budgeting Proceeds and Cost of Issuance

Budgeting for projects using Lottery Revenue Bonds is done at the agency level. Each agency is responsible for recording revenues and expenses associated with issuance of these obligations. This information will be provided by the Analyst after receiving a completed 107BF09 form. The Analyst will use the 107BF09 form to size the bond and provide a summary document (see example below) which includes the following information that the agency will need to include in the Oregon Budget Information Tracking System (ORBITS).

- Bond proceeds
- Cost of issuance
- Debt service payments

Summary Document Example:

ODOT
Lottery Revenue Bonds
Debt Service and Cost of Issuance Estimates

PROJECT NAME	TAX STATUS	SALE DATE	PAR AMOUNT	PROJECT AMOUNT	COSTS OF ISSUANCE	Reserves
Connect Oregon VII	Tax-Exempt	March 2019	32,970,000	30,000,000	433,693	2,536,308
		TOTAL BONDS	32,970,000	30,000,000	433,693	2,536,308

PROJECT NAME DEBT SERVICE	TAX STATUS	SALE DATE	DEBT SERVICE 17-19		DEBT SERVICE 19-21		DEBT SERVICE 2021-23	DEBT SERVICE 2023-25	DEBT SERVICE 2025-27	TOTAL DS
			PRINCIPAL	INTEREST	PRINCIPAL	INTEREST				
Connect Oregon VII	Tax-Exempt	March 2019	0	0	2,120,000	2,942,897	5,059,039	5,057,775	5,057,328	50,605,479
				0		5,062,897	5,059,039	5,057,775	5,057,328	50,605,479

When requesting a project financed with Lottery Revenue Bonds, the funds should <u>not</u> be included in the agency's base budget. Each project needs to be addressed in one or more separate policy packages that discuss the of Lottery Revenue Bond proceeds, interest income, project costs, and bond issuance costs.

LRB sale proceeds (revenue) are budgeted in ORBITS account number 0565 since debt service is expected to be paid from Lottery Funds (include reserves in proceeds revenue). The project cost should be budgeted in the appropriate Capital Outlay or Special Payments ORBITS account number, depending upon the type of project/program. As a general practice, 6-year capital construction limitations are <u>not</u> used for LRB funded projects because they are generally grants, not assets being constructed by the State. However, one exception is that public university projects funded with grants of LRB proceeds may be budgeted in a lump sum 6-year capital construction limitation. COI and the related fee expenditures are current biennium operating costs and are budgeted as Services and Supplies in ORBITS.

Category	**Appropriated Fund**	**ORBITS Object**
Bond Proceeds - Revenue	3400 Other Funds Limited	0565 Lottery Bonds
Project Costs – Expense	3400 Other Funds Limited	Varies
Cost of Issuance - Expense	3400 Other Funds Limited	4650 Other Services & Supplies
Debt Service – Revenue	4400 Lottery Funds Limited	1040 Transfer In Lottery Proceeds
Debt Service - Principal Expense	4430 Lottery Funds Debt Service Limited	7100 Debt Service - Principal
Debt Service - Interest Expense	4430 Lottery Funds Debt Service Limited	7150 Debt Service - Interest

Lottery Funds are the source of revenues that are used to make debt service payments on outstanding Lottery Revenue Bonds. The Lottery Funds are transferred from DAS to the User Agency, so the agency needs to budget Lottery Funds revenue in account number 1040 Transfer In Lottery Proceeds to receive the Lottery Funds. Debt service expenditures also need to be budgeted in appropriated fund 4430 Lottery Funds Debt Service Limited. The amount of principal and interest should be budgeted in separate ORBITS objects, as noted in the chart above.

After the agency has submitted their budget, DAS will verify the above amounts were entered correctly into ORBITS with the Statewide Audit and Budget Reporting Section (SABRS) team during the audit of the agency's budget.

2.3 Budgeting Debt Service

Debt service requirements for Lottery Revenue Bonds are requested in agency budgets as limited debt service, with few exceptions.

Debt service from Lottery Revenue Bonds sold in previous biennia should be included in the base budget, while debt service on future bond issuances should be budgeted in the policy package that requests the project expenditures and revenues. Lottery Funds should be recorded directly in the debt service policy package using specific ORBITS appropriated fund types and revenue accounts (see chart below).

ORBITS Bonding Codes

Expense Type	Fund Type	Description	Lottery Bonds	GO Bonds	COPs	Other Revenue Bonds
			Debt Type			
Debt Service						
Debt Service	General Fund	Debt Service - Principal		7100	7200	
	General Fund	Debt Service - Interest		7150	7250	
	Lottery Funds	Debt Service - Principal	7100			
	Lottery Funds	Debt Service - Interest	7150			
	Lottery Funds	Transfer In Lottery Proceeds (Agency to use this code at ARB when requesting Lottery Bonds to pay Debt Service)	1040			
	Other Funds	Debt Service - Principal		7100	7200	7100
	Other Funds	Debt Service - Interest		7150	7250	7150
	Federal Funds	Debt Service - Principal		7100	7200	7100
	Federal Funds	Debt Service - Interest		7150	7250	7150
Bond Revenue						
Bond Revenue (All Bond Revenue should be coded as Other Funds)	Other Funds	Bond Sales (COPs)			0580	
	Other Funds	GF Obligation Bonds (All GO Bonds where Debt Service is paid with GF)		0555		
	Other Funds	Dedicated Fund Obligation Bonds (All GO Bonds where Debt Service is paid with OF)		0560		0560
	Other Funds	Revenue Bonds (Non-DAS Revenue Bonds; Housing Bonds, SELP Bonds, etc.)				0570
	Other Funds	Lottery Bonds	0565			
Cost of Issuance						
Cost of Issuance (All COI should be coded as Other Funds)	Other Funds	Other Services & Supplies **(suggested code, not mandatory)**	4650	4650		4650
	Other Funds	Other COP Costs			4625	
Appropriated Funds						
Appropriated Fund - Revenue, COI, Expenditure Limitation	Other Funds	Other Funds Cap Improvement	3010	3010	3010	3010
	Other Funds	Other Funds Cap Construction	3020	3020	3020	3020
	Other Funds	Other Funds Non-Limited	3200	3200	3200	3200
	Other Funds	Other Funds Limited	3400	3400	3400	3400
Appropriated Fund - Debt Service	General Fund	General Fund Debt Service		8030	8030	
	Lottery Funds	Lottery Funds Debt Service Limited	4430			
	Other Funds	Other Funds Debt Service Non-Limited	3230	3230	3230	3230
	Other Funds	Other Funds Debt Service Limited	3430	3430	3430	3430
	Federal Funds	Federal Funds Debt Service Non-Limited		6230	6230	6230

Note: These accounts are different than SFMS or agency account classifications for accounting entries.

3. Lottery Revenue Bond Pre-Issuance Activities

For the Department of Administrative Services (DAS) to keep financing costs as low as possible, bonds are issued with a tax-exempt status. This means the bond interest is excludable from gross income under the federal tax code. To maintain the tax-exempt status of the bonds, the project and its use must meet substantial restrictions both before and after the bonds are sold.

Prior to the issuance of a tax-exempt Lottery Revenue Bond, DAS and the agency will complete various steps to ensure that the tax-exempt status of the bonds is maintained throughout the life of the bonds. The sections in this chapter will provide more details on each pre-issuance activity. Here is a high-level list of the activities.

- Intent to Reimburse Expenditures
- Assessing readiness for project funding
- Federal Tax Compliance Review

3.1 Intent to Reimburse Expenditures with Bond Proceeds

Prior to issuing tax-exempt bonds, agencies and/or grantees have the option of spending their own funds on the project and being reimbursed for those costs with bond proceeds after the bonds have been sold. The following items need to be in place for the reimbursement to be acceptable to the Internal Revenue Service (IRS).

- Agency must have received bond approval in their budget.
- An Official Declaration of Intent must be signed (see section 3.1.1) or the expenses must be considered Preliminary Expenses (see section 3.1.2).
- The issuer (DAS) must reasonably expect to make the reimbursement.
- The costs must be qualifying capital expenditures.
- The expenditures must be paid during a specific period of time prior to the bond issuance (see section 3.1.1).
- The expenditures must be reimbursed within the reimbursement period after the bonds are issued (see section 3.1.1).

If all these requirements have been met, the agency and/or grantee may request reimbursement with bond proceeds.

3.1.1 Intent Declaration

When an agency and/or grantee reasonably expects to request reimbursement of expenditures with bond proceeds, they should submit a letter (Example B of Appendix A) to the Capital Finance (CFN) Manager to request CFN prepare and execute a Declaration of Official Intent to Reimburse Capital Costs with Oregon Lottery Revenue Bonds (IAA Exhibit F of Appendix A). Requests for CFN to execute a Declaration must be made with the full intent of the State and DAS issuing bonds and not as a matter of course.

Ideally, CFN should receive and approve the request prior to the agency and/or grantee incurring any project expenditures; however, project costs can be reimbursed if paid no more than 60 days prior to the date that CFN executes a Declaration. The request letter must include the following:

a. The title and description of the project that was authorized by the Legislature.
   i. The project title should reflect what was included in the bond bill.
   ii. The project description should mirror what was included in the Budget Report of the bond bill that provides authorization for the project.
b. A citation of the legislation that authorized the bonds to be issued for the project.
c. The maximum bond amount authorized to be issued for the project (not the amount that is expected to be reimbursed).

The CFN Analyst reviews, prepares a Declaration using the applicable template, and obtains the signature of the CFN Manager. A copy of the signed Declaration will be provided to the agency and will be included in the interagency agreement. Once the Declaration is complete, there is a specific timeframe in which the bond proceeds can be used to reimburse expenditures.

The reimbursement of bond proceeds cannot be used for expenditures that were paid more than 60 days before the earlier of the following two dates:

a. The date of issuance of the bonds; or
b. The date on which the Declaration was executed by CFN.

Also, the reimbursement must be made no later than 18 months after the later of:

a. The date the original expenditure was paid; or
b. The date the project was placed into service. Also;
c. In NO event may the reimbursement be made more than 3 years after the date the original expenditure was paid.

3.1.2 Preliminary Expenditures

The use of bond proceeds to reimburse the agency for expenditures that are Preliminary Expenditures are not subject to the limitations described in this Section 3.1.1 above. Preliminary Expenditures are costs such as architectural, engineering, surveying, soil testing, and similar costs that, in the aggregate, are not more than 20% of the project issuance amount and must have been incurred prior to acquisition, construction or rehabilitation of the project. Costs of land acquisition, site preparation and similar costs incidental to commencement of construction are not Preliminary Expenditures.

3.2 Assessing Readiness for Project Funding

As a bond sale approaches, the DAS Capital Finance Analyst (Analyst) needs to start analyzing the size of the bond issuance. The Analyst will contact each agency scheduled to receive bond proceeds to find out if they will be ready for the funding. To assess readiness, DAS will need to know if the agency expects to spend, or have a binding commitment to spend, at least 5% of the proceeds within 6 months of the issuance date, and the remaining proceeds within 36 months. The Analyst will also need to obtain from the agency a spending plan as backup for the 36-month spending expectation.

3.2.1 Spending within 36 months.

About 3 months prior to a bond sale, the Analyst will contact each project agency to find out if their projects will be ready for bond proceeds at the time of bond closing. If the agency believes they and their grantees are ready, then a spending plan (as described in section

3.2.2 below) needs to be submitted to the Analyst. If the agency and/or grantee is not ready for all or a portion of the bond proceeds, a decision will be made between the Analyst and agency, and possibly the Chief Financial Office and Legislative Fiscal Office analysts, as to whether the agency should; 1) wait for the next bond sale, if it is within the same biennium, or request that the project be reauthorized during the next biennium if there isn't another sale during the current biennium, 2) move forward with the current sale and only sell what the agency is ready for, 3) cancel the bond sale for this agency, or 4) some combination thereof.

3.2.2 Developing a Spending Plan (Example C of Appendix A)

If the agency believes they will be ready for all or a portion of the bond proceeds at the sale closing date, then a spending plan needs to be submitted to the Analyst. The spending plan is the anticipated rate of spending of the bond proceeds. This document should tell the Analyst when expenditures will most likely be incurred, and when the agency anticipates drawing down the bond proceeds to pay for the expenditures. It should also tell the Analyst if other funding sources will be used for the project and if the agency has enough limitation to cover all the currently anticipated expenses.

The Analyst will review the spending plan to verify that the full amount of bond proceeds is expected to be spent within 36 months, and to help determine if the proceeds are being sold at the right time for when the agency is expecting to need them. Selling Lottery Revenue Bonds too soon means the proceeds are held longer, allowing additional interest to be earned. The more interest that is earned, the more likely the State will end up owing arbitrage rebate to the IRS.

3.3 Federal Tax Compliance Review

As the bond sale approaches 2 months, the Analyst will start asking questions regarding due diligence, private business use and asset life to verify that the State will not be out of compliance with federal tax codes by selling tax-exempt bonds for the agency's project. This is extremely important information when it comes to staying in compliance with the federal tax code.

3.3.1 Due Diligence and Interagency Agreement Questions

The Analyst will contact each agency with a series of questions that are needed for DAS' Bond Counsel to review for federal tax purposes. The questions will be similar to the following:

- Will all the costs paid to grantees be for a capital asset?
- Does your agency expect to (i) spend, or have a binding commitment to spend, at least 5% of the proceeds to be received for the project within 6 months, and (ii) spend the remainder of such proceeds on the projects within 3 years?
- Are any grantees a related party to the State? If so, different tax compliance rules will apply, and the grant agreement template will need to be different for these recipients.
- Agencies will be asked to provide an estimate of other funding sources that will be used, amounts and total project cost. Have other sources been secured?
- What is the useful life of the bond financed asset (if applicable)?
- How much, if any, of the proceeds are expected to be used to reimburse prior costs already paid?

- If bond proceeds will be funding a grant or loan program, agencies will be asked to provide the agency's form of agreement.

3.3.2 Private Business Use Questionnaire (Universities Only)

When Lottery Revenue Bond proceeds are used to fund a capital project for a public university, the Analyst will also send an information gathering questionnaire related to private business use. The questionnaire is designed to document any known or anticipated private business use related to the university's bond-financed project, so the State can ensure compliance with the federal tax regulations prior to selling tax-exempt bonds. The questionnaire asks multiple questions related to contracts, leases and other such agreements. If any of these apply, a copy of the agreement will need to be provided to the State for Bond Counsel to review for federal tax compliance.

The Analyst will use the questionnaire template available in Appendix A - Example D for the bond-funded project. When the completed questionnaire is received back from the public university, the Analyst sends it to CFN's Bond Counsel for federal tax compliance review. The Analyst works with the public university if additional information is required by Bond Counsel.

As defined by the IRS, private business use means the use of a portion or all of the bond-financed project by a private person (any person or entity other than a state or local governmental unit or an individual not acting in a trade or business, including the federal government, a for-profit organization, a non-profit organization, and individuals who are acting in a trade or business capacity) if such use is other than as a member of the general public. Private business use can include ownership of the property by the private person as well as other arrangements that transfer to the private person the actual or beneficial use of the property (such as a lease, management contract, service or incentive payment contract, output contract, naming rights contract or other special arrangement) in such a manner as to set the private person apart from the general public. Use by employees of the public university solely in their capacity as employees ordinarily will not be considered private business use.

3.4 Project Agency Responsibilities per Interagency Agreement

Prior to the bond sale, the agency should know the bond restrictions and their responsibilities for the proceeds. Per the "Restrictions on Use of Proceeds and the Project" section of the interagency agreement, for the State to maintain the tax-exempt status of the bonds, the project and its use will be subject to substantial restrictions, including, but not limited to:

- Proceeds Usage – The bond proceeds will only be used to pay for the costs of the project.
- Project Changes – The agency and/or grantee shall not change the use of the project, or alter its design, structure, or configuration in any way inconsistent with the project agency's currently approved plan, without first requesting and receiving the written consent of DAS.
- Project Ownership – The project will not be leased, subleased, sold or otherwise transferred without the prior written consent of DAS.

- Private Use – The agency will not permit any more than five percent (5%) of the project to be used for private business use by a private person if such private use could result in the State of Oregon receiving direct or indirect payments or revenues from the portion of the project to be privately used.
- Compliance – The agency will comply with all requirements subsequently imposed by DAS on the use of the project to protect the tax-exempt status of the financing.
- Completion Certificate – The completion certificate (IAA Exhibit E of Appendix A) shall be completed by the agency within 30 days after 36 months from the issuance date or upon substantial completion or acquisition of the project, whichever comes first.
- Compliance with Post Issuance Compliance Procedures – The agency acknowledges that DAS has adopted certain post issuance compliance procedures to further compliance with the federal tax requirements applicable to the bonds. The agency will comply with all questionnaires or other requests from DAS for information regarding the project, including the uses of the project during the term of the bonds.

3.4.1 Sample Interagency Agreement

The Interagency Agreement template is included as Example A in Appendix A.

4. Accounting for Lottery Revenue Bond Issuance

Accounting for projects using Lottery Revenue Bonds is done at the agency level. Each agency is responsible for recording revenues and expenses associated with the issuance of these obligations. After issuance, Lottery Revenue Bond proceeds are held in an Oregon State Treasury (Treasury) account controlled by the agency, with oversight and secondary ownership by the Department of Administrative Services (DAS), Capital Finance (CFN) Section.

The bond transaction information that each agency needs to record in the Statewide Financial Management System (SFMS) will be included in the interagency agreement (IAA) provided by the Capital Finance Analyst after the closing of the bond sale. See section 4.1.3.1 below for an example of bond transaction information (also see IAA Exhibit C in Appendix A).

4.1 Bond Issuance Recording Process

When Lottery Revenue Bonds are included in a bond sale, new treasury accounts and D23 funds need to be set up in anticipation of incoming bond proceeds. Once the bond sale has closed, it is the agencies responsibility to record the revenue, expenses and liabilities associated with the bond transaction, including any refunding bonds that occurred during the sale. Below is the accounting process to be used to setup and record the bond sale.

4.1.1 Treasury Account Setup

About a month prior to closing the bond sale, DAS will work with Treasury to set up a new account for each project to deposit the bond proceeds into. The treasury account will be set up as an agency account with DAS as a secondary owner. The secondary ownership gives DAS view access only. This allows DAS to review transactions and be able to provide information to its arbitrage rebate consultant and the Internal Revenue Service (IRS) as needed.

4.1.2 Accounting Structure Setup

After the treasury accounts have been set up, DAS will provide this information to the agencies to set up new D23 funds in SFMS.

4.1.3 Recording Initial Bond Issuance Transaction

Once a bond sale has closed, it usually takes 5 business days before the cash will be deposited into the agency's new treasury account. When the deposit is made, the agency will need to reconcile it in SFMS to receive the cash. The deposit received will be net of the underwriter's discount, but the expense for the underwriter's discount still needs to be recorded in SFMS. Below are the steps that need to be taken, in a very specific order, for the transaction to be recorded properly.

4.1.3.1 Example accounting transactions in SFMS when sold at a Premium

Bond Transaction Example:

Lottery Revenue Bonds Payable		11,215,000.00
Original Issue Premium		1,715,193.60
Project Funds	12,000,000.00	
Underwriter's Discount	45,395.35	
Costs of Issuance	25,572.88	
Reserve Fund	859,225.37	
Total	12,930,193.60	12,930,193.60
	-	
Lottery Revenue Bonds Series A **Project Account Fund - Agency Projects** *(Funds held at OST)*		
Project Fund		12,000,000.00
Total		12,000,000.00
Costs of Issuance Funds *(Funds held at OST)*		
Underwriter's Discount		45,395.35
Costs of Issuance		25,572.88
Total		70,968.23
Debt Service Reserve Fund *(Funds held by DAS)*		
Reserve Fund		859,225.37
Total		859,225.37
	True Interest Cost	**3.657%**

Recording the Bond Proceed Deposit (DAS Only):

TC 713R: To clear DAS deposit liability.

DR 1551 Deposit Liability	12,025,572.88	
CR 0070 Cash w/Treasury		12,025,572.88

TC 712R: To transfer the deposit to the correct agency.

DR 0070 Cash w/Treasury	12,025,572.88	
CR 3100 Revenue Control – Cash (c/o 1120)		12,025,572.88

Reclassing the Bond Proceed Deposit (Agency):

TC 407: To reclass Bonds Payable Revenue in the project fund.

DR 3100 Revenue Control – Cash (c/o 1120)	12,025,572.88	
CR 0070 Cash w/Treasury		12,025,572.88

TC 408: To record the face amount of Bond Revenue in the project fund.

DR 0070 Cash w/Treasury	11,215,000.00	
CR 3100 Revenue Control – Cash (c/o 1502)		11,215,000.00

TC 408: To record Bond Premium Revenue in the project fund.

DR 0070 Cash w/Treasury	810,572.88	
CR 3100 Revenue Control – Cash (c/o 1510)		810,572.88

Recording the Underwriter's Discount:

TC 409: To record Underwriter's Discount in the COI fund.

DR 3500 Expenditure Control-Cash (C/O 4050)	45,395.35	
CR 0070 Cash w/Treasury		45,395.35

TC 410: To record Underwriter's Discount in the COI fund.

DR 0070 Cash w/Treasury	45,395.35	
CR 3100 Revenue Control – Cash (c/o 1510)		45,395.35

Recording the Debt Service Reserve Deposit with Trustee Bank:

TC 567: New Reserve at Trustee Bank.

DR 0077 Cash – In Bank	859,225.37	
CR 3100 Revenue Control – Cash (c/o 1510)		859,225.37

TC 479: Transfer Reserves to DAS.

DR 3550 Operating Transfers Out Control	859,225.37	
CR 0077 Cash – In Bank (c/o 1801)		859,225.37

Recording the Bond Liability:

TC 504: To record Bond Par Value Liability in a Government-Wide account (linked to appropriation fund 9998).

DR 3200 GAAP Revenue Offset (c/o 1502)	11,215,000	
CR 1714 Bonds Payable – Noncurrent		11,215,000

TC 504: To record Bond Premium Revenue in the project fund.

DR 3200 GAAP Revenue Offset (c/o 1510)	1,715,193.60	
CR 1713 Premium on Bonds Sold		1,715,193.60

Payment of the Cost of Issuance Invoice:
(Pay as soon as it is received from the Capital Finance Coordinator)

TC 760: To record agency side of the COI payment to DAS in the COI fund.

DR 3500 Expenditure Control-Cash (C/O 4050)	25,572.88	
CR 0070 Cash w/Treasury		25,572.88

TC 761: To record the DAS side of the COI payment to DAS in the COI fund.

DR 0070 Cash w/Treasury	25,572.88	
CR 0501 Accounts Receivable – Other Billed		25,572.88

Note: The remaining balance in the agency's treasury account should equal the project amount of $12,000,000.

For a complete list of bonding comptroller codes and appropriated funds, see Example L in Appendix A. For a complete list of bonding transaction codes, see Example M in Appendix A.

4.2 Debt Refunding

During a bond sale, Treasury, Bond Counsel, Municipal Advisors, Underwriters and DAS Capital Finance analyze past bond issuances to determine if they would make good refunding candidates. To be a good candidate, they must realize a significant amount of debt service savings. If it is determined that they are good candidates, DAS will contact the agencies that would be affected by a refunding to let them know of the possible refunding. If the bond sale date comes and the bonds are still good candidates (depending on the market interest rates) they will be included as refunded bonds in the bond sale.

Once a bond sale has closed, the refunding deposit will be sent to the escrow agent to pay off the bondholders and the old bonds will be considered defeased. The Capital Finance Coordinator will prepare documents for each bond that was refunded. The following documents are sent to each agency with a refunded bond (see Examples E-H of Appendix A) so it can record the required refunding-related transactions in SFMS.

- Interagency Memo – A high level overview of the refunding that occurred. The memo will provide the agency with some of the year-end disclosure information needed in Debt Disclosure 8 (see section 9.2.4 for more information).
- Source & Use Statement – Transaction information needed to record the refunding bonds in SFMS (see section 4.2.3 below).
- Savings Summary – Summary of the refunding savings for the year-end disclosure information needed in Debt Disclosure 8 (see section 9.2.4 for more information).
- Debt Service Schedules – The original debt service schedule prior to refunding, as well as the new schedule for the refunding and un-refunded debt.

4.2.1 Current vs Advance Refunding

Refunding bonds are characterized as either current or advance. A current refunding is one in which the outstanding (refunded) bonds are redeemed within 90 days of their stated call date. In an advance refunding, the refunded bonds remain outstanding for a period of more than 90 days before their stated call date, and the proceeds are held in escrow to make the future payments.

4.2.2 Preparing to Record a Refunding Transaction

Once an agency knows that some of their bonds have been refunded, there are a few helpful things they should do prior to recording the refunding transaction.

- Reconcile General Ledger (GL) accounts related to the debt.
- Using an amortization schedule, amortize related debt accounts for old debt up to the settlement date.
- Verify the balances in amortized GL accounts.
- Calculate the percentage of refunded debt by dividing principal amount that is refunded by the balance of the old debt prior to the sale.

4.2.3 Recording a Refunding Transaction

Per the Oregon Accounting Manual (OAM) Policy 15.65.30, when accounting for a refunding of general government debt, report the proceeds of the new debt and the payment of funds to the escrow agent for the old debt in the applicable governmental fund. For example, the accounting for the Lottery Revenue Bonds, including future payments, should occur in GAAP Fund 2001 Revenue Bond Fund. Report the debt, itself, in the government-wide reporting fund.

For more information regarding the recording of a refunding transaction, see the OAM on the Statewide Accounting & Reporting Services (SARS) website (http://www.oregon.gov/das/Financial/Acctng/Pages/OAM.aspx) or contact your SARS analyst.

For a complete list of bonding comptroller codes and appropriated funds, see Example J in Appendix A. For a complete list of bonding transaction codes, see Example K in Appendix A.

4.2.3.1 Issuance of Refunding Debt

Accounting for a debt refunding is similar to the accounting for original issue debt. The following entries record the issuance of refunding bonds and the payment of the proceeds to the escrow agent. Transaction information comes from Examples F & G of Appendix A. (Note: TC = transaction code; C/O = comptroller object)

Debt Service Fund

TC 567: To record face value of bonds sold in a governmental fund.

DR 0077 Cash in Bank	468,700.00	
CR 3100 Rev Cntrl-Cash (C/O 1505)		468,700.00

TC 567: To record refunding bond premium in a governmental fund.

DR 0077 Cash in Bank	64,183.97	
CR 3100 Rev Cntrl-Cash (C/O 1510)		64,183.97

If bonds are refunded at a discount, use TC 567R and C/O 1508.

TC 568: To record bond issuance costs ($344.97) and underwriter's discount ($1,310.61).

DR 3500 Expenditure Control-Cash (C/O 4050)	1,655.58	
CR 0077 Cash in Bank		1,655.58

TC 568: To record payment to escrow agent from refunding bond proceeds.

DR 3500 Expend Cntrl Cash (C/O 7050)	531,228.39	
CR 0077 Cash in Bank		531,228.39

Use C/O 7050, *Refund Payment to Escrow Agent*, to report proceeds from a refunding debt issue that are paid to an escrow agent to refund the old debt. Use this comptroller object even if the actual payment is made directly by the counterparty to the escrow agent.

Use C/O 4051, *Bond Refund Debt Payment* (or 4056 for COPS) if an agency pays funds to an escrow agent from sources other than the refunding debt proceeds (such as from other agency resources). In this situation, the payment to the escrow agent is recorded as a debt service expenditure rather than another financing use.

4.2.3.2 Recording Liability for Refunding Debt

For general government debt, record the new refunding debt liability in the government-wide reporting fund. Record the bonds payable at face value unless they are zero coupon or deep discount bonds. Note that this entry also uses the same comptroller objects as the ones used to record the debt issuance above. In effect, the other financing source in the governmental fund is offset when the governmental funds are combined with the government-wide reporting fund to prepare the government-wide financial statements.

Government-wide Reporting Fund

TC 504: To record liability for new bonds in the government-wide reporting fund.

DR 3200 GAAP Rev Offset (C/O 1505)	468,700.00	
CR 1714 Bonds Payable-Noncurrent		468,700.00

TC 504: To record original issue premium in government-wide reporting fund.

DR 3200 GAAP Rev Offset (C/O 1510)	64,183.97	
CR 1713 Premium on Bonds Sold		64,183.97

If the refunding bond is sold at a discount, use TC 504R, C/O 1508 and GL 1712.

4.2.3.3 Removal of Old (Refunded) Debt

In addition to recording the new debt, the agency must remove the old debt from the accounting records, including any unamortized discount/premium or deferred inflows/outflows from gain/loss on refunding related to the old debt. Note that the comptroller objects used in these entries must exactly offset the comptroller objects used in the entries to record payments to the escrow agent. Some of the entries use C/O 7050 Refund Payment to Escrow, while other entries use C/O 4051 Bond Refund Debt Payment (see section 4.2.3.1 above).

Government-wide Reporting Fund

TC 528: To eliminate defeased debt from government-wide reporting fund.

DR 1714 Bonds Payable - Noncurrent	494,000.00	
CR 3600 GAAP Expend Offset (C/O 7050)		494,000.00
DR 1714 Bonds Payable-Noncurrent	0.00	
CR 3600 GAAP Expend Offset (C/O 4051)		0.00

TC 514: To eliminate premium related to defeased bonds from government-wide reporting fund. (Note: information comes from agency amortization schedule)

DR 1713 Premium on Bonds Sold	17,476.14	
CR 3600 GAAP Expend Offset (C/O 7050)		17,476.14

TC 514R: To eliminate discount related to defeased bonds from government-wide reporting fund.

DR 3600 GAAP Expend Offset (C/O 7050)	17,476.14	
CR 1712 Discount on Bonds Sold		17,476.14

4.2.3.4 Deferred Gain or Deferred Loss on Refunding

Agencies must also record the deferred gain or deferred loss on the refunding. This is the difference between the net proceeds to escrow and the net carrying amount. Calculate the deferral as follows:

Face value of refunded debt	494,000.00
Unamortized Premium	17,476.14
Net carrying amount	511,476.14 (a)
Net proceeds to escrow agent	468,700.00
Original Issue Premium	64,183.97
Underwriter's Discount	(1,310.61)
Cost of Issuance	(344.97)
Net proceeds to escrow agent	531,228.39 (b)
Deferred Loss on Refunding (b-a)	19,752.25

Government-wide Reporting Fund

TC 514: To record deferred loss on refunding.

DR 1000 Deferred Outflow-Loss on Debt Refunding 19,752.25

CR 3600 GAAP Expend Offset (C/O 7050) 19,752.25

If the refunding resulted in a deferred gain on refunding it would be recorded with TC 523, GL 1851, and C/O 7470.

Amortize discounts and premiums on new refunding debt issuances the same as for any other debt issue, see OAM 15.60.20 for amortization coding. Amortize the deferred gain or deferred loss, together with any unamortized balances from prior refundings, over the shorter of the life of the new debt or the remaining life of the old debt. Amortize all balances in a systematic and rational manner.

5. Accounting for Lottery Revenue Bond Project Costs

Accounting for projects using Lottery Revenue Bonds is done at the agency level. Each agency is responsible for recording revenues and expenses associated with issuance of these obligations. Lottery Revenue Bond proceeds are held in an Oregon State Treasury (Treasury) account controlled by the agency, with oversight and secondary ownership by the Department of Administrative Services, Capital Finance (CFN) Section.

When Lottery Revenue Bonds are sold, the agency will work diligently to complete the project and request reimbursement of all the proceeds within 36 months and in accordance with their spending plan, per the interagency agreement (IAA). If the agency is unable to meet the 36-month timeline, they will work with CFN to revise the timeline and spending plan. While the proceeds from the bond sale are awaiting disbursement, they will continue to earn interest. Agencies will need to record this interest in the Statewide Financial Management System (SFMS) in the project account every month and keep track of it for arbitrage reporting purposes.

The agency will account for expenditures against the appropriation that was approved in their Legislatively Approved Budget for their project. This could be a Special Payment, Capital Construction or Capital Improvement appropriation. The agency will keep track of the total expenditures related to the project even if they are not paid for with Lottery Revenue Bond proceeds, tracking LRB expenditures separately from any other funds.

5.1 Allowed vs. Unallowed Costs

5.1.1 Examples of Allowed Bond Costs

(Costs must be related directly to a capital asset)

- **Acquisition Costs**
  - Leasehold Improvements
  - Land and Land Improvements
  - Buildings
  - Machinery and Equipment
  - Furniture and Fixtures
  - Transaction Costs (i.e., amounts paid to acquire the property)
- **Construction Costs**
  - Direct material costs
  - Direct labor costs (including full-time and part-time employees, contract employees and independent contractors)

5.1.2 Examples of Un-allowed Bond Costs

(Costs that are not capitalizable costs for federal income tax purposes. Contact Coordinator with questions, as costs should be reviewed on a case-by-case basis)

- **Certain Acquisition-Related Costs**
  - Costs paid during the process of determining whether to purchase property and which property to purchase. (i.e., costs incurred prior to the final property being determined)

- **Certain Construction-Related Costs**
  - Research and Experimental Expenditures
  - Taxes Assessed on the Basis of Income
  - Strike Expenses
  - Warranty and Product Liability Costs
  - Unsuccessful Bidding Expenses
  - Deductible Service Costs
- **Pollution Remediation** for hazards created when the property was already owned unless such remediation is required to undertake a larger, capital project. See IAA for additional details.
- **Related Party Costs**
  - Payments made to an internal group within the same company (payment never reaches an outside third party)
- **Repair/Maintenance Costs**
- **Indirect/Administrative Costs**
  - Rent
  - Office supplies
- **Operational Costs**
  - Membership Dues
  - Moving Expenses

5.2 Recording Interest Income on Project Account Balance

While the bond proceeds are sitting in the treasury account, they will continue to earn interest. This interest income becomes known as "investment proceeds" to the IRS. Interest earnings on proceeds of the Bonds will not be used to pay Costs of the Project. Interest earnings will be used as determined by CFN after the Project Agency submits the Completion Certificate.

6. Accounting for Lottery Revenue Bond Debt Service and Outstanding Debt

Accounting for debt service of Lottery Revenue Bonds is done at the agency level. Each agency is responsible for recording both principal and interest expenditures associated with the repayment of the bond obligations that were issued. During the biennial budget process, each agency that requested Lottery Revenue Bonds be issued to finance a project, will receive Lottery Fund limitation to pay back the debt (principal and interest) owed to bondholders.

On a semi-annual basis (April 1 and October 1), the Department of Administrative Services (DAS), Capital Finance (CFN) Section, will work with the Trustee Bank (currently US Bank) to make debt service payments on the agency's behalf. The agency will need to record any bond adjustments and the reduction of bonds payable in the Statewide Financial Management System (SFMS).

6.1 Recording of Debt Service Expenditures

To record the debt service payment, the agency will use TC 568 and the correct appropriation number. The principal amount should be paid with comptroller object (c/o) 7100 and the interest should be paid with c/o 7150.

Debt Service Payment Example:

TC 568: To record debt service payment

DR 3500 Exp Control – Cash (c/o 7100 Principal)	2,775,000	
CR 0077 Cash – In Bank		2,775,000
DR 3500 Exp Control – Cash (c/o 7150 Interest)	203,650	
CR 0077 Cash – In Bank		203,650

6.1.1 Reducing Debt for Principal Paid

After the debt service payment has been made, the agency will need to reduce its bond payable liability by the principal amount paid. To record the liability reduction, the agency will use TC 558.

Reducing Bond Liability Example:

TC 558: To record the bond liability reduction in a government-wide reporting fund.

DR GL 1714 Bonds Payable NC	2,775,000	
CR GL 3600 GAAP Expend Offset (c/o 7100 Principal)		2,775,000

7. Lottery Revenue Bond Project Closeout Activities

When an agency has used all their bond proceeds or has completed their project, whichever comes first, there are several steps that should occur shortly thereafter. This chapter discusses each of the activities below.

- Completion Certificate
- Excess Unspent Project Bond Proceeds Usage
- Closing Treasury Accounts

7.1 Completion Certificate

Within 30 days after project completion, or when all bond proceeds have been used, even if the project isn't complete, a Completion Certificate (IAA Exhibit E in Appendix A) needs to be completed and submitted to the DAS Capital Finance Analyst. The Completion Certificate certifies that the agency has used all the Lottery Revenue Bond proceeds needed to pay for the costs of the project and in accordance with the terms and conditions of the interagency agreement (IAA). If there are unspent proceeds remaining in the project account, the Department of Administrative Services (DAS) will collaborate with Bond Counsel, the agency, and possibly the Legislative Fiscal Office, to determine the most appropriate use of the excess proceeds, as described in the Completion Certificate.

The Completion Certificate also provides the agency with an estimate of what the bond fees (i.e., fiscal agent fees, trustee fees and Treasury fees) will be throughout the remaining term of the IAA. These fees are estimated at $3,000/year per bond issuance. The agency will want to make sure these fees are included in their budgets at the beginning of each biennium.

7.2 Excess Unspent Project Bond Proceeds Usage

After project completion, if there are bond proceeds remaining in the project account, the agency needs to let DAS know so they can collaboratively work with Bond Counsel, the agency, and possibly the Legislative Fiscal Office, to determine the most appropriate use of the excess proceeds. Per the IAA, below are the options to which the excess bond proceeds may be used.

- Allocate and transfer to other project funds to be used for another legislatively authorized Lottery Revenue Bond funded project,
- Transfer to the applicable Bond Fund, which is dedicated to pay principal and interest on the bonds for that issuance, or
- Transfer to the Bond Administration Fund, which is used to cover additional costs incurred by DAS, including but not limited to, rebate due to the federal government or fees related to the bonds.

Once a decision is made on how the excess funds will be spent, DAS and the agency will work together to transfer the funds to the applicable treasury account, or set up a new account, as appropriate.

7.3 Closing Treasury Accounts

After the bond proceeds for the project have been spent, or the unspent proceeds have been transferred to another account, the agency should close the treasury project account. This will save them $11per month for the account and avoid additional earned interest. DAS cannot shut down these accounts because they are owned by the agency. DAS is a secondary owner, which allows view access only.

8. On-going Agency Lottery Revenue Bond-Related Responsibilities

After a tax-exempt bond has been issued, the State has an obligation to the Internal Revenue Service (IRS) and the bondholders to comply with Post-Issuance Compliance Regulations. Some of the compliance tasks that the agencies are responsible for include making timely debt service payments, retaining all bond-related records, and ensuring payment of various fees as they are incurred throughout the life of the bond. Each of these tasks are described in more detail below.

8.1 Debt Service Payments

After bonds are issued, the State must pay the bondholders interest on the bonds on a semi-annual basis, as well as a portion of the principal on an annual basis. During the budget process in chapter 2, the legislature will give the agencies Lottery Fund limitation to pay for the debt service owed to the bondholders during the current biennium.

Every 6 months, for the life of the bond, after a debt service payment is made (April 1 and October 1), agencies will need to record the debt service expenditure based on the transaction shown in monthly bank statements. The DAS Coordinator will provide agencies with the amounts that should be expensed as Lottery Funds debt service vs. Other Funds debt service.

- When the interest earnings in a debt service account are used towards a debt service payment, the agency records the debt service expenditure as Lottery Funds (rather than Other Funds).
- For interest earnings on lottery bond proceeds that are transferred to the debt service account from a project account, the agency will record the debt service expenditure as Other Funds.

8.2 Annual Changes in Use Survey

As outlined in the interagency agreement, no change in use, sale, lease or other transfer of a bond-financed asset should occur while bonds are outstanding without prior authorization. The Change in Use survey is designed to document any changes in use to the asset since the bonds were sold. This is only applicable if Lottery Bond proceeds were used to finance a State-owned asset.

The survey will be used by DAS to gather information from each agency with tax-exempt bond-financed assets. The survey is a set of questions related to how the asset is being used, if that use is different than how it was originally intended to be used, and if any Private Business Use (see definition in section 8.3 below), such as leases or contracts of the asset with non-governmental entities, is occurring. The Internal Revenue Code restricts use of assets financed with tax-exempt bonds to governmental purposes only, with minimal amounts of allowed Private Business Use. The information from this survey will help DAS ensure that the State is compliant with the Internal Revenue Code and the bonds can retain their tax-exempt status.

For grant programs where the bond proceeds are granted to third parties, Private Business Use is allowed, so long as the State does not receive payments or revenues, directly or indirectly, from the grantee or from activities within the financed property.

8.3 Definition of "Private Business Use" & "Private Person"

Per IRS regulations (US Code of Federal Regulations, Title 26, Chapter 1, Part 1, Section 1.141), 90 to 95% of Government Bond proceeds must be used for governmental purposes and only 5 to 10% can be used for Private Business Use.

Private Business Use is the use of a portion or all the bond-financed asset by a Private Person (see definition below) if such use is other than as a member of the general public. Private Business Use can include ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management contract, operating agreement, service or incentive payment contract, output contract, research contract, naming rights contract or other special arrangements) in such a manner as to set the Private Person apart from the general public. Use by employees of the State solely in their capacity as employees ordinarily will not be considered Private Business Use.

A Private Person is any person or entity other than a state or local governmental unit or an individual not acting in a trade or business, including the Federal Government, for-profit and non-profit organizations, and individuals who are acting in a trade or business capacity.

8.4 Record Retention Requirements

For all tax-exempt bond-financed assets, the agency must retain copies of invoices, contracts, leases and any other records demonstrating the expenditure of the bond proceeds and the uses of the project for a period ending not earlier than three years after the final maturity date of the original bonds or refunding bonds. These documents will be needed if an IRS audit is conducted on the bonds.

Examples of documents to retain:

- Bond reimbursement requests
- Requisitions, draw schedules, draw requests, invoices, bills, and documents that relate to how the bond proceeds were spent.
- Leases that relate to the use of the financed assets
- Management Contracts that relate to the use of the financed assets
- Service Contracts that relate to the use of the financed assets
- Construction Contracts that relate to the use of the financed assets
- Sponsored Research agreements that relate to the use of the financed assets
- Any other contracts that relate to the use of the financed assets
- Private Business Use that relates to the use of the financed assets
- Records regarding the purchases or sales of bond financed assets.

8.5 Costs to Expect in Future Years

After bonds are issued, there are various fees that occur over the life of the bonds. The fees are related to the bonding of agency assets, so they will be paid by DAS as part of the program administrator duties and then an allocable share of the costs will be billed back to the agencies with assets related to the bonds. These fees will be billed to the agencies as they are received. The agencies will take all necessary steps to provide funds and budget authority to pay for bond related fees, including, but not limited to, fiscal agent fees, arbitrage calculation fees and an assessment from the Oregon State Treasury (OST) Debt Management Division throughout the life of the bonds. For purposes of developing future biennial budget requests, the bond related fees (excluding OST fees) are estimated at approximately \$3,000/year per bond issuance. OST fees will be based on the price list for OST assessments.

9. Lottery Revenue Bond Fiscal Year End Entries and Disclosure Considerations

At the end of each State fiscal year (June 30) every agency that has outstanding Lottery Revenue Bonds will need to record year-end entries into the Statewide Financial Management System (SFMS) and disclose several items for inclusion in the State's Annual Comprehensive Financial Report (ACFR). Below is a detailed list of the year-end entries and disclosures each agency will need to complete related to Lottery Revenue Bonds.

9.1 Year-End Entries

At fiscal year-end, each agency must record Lottery Revenue Bond information in SFMS, so the information can be properly contained within the State's audited ACFR. The fiscal year information needing to be recorded includes Interest Payable, Current Principal, and Arbitrage Rebate Liability and Payments.

For detailed information regarding year-end entries, see the Oregon Accounting Manual (OAM) 15.65.10 and 15.65.20 on the Statewide Accounting and Reporting Services (SARS) website (http://www.oregon.gov/das/Financial/Acctng/Pages/OAM.aspx) or contact your SARS analyst.

9.1.1 Interest Payable Accrual

Per OAM 15.65.10, agencies must record an accrual for interest payable as of June 30. This interest payable is equal to the amount of interest attributable to the period beginning the day after the last interest payment through June 30.

9.1.2 Principal Noncurrent vs Current

Per OAM 15.65.10, for financial reporting purposes, agencies must report the principal due within one year separately from the long-term debt in both the government-wide reporting fund and proprietary funds.

9.1.3 Arbitrage Liability

Per OAM 15.65.20, agencies must record arbitrage rebate liabilities and payments made to the Internal Revenue Service (IRS) as of June 30, if they have not done so throughout the year. If an arbitrage rebate payment is paid during the year, DAS will work with the agencies that owe the rebate to determine the amount that needs to be transferred to DAS. Also, after June 30th, but before year end closing, DAS will provide agencies with the arbitrage rebate liability information, if there is any, that needs to be recorded.

9.2 Year-End Disclosures

At fiscal year-end, each agency must provide Lottery Revenue Bond information to the SARS unit within DAS, so the information can be disclosed in the State's audited ACFR. The fiscal year-end information needed by SARS includes: Arbitrage Rebate Liability amounts, Changes to Outstanding Debt, Debt Repayment Schedules, Debt Refunding information, Defeased Debt balances, Restricted Cash and Cash Equivalent balances, and Outstanding Debt Related to Capital Assets.

Disclosure forms can be found on the SARS website (http://www.oregon.gov/das/Financial/Acctng/Pages/Disc.aspx).

For more information regarding disclosures, see the disclosure examples and Long-Term Debt training PDF on the SARS website (http://www.oregon.gov/das/Financial/Acctng/Pages/Yr-end-cls.aspx and http://www.oregon.gov/das/Financial/Acctng/Pages/Training.aspx) or contact your SARS analyst.

9.2.1 Debt Disclosure A-D (D. Arbitrage Rebate Liability)

Complete Debt Disclosure D if any arbitrage rebate has been paid or if there are any rebate amounts that are due but not yet payable to the IRS during the current fiscal year. The information needed for this disclosure includes: who performed the rebate calculations, how much rebate was paid during the fiscal year and how much rebate will be due within the next fiscal year. This information will be provided by the Capital Finance Analyst during year end closing.

9.2.2 Debt Disclosure 3a (Revenue Bonds – Changes in Outstanding Debt)

Complete Debt Disclosure Form 3 (Revenue Bonds), section 3a (Revenue Bonds – Changes in Outstanding Debt), if there have been any changes to the agency's outstanding Lottery Revenue Bonds, such as new bonds sold or debt service payments made, during the fiscal year. The information needed for this disclosure includes: fund type, project description(s), and principal amount adjustments. The principal balance at the end of the fiscal year should match to the principal balance showing in the Debt Repayment Schedule on Debt Disclosure 3b (see section 9.2.3 below).

9.2.3 Debt Disclosure 3b (Revenue Bonds – Debt Repayment Schedule)

Debt Disclosure Form 3b requires the agency to report their Lottery Revenue Bond debt repayment schedules by fund type (Government-wide Reporting Fund, Enterprise Fund, Internal Service Fund, or Pension and Other Employee Benefit Trust Fund). The information needed for this disclosure includes the fund type and debt repayment schedule. The principal balance should match the ending principal balance on Debt Disclosure 3a (see section 9.2.2 above).

9.2.4 Debt Disclosure 8 (Advance or Current Refundings of Debt)

At fiscal year-end, each agency that had an advance or current refunding during the fiscal year must disclose information related to the refunding on Debt Disclosure 8. When a Lottery Revenue Bond refunding occurs, the Capital Finance Coordinator (Coordinator) will send each agency affected a packet of documents that should answer the questions in Debt Disclosure 8. The information needed for this disclosure includes GAAP fund, new debt information, and refunded debt information. See Example G & I in Appendix A for an example of the refunding memo and savings summary provided by the Coordinator.

9.2.5 Debt Disclosure 9 (Defeased Debt)

If an agency has any outstanding defeased Lottery Revenue Bond debt as of June 30, they are required to fill out Debt Disclosure 9. The information needed for this disclosure includes New refunding series, old refunded series, type of debt refunded, redemption date and outstanding principal amount. This information will be provided by the Coordinator during year end closing. See below for an example of the defeased debt table provided to each agency with defeased debt.

ACFR DEBT DISCLOSURES - DEFEASED DEBT
For Debt Programs Administered by DAS Capital Finance
Lottery Revenue Bonds
As of Fiscal Year Ended June 30, 2021

Agency Number	Agency Name	Refunding Series	Refunded or Defeased Series	Type of Debt Refunded	Redemption Date or Date Callable	Sum of Principal Refunded & Defeased
525	**HECC**	2021B	**2013A**	Lottery Revenue Bonds	4/1/2023	75,830,436
525	**HECC Total**					**75,830,436**
730	**ODOT**	2021B	**2013A**	Lottery Revenue Bonds	4/1/2023	23,119,564
730	**ODOT Total**					**23,119,564**
Grand Total						**98,950,000**

9.2.6 General Disclosure 2 (Restricted Cash and Investments)

Restricted cash and investments result when the use of specific cash and investments is subject to externally imposed constraints that change the nature or normal understanding of the availability of those assets. Normally, restricted cash and investments consist of amounts set aside as part of a long-term debt agreement (i.e., bond indenture, COP financing agreement) or customer deposits. Generally Accepted Accounting Principles (GAAP) require that restricted cash and investments be reported separately on the government-wide statement of net position or proprietary funds statement of net position.

Complete year-end General Disclosure Form 2 (Restricted Cash and Investments), per OAM 15.10.00, if your agency has Lottery Revenue Bond restricted cash and cash equivalents that are in the State Treasury. Restricted cash should remain classified under general ledger account 0070, Cash in State Treasury, to ensure proper cash control. SARS will reclassify these amounts to restricted cash and cash equivalents during the compilation process.

9.2.7 General Disclosure 8 (Outstanding Debt Related to Capital Assets)

General Disclosure Form 8 requires the agency to report all their outstanding debt related to capital assets as of June 30. This disclosure will be used by SARS to determine the amount of debt issued to purchase or construct capital assets. The information needed for this disclosure includes: GAAP fund, GL account, type of debt, capital-related debt outstanding, and the amount capitalized to-date for a partially completed project. Do not include any outstanding debt for projects with no capital expenditures to-date (construction has not yet begun).

LOTTERY REVENUE BONDS
APPENDIX A

EXAMPLE A

INTERAGENCY AGREEMENT RELATING TO FINANCING CAPITAL PROJECTS THROUGH THE DEPARTMENT OF ADMINISTRATIVE SERVICES

(Lottery Revenue Bonds – Tax-Exempt)

This Interagency Agreement is entered into between the Oregon Department of Administrative Services (DAS) and the «Project_Agency» (the "Project Agency") and shall be effective on the date executed by both parties. This Agreement includes the following exhibits, incorporated into and made a part of this Agreement:

Exhibit A: Project Description & Budget
Exhibit B: Spending Plan
Exhibit C: Bond Transaction Information
Exhibit D: Debt Service Schedule
Exhibit E: Completion Certificate Form
Exhibit F: Declaration of Intent to Reimburse Capital Costs (if applicable)

SECTION 1 - DEFINITIONS

Capitalized terms used in this Agreement shall have the meanings defined for such terms in this section, unless the context clearly requires otherwise.

"Act" means Article XV, Section 4 of the Oregon Constitution and Oregon Revised Statutes Chapter 286A, together with «Enacting_Legislation».

"Arbitrage Rebate" means any profit gained from investing bond proceeds at a yield above the bond yield that must be returned to the Federal Government. The arbitrage earning limit for this Project is «arbitrage_rate»%.

"Bond Counsel" means a law firm that serves as bond counsel to DAS and that is selected by DAS because it has knowledge and expertise in the field of municipal law and issues opinions that are generally accepted by purchasers of municipal bonds.

"Bonds" means the State of Oregon Lottery Revenue Bonds «Bond_Year__Series» Bonds (Tax-Exempt) issued pursuant to the Act, and any bonds or other obligations subsequently issued by the State of Oregon to refinance such bonds.

"Code" means the Internal Revenue Code of 1986, as amended, including any implementing regulations and any administrative or judicial interpretations.

"Costs of the Project" means Project Agency's actual costs of the Project to the extent those costs comply with each of (a) through (e), below. Costs of the Project must be:

(a) reasonable, necessary, and directly related to the Project;
(b) capital expenditures for federal income tax purposes within the meaning of Section 1.150-1(b) of the Code;
(c) eligible or permitted uses under the Act and this Agreement, including Section 7;
(d) not Project Agency or Grantee Indirect Costs or administrative costs incurred in connection with the Project if such costs are not capital expenditures for federal

income tax purposes within the meaning of Section 1.150-1(b) of the Code allowed to be capitalized to the asset being financed; and

(e) not internal costs charged to the Project by the Project Agency or payments made to Related Parties, including State agencies, except to the extent that those costs represent the actual amount of direct out-of-pocket payments to or made to unrelated third parties for the benefit of unrelated parties, such as employees of the State, made or to be made no later than five business days after the date on which proceeds of the Bonds are allocated to such expenditures.

"Date of Issuance" means the date the State Treasurer, at the request of DAS, issued the Bonds. For the purposes of this Agreement, this date was «Bond_issuance_date».

"Grantee" means the organization authorized by the Act or selected by the Project Agency to receive proceeds of the Bonds through a grant agreement between the Project Agency and Grantee.

"Indirect Costs" means costs that cannot be directly attributable to the Project as they benefit multiple projects.

"Official Declaration of Intent" means an issuer's declaration of intent to reimburse an Original Expenditure with proceeds of an obligation.

"Original Expenditure" means an expenditure for a governmental purpose that is originally paid from a source other than proceeds of the Bonds and before the Date of Issuance.

"Preliminary Expenditures" means, in relation to Section 7 (Reimbursement of Pre-Issuance Expenditures), costs such as architectural, engineering, surveying, soil testing, and similar costs for the project that, in the aggregate, are not in excess of 20% of the project issuance amount. Costs of land acquisition, site preparation and similar costs incident to commencement of construction are not Preliminary Expenditures.

"Private Person" means any person or entity other than a state or local governmental unit or an individual not acting in a trade or business. Accordingly, a Private Person would include the federal government, for-profit organizations, non-profit organizations, and individuals who are acting in a trade or business capacity.

"Private Use" means, subject to certain exceptions, the use of a portion or all of the Project by a Private Person if such use is other than as a member of the general public. Private Use can include ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management contract, service or incentive payment contract, output contract, naming rights contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use by employees of the Project Agency or of the Grantee solely in their capacity as employees ordinarily will not be considered Private Use.

"Proceed Expenditure Deadline" means 36 months after the Date of Issuance of the Bonds issued to fund the Costs of the Project.

"Project" means the project(s) or program described in Exhibit A.

"Project Agency" means the agency authorized by the Legislature to receive the proceeds of the Bonds and enter into an agreement with a Grantee or multiple Grantees to facilitate completion of a portion of the Project or the entire Project.

"Related Parties" means, in reference to governmental units or 501(c)(3) organizations, members of the same controlled group within the meaning of Section 1.150-1(e) of the Code, and in reference to any person that is not a governmental unit or a 501(c)(3) organization, a related person as defined in Section 144(a)(3) of the Code.

"Spending Plan" means the anticipated rate of spending of the Bond proceeds as described in Exhibit B.

"Trustee" means U.S. Bank National Association, the organization designated by DAS to serve as the Trustee under the Lottery Revenue Bond Master Indenture.

SECTION 2 – RECITALS

A. Bond Issuance. The Act authorizes DAS to request the State Treasurer to issue lottery revenue bonds to finance grants to construct capital assets that will further economic development, create jobs, finance public education or restore and protect parks, beaches, watersheds, native fish and wildlife.

B. Project Agency Financing. Under ORS 286A.560 through 286A.585 and OAR Chapter 122, Division 075, DAS has established procedures under which state agencies may request projects to be financed with lottery revenue bonds, and DAS may bill those agencies for the costs of financing the project(s), including debt service payments.

SECTION 3 – REPRESENTATIONS OF PROJECT AGENCY

The Project Agency represents and warrants to DAS the following:

A. Project Cost. A reasonable estimate of the Costs of the Project, and any sources of funding in addition to the Bond proceeds expected to be used to pay Costs of the Project, are shown in Exhibit A.

B. Spending Plan. The Project Agency represents that the Spending Plan summarized in Exhibit B is an accurate and realistic estimate of the Project Agency's expectations regarding spending the proceeds of the Bonds. As demonstrated by the Spending Plan, the Project Agency reasonably expects to spend all bond proceeds by the Proceed Expenditure Deadline.

C. Current Budget Authority. Project Agency has been granted authority by the Legislature to disburse proceeds of the Bonds to the Grantee(s) for the Project. The Project Agency certifies the budget authority amount given is sufficient for the payment of costs associated with financing the Project and will permit it to pay the debt service and other costs related to the Bonds during the current biennium.

D. Future Budget Authority. For all subsequent biennia, the Project Agency will take all steps necessary to ensure that its budget request contains a line item for debt service and other charges associated with the financing. These steps shall include all reasonable assistance to

DAS to ensure such amounts are included in the Governor's budget request to the Legislative Assembly.

E. Useful Life. The Project has an estimated useful life of at least «useful_life» and is for an essential governmental purpose.

F. Records Retention. The final maturity date of the Bonds is «maturity_date». The Project Agency will maintain copies of the grant agreement, invoices, construction contracts and any other records demonstrating the expenditure of the Bond proceeds and the uses of the Project for a period ending not earlier than three years after the maturity date of the Bonds and any refunding bonds. The Project Agency will include a documentation retention requirement in the grant agreement with the Grantee(s) to ensure that the Project Agency will have access to this documentation throughout the retention period.

G. Reporting Requirements. Project Agency will comply with applicable Internal Revenue Service requirements for issuing Form 1099-G to recipients of the proceeds of the Bonds.

H. Working Capital. None of the proceeds of the Bonds will be used to pay working capital expenditures of the Project Agency or the Grantee(s). Working capital expenditures include current operating expenses and other expenditures which would not be treated as capital expenditures for federal income tax purposes within the meaning of Section 1.150-1(b) of the Code, but do not include the costs of issuance of the Bonds.

SECTION 4 – RESTRICTIONS ON USE OF PROCEEDS AND THE PROJECT

In order to finance the Project at the lowest possible interest rate, DAS intends to finance the Project through the issuance of the Bonds, the interest on which is excludable from gross income under the Code. In order to maintain the tax-exempt status of the Bonds, the Project and its use will be subject to substantial restrictions. The Project Agency represents and agrees to all of the following restrictions and will ensure the Grantee adheres to these restrictions by including these restrictions in the grant agreement with the Grantee:

A. Proceeds Usage. The proceeds of the Bonds will only be used to pay the Costs of the Project, as defined in this Agreement. In addition, the proceeds of the Bonds will not be used by the Project Agency or the Grantee to make loans, to pay interest on interim financing for the Project, or pay principal on interim financing for the Project without the prior written consent of DAS. In no event may the Agency or the Grantee use proceeds of the Bonds to pay principal due on any interim financing for which the State of Oregon, any agency of the State of Oregon, or any Related Party to the State, is the obligor. Interest earnings on proceeds of the Bonds will not be used to pay Costs of the Project. Interest earnings will be used as determined by DAS after the Project Agency submits the Completion Certificate.

B. Project Changes. Neither the Project Agency nor the Grantee shall change the use of the Project, or alter its design, structure, or configuration in any way inconsistent with the Project Agency's currently approved plan, without first requesting and receiving the written consent of DAS.

C. Project Ownership. The Project will not be owned by the State of Oregon, any agency of the State of Oregon, or any Related Party to the State of Oregon. The Project will not be leased, subleased, sold, or otherwise transferred without the prior written consent of DAS.

D. Private Use. The Project Agency shall not, without prior written consent of DAS, permit more than five percent (5%) of the Project to be used for Private Use by a Private Person if such Private Use could result in the State of Oregon receiving direct or indirect payments or revenues from the portion of the Project to be privately used.

E. Public Bidding Procurements. The Project Agency will require Grantee to adhere to public bidding requirements, if applicable to Grantee.

F. Prevailing Wage. The Project Agency will require Grantee to adhere to prevailing wage requirements, if applicable to Grantee. Generally, when $750,000 or more of public funds is used in the Project, the Grantee will need to pay prevailing wage.

G. Compliance. The Project Agency will comply with all requirements subsequently imposed by DAS on the use of the Project in order to protect the tax-exempt, subsidy or other low cost status of the financing.

H. Completion Certificate. The Completion Certificate included as Exhibit E hereto shall be executed by the Project Agency by the Proceed Expenditure Deadline or the date on which all proceeds of the Bonds have been disbursed to the Grantee(s) for the Project, whichever occurs first.

I. Compliance with Post Issuance Compliance Procedures. The Project Agency acknowledges that DAS has adopted certain post issuance compliance procedures to facilitate compliance with the federal tax requirements applicable to the Bonds. The Project Agency will comply with all questionnaires or other requests from DAS for information regarding the Project, including the uses of the Project during the term of the Bonds.

SECTION 5 – BOND RELATED PAYMENTS

The Project Agency will abide by the following payment requirements:

A. Debt Service Payments. DAS will coordinate with the Trustee to ensure the Project Agency's debt service account held by the Trustee has a sufficient balance for payment of periodic debt service in accordance with the Debt Service Schedule in Exhibit D. The Trustee will transfer the funds to the Fiscal Agent for payment of debt service, as instructed by DAS. The Project Agency will record all necessary accounting entries associated with payment of debt service.

B. Other Costs. The Project Agency will pay an allocable share of the on-going costs of DAS in carrying out its administrative responsibilities under the Act which include, but are not limited to, Trustee fees, fiscal agent fees, arbitrage rebate computation fees and other costs incurred by DAS in connection with the Bonds.

C. Arbitrage Rebate. The Project Agency will pay an allocable share of any Arbitrage Rebate determined to be due and payable to the IRS as calculated by DAS or its rebate consultant.

SECTION 6 – MANAGEMENT OF BOND PROCEEDS

After the Date of Issuance, DAS and Project Agency will manage the Bond proceeds. Below are the responsibilities of each party.

A. DAS Responsibilities:

   a. Deposit. DAS will ensure the proceeds of the Bonds are deposited into a segregated project account at Oregon State Treasury (OST) with DAS set up as a secondary owner for view access to OST statements.

   b. Cost of Issuance. DAS will send an invoice to the Project Agency shortly after the Bond sale has closed to request the cost of issuance funds, as these costs will be paid by DAS.

   c. Management. DAS and the Project Agency will jointly manage the proceeds of the Bonds until they are disbursed to pay the Costs of the Project. Interest earnings on bond proceeds are considered proceeds of the Bonds under the Code and will be managed as such.

   d. Arbitrage. DAS, or its rebate consultant, will calculate any applicable yield restriction or Arbitrage Rebate liability while the proceeds are held pending disbursement.

B. Project Agency Responsibilities:

   a. Cost of Issuance. The cost of issuance amount included in Exhibit C will be deposited into the Project Agency's project account #«acct_» at OST. Project Agency will pay invoice received from DAS in section 6(A)(b) from account #«acct_» shortly after the Bond sale has closed.

   b. Bond Transaction. Project Agency will record the Bond transaction amounts associated with the Bond issuance as provided in Exhibit C. The costs of issuance expenditures will be recorded when the invoice in section 6(B)(a) is paid.

   c. Spending Expectations. Project Agency will work diligently to disburse the Bond proceeds to its Grantee(s) and ensure that the Project is completed by the Proceed Expenditure Deadline. Project Agency will make diligent efforts to disburse the bond proceeds in accordance with the Spending Plan. In the event Project Agency fails to disburse all bond proceeds by the Proceed Expenditure Deadline, the Project Agency may request an extension of such deadline from DAS. Such request must be made in writing and include: (i) an explanation of the facts or circumstances that changed after the date of this Agreement such that the Project Agency was unable to fully disburse the bond proceeds in accordance with its Spending Plan; and (ii) a revised Spending Plan demonstrating the expected expenditure of the remaining bond proceeds.

d. Access to Records. The Project Agency agrees to provide DAS access to data regarding account transactions, including OST statements, to ensure DAS or its rebate consultant has adequate data to compute yield restriction and/or Arbitrage Rebate liability.

e. Management. DAS and the Project Agency will jointly manage the Bond proceeds until they are disbursed to pay the Costs of the Project.

SECTION 7 – REIMBURSEMENT OF PRE-ISSUANCE EXPENDITURES

A. Authorized Reimbursement. Proceeds of the Bonds cannot be used for Costs of the Project that were paid more than 60 days before the earlier of the following two dates:
   a. The Date of Issuance of the Bonds; or
   b. The date on which an Official Declaration of Intent was executed by DAS.

B. Reimbursement Period. Reimbursement must be made no later than 18 months after the later of:
   a. The date the Original Expenditure is paid; or
   b. The date the Project is placed into service. Also;
   c. In NO event may the reimbursement be made more than 3 years after the date the Original Expenditure was paid.

C. Official Declaration of Intent. If the Project Agency requested and DAS executed an Official Declaration of Intent prior to the Date of Issuance, a copy of the "Declaration of Official Intent to Reimburse Capital Costs" is attached as Exhibit F.

D. Preliminary Expenditures. The use of proceeds of the Bonds to reimburse the Project Agency for Costs of the Project that are Preliminary Expenditures are not subject to the limitations described in this Section 7.

SECTION 8 – TERMINATION

This Agreement shall remain in effect until the later of (1) the date that the Bonds, including any refunding bonds, are no longer outstanding; or (2) if there is any claim from the federal government for rebate or other amounts in connection with the Bonds, the date such claim is finally resolved or paid.

DATED this _______ day of _______ «Year».

Department of Administrative Services Chief Financial Office	«Project_Agency»
By: ______________________________ Rhonda Nelson Capital Finance Manager	By: ______________________________ Printed Name:_____________________ Title: ____________________________

EXHIBIT A

Project Description

«Project_Description»

Project Budget

«Project_Title» Project Budget - $«Project_Budget»

EXHIBIT B

Spending Plan

[Insert Project Agency Spending Plan]

EXHIBIT C

Bond Transaction Information

[Insert Project Agency Bond Transaction Information]

EXHIBIT D

Debt Service Schedule Semi-annual Payments				
Date	Principal	Interest	Debt Service	Remaining Balance

[Insert Project Agency Debt Service Schedule]

EXHIBIT E

Completion Certificate

On behalf of the «Project_Agency» ("Project Agency"), I hereby certify the Lottery Revenue «Bond_Year__Series» Bond proceeds, as described in the Interagency Agreement between the Department of Administrative Services (DAS) and the Project Agency, were used to pay for all or a portion of the «Project_Title» Project in accordance with the terms and conditions in the Interagency Agreement and have now been either fully expended or are available for DAS to use as described below. I also certify that all Costs of the Project for the Project authorized in the Act, have been determined and paid, or provisions have been made for payment.

Hence, all of the remaining unspent funds in the «Bond_Year__Series» Project Account #«acct_» related to the Project are available to pay the following:

1. Any rebate due to the federal government in order to comply with the federal tax requirements applicable to the Bonds. That rebate amount will be determined by DAS or its rebate consultant.
2. Any remaining allocable share of the costs to DAS to carry out the responsibilities of the Interagency Agreement.
3. Transferred to the «Bond_Year__Series» Debt Service Account which is dedicated to pay principal and interest on the remaining «Bond_Year__Series» Bonds.
4. Transferred to another project fund for use on another project that is authorized to be funded with tax-exempt lottery revenue bond proceeds, as appropriate.

This certificate authorizes DAS to, at its discretion, use the unspent funds of the «Bond_Year__Series» project account in the most appropriate way under the current circumstances, within the four possible alternatives described above.

The Project Agency also understands and will take all necessary steps to provide funds and budget authority to pay annual Trustee fees, fiscal agent fees, arbitrage calculation fees and an assessment from Oregon State Treasury (OST) Debt Management Division through the remaining term of the Interagency Agreement. Those fees will be billed to the Project Agency as they are received. For purposes of developing future biennial budget requests, the Trustee fees, fiscal agent fees, and arbitrage calculation fees are estimated at approximately $3,000 per year. OST fees will be based on the Price List for OST assessments.

Dated: ____________________

State of Oregon, ______________________

By: ________________________

Authorized Official

EXHIBIT F

Declaration of Intent to Reimburse Capital Costs

[Include a copy of the officially signed Declaration of Intent to Reimburse, if any]

EXAMPLE B

Intent Declaration Intent Sample Letter

[Use Letterhead]

[Date]

Department of Administrative Services
Chief Financial Office
Capital Finance & Planning Manager
155 Cottage Street NE
Salem, OR 97301

Re: Request for Declaration of Official Intent to Reimburse Capital Costs with Lottery Revenue Bonds

Dear [Capital Finance & Planning Manager]:

The [agency name] requests that Capital Finance and Planning prepare and execute a *Declaration of Official Intent to Reimburse Capital Costs with Lottery Revenue Bonds* for the agency's grant project [project name].

Based on the planned timing of bond sales to finance this project, the agency's grantee would like to begin the project prior to the time bond proceeds are expected to be available. Therefore, the grantee would like to pay for project costs using its own resources and then reimburse itself for the expenditures after the bonds are issued. The agency understands that Lottery Revenue bond proceeds can only be used for capital expenditures; that is, costs that are capitalized to an asset.

This project has been authorized for bond financing by the Legislature through [cite the chapter law or bill number for the Bond Bill]. The total amount of bonds authorized for the project is [$ amount]. As authorized in the lottery revenue bond bill, the project description and scope includes [describe the project nature and scope].

If you have any questions about this request, please feel free to contact [name of primary contact].

Sincerely,

____
Signature of Authorized Official

EXAMPLE C

Spending Plan Template

Project Revenues	
Lottery Grant Amount	$0.00
Other Funding	$0.00
Other Funding	$0.00
Other Funding	$0.00
Total project budget	$0.00
Expenditure Plan	
Reimbursement	$0.00
June-24	$0.00
July-24	$0.00
August-24	$0.00
September-24	$0.00
October-24	$0.00
November-24	$0.00
December-24	$0.00
January-25	$0.00
February-25	$0.00
March-25	$0.00
April-25	$0.00
May-25	$0.00
June-25	$0.00
July-25	$0.00
August-25	$0.00
September-25	$0.00
October-25	$0.00
November-25	$0.00
December-25	$0.00
January-26	$0.00
February-26	$0.00
March-26	$0.00
April-26	$0.00
May-26	$0.00
June-26	$0.00
July-26	$0.00
August-26	$0.00
September-26	$0.00
October-26	$0.00
November-26	$0.00
December-26	$0.00
January-27	$0.00
February-27	$0.00
March-27	$0.00
April-27	$0.00
May-27	$0.00
Total	$0.00

EXAMPLE D

Private Business Use Questionnaire

State of Oregon's Lottery Revenue Bond Program
Bond Sale Private Business Use Questionnaire
For State-Owned Assets or Public University Projects Funded with Lottery Revenue Bonds

QUESTIONNAIRE **(Please fill out in its entirety)**

Agency or Public University Name: ____

Capital Construction Project Name: ____

Yes No N/A

1. The project consists of (select only one to answer yes):
   a. Building a new building - if yes, move to question 2
   b. Expanding an existing building - if yes, skip to question 3
   c. Remodeling an existing building - if yes, skip to question 4
   d. Combination expansion and remodel - if yes, skip to question 5
   e. Other - equipment or other capital asset

2. If the project is a **new building**, provide the following information regarding the capital construction project:
   a. Approximate square footage of the facility: ____________________________
   b. Approximate square footage of the common area for the building: ________________________________

3. If the project is an **expansion** of an existing building, provide the following information only as it relates to the expansion:
   a. Approximate square footage of the facility: ____________________________
   b. Approximate square footage of the common area for the building: ________________________________

4. If the project is a **remodeling** of an existing building, provide the following information regarding the capital improvement
   a. Approximate square footage of the facility: ____________________________
   b. Approximate square footage of the common area for the building: ________________________________
   c. Provide an allocation of anticipated expenditures between common space and dedicated space by square foot and cost.
      Common Space: square foot ______________ Dedicated Space: square foot ______________
      Common Space: estimated cost $______________ Dedicated Space: estimated cost $______________
   d. Are the improvements being made to space that the university leases from another party (i.e., tenant improvements)?

5. If the project is a **combination of an expansion and remodeling** of an existing building, provide the following information:
   a. Approximate square footage of the facility: ____________________________
   b. Approximate square footage of the common area for the building: ________________________________
   c. Provide an allocation of anticipated expenditures between common space and dedicated space by square foot and cost.
      Common Space: square foot ______________ Dedicated Space: square foot ______________
      Common Space: estimated cost $______________ Dedicated Space: estimated cost $______________
   d. Are the improvements being made to space that the university leases from another party (i.e., tenant improvements)?
   e. Provide a breakout of estimated costs between expansion and remodeling.
      Expansion Estimated Cost $______________ Remodeling Estimated Cost $______________

6. Provide the location of the project: ____

7. Provide a brief summary of the capital construction or improvement project.

8. Does this project have any real estate leases related to it? Exclude residential leases such as facility, staff or student housing. If yes, please describe below:

9. Other Use Arrangements:
   a. Are there any leases, contracts or agreements for long or short-term use of athletic facilities, field houses, auditorium or other sports or performing arts venue? If yes, please describe below:
   b. Are there any leases, contracts or agreements for long or short-term use of athletic facilities by persons other than students, faculty and staff, e.g. private sports camps? If yes, please describe below:
   c. Are there any leases, contracts or agreements for long or short-term use of classrooms or dormitories for privately sponsored seminars, business meetings, etc.? If yes, please describe below:

EXAMPLE D (cont.)

Private Business Use Questionnaire

10. Does the building or facility have any Management Contracts (including, but not limited to):
    a. Food service, catering and/or concessions. If yes, please describe below:
    b. Bookstore management or operations. If yes, please describe below:
    c. Clinical facilities staffing. If yes, please describe below:
11. Are there any research agreements, including any agreements to perform research or development for a private company, a nonprofit corporation or the federal government? If yes, please describe below:
12. Does this facility or building have any joint ventures for the development or production of products or the delivery of services? If yes, please describe below:
13. Are there any special entitlement arrangements including:
    a. Naming Rights, i.e., payments from donors in return for agreements to name facilities for the donor. If yes, please describe below:
    b. Pouring Rights or similar arrangements in which a private party pays an upfront fee to be the exclusive vendor. If yes, please describe below:
14. Are there any parking arrangements involving use by persons other than students, faculty, staff, visitors or members of the general public? If yes, please describe below:
15. Are there any equipment leases in which the university will be the lessor of the bond financed equipment? If yes, please describe below:
16. Are there any arrangements in which the university contracts with a private party to provide services that require the use of bond financed computers and software or non-bond financed computers or software located in bond-financed buildings? If yes, please describe below:
17. Are there any output contracts, e.g., contracts for the purchase of excess energy or steam produced by state-owned asset or public university facilities? If yes, please describe below:
18. Are there any incidental use contracts such as Kiosks, vending carts, newsstands, vending machines, telephone booths, cell phone transmission towers, or satellite or microwave dishes? (The approximate square footage allocable to these types of uses can be aggregated in your response.) If yes, please describe below:
19. Are there any other non-possessory use arrangements such as franchise agreements or preferred provider arrangements including cable or satellite television services or wireless communication services? If yes, please describe below:
20. Does the project include improvements to a central utilities plant? If yes, and that plant serves any building on campus in which there is private business use (whether or not of a bond-financed building), then it is possible that building private business use could be treated as use of the central plant improvements. Thus, if the answer to this question is yes, additional follow up may be needed.

EXAMPLE E

Refunding Documents – Interagency Memo

STATE OF OREGON **INTEROFFICE MEMO**

DEPARTMENT OF ADMINISTRATIVE SERVICES

DATE: April 27, 2021

TO: Oregon Business Development Department

FROM: Chris Curtis, DAS Capital Finance & Planning Section

SUBJECT: Lottery Revenue Refunding Bonds 2021 Series A & B

On April 27, 2021, DAS and the Oregon State Treasury completed the issuance of Lottery Revenue Refunding Bonds 2021 Series AB to achieve debt service savings. Proceeds from the issuance plus excess cash from the Prior Bonds Reserve Subaccount (PBRS) were used to either fully or partially refund the bond series noted in the attached excel file.

Your agency is required to make accounting entries to record the issuance of the new bonds and eliminate the refunded bonds that have been defeased. The accounting entries are needed to record the proceeds of the refunding debt, cost of issuance expenditures, payment to the escrow agent, refunding debt liability, deferred gain or loss on the refunding, and to eliminate the refunded debt.

In the attached excel file *Refunding Information for OBDD*, we have provided the following information needed to record the transaction and to prepare FY 2021 disclosures related to debt refundings:

1. Series Refunded: this tab lists the series refunded by which refunding series, whether the refunding was current or advanced, and whether the series was fully or partially refunded.
2. Sources and Uses: this tab displays the sources and uses of funds for the refunding transaction, with detail by refunding series.
3. Disclosure Info: this tab provides disclosure information by each refunding series that pertains to your agency for use in completing the FY 2021 debt refundings disclosure form.
4. Savings: this tab reports prior debt service payments, refunding debt service payments, and debt service savings in total for the portion of the refunding that pertains to your agency.

In addition, we have attached an updated debt service database reflecting changes that resulted from the refunding; the bond series and maturities that were refunded have been removed from the debt service database, payments related to unrefunded maturities have been updated, and the refunding bond series have been added to the database. Since we have already updated the debt service amounts, we are not providing the data we used to update the debt service database as we do not expect you to duplicate this work; however, if you need that information, please let us know.

EXAMPLE E (cont.)

Refunding Documents – Interagency Memo

We have notified SABRS of the need to increase administrative limitations relative to the refunding:

- Appropriated Fund 3230, C/O 7050 Payment to Escrow Agent $ 4,331,652.84
- Appropriated Fund 3230, C/O 4051 Bond Refund Debt Payment to Escrow $ 164,782.21
- Appropriated Fund 3200, C/O 4050 Bond Costs $ 23,347.16

However, OBDD will need to provide the applicable appropriation numbers to SABRS. If you have any questions or need additional information, feel free to contact me at 971-900-7371 or by e-mail.

EXAMPLE F

Refunding Documents – Source & Use Statement

DAS Capital Finance					
Lottery Revenue Bonds					
2021 Series AB Refunding Bonds					
Sources & Uses of Funds					
Note: This transaction information is summarized; if the agency needs more detail to record the transaction in its accounting records, please contact DAS Capital Finance.					
				Lottery Revenue Bonds	
	Total Refunding 2021 Series B			2021 Series B	
Sources					
Bonds Payable		$ 4,355,000.00			$ 4,355,000.00
Original Issue Premium		$ -			$ -
PBRS Debt Service Reserve Release[1]		$ 164,782.21			$ 164,782.21
Uses					
Payment to Escrow Agent (comptroller object 7050)	$ 4,331,652.84			$ 4,331,652.84	
Payment to Escrow Agent (comptroller object 4051)	$ 164,782.21			$ 164,782.21	
Underwriters Discount (comptroller object 4050)	$ 13,684.50			$ 13,684.50	
Costs of Issuance (comptroller object 4050)[2]	$ 9,662.66			$ 9,662.66	
Totals	**$ 4,519,782.21**	**$ 4,519,782.21**		**$ 4,519,782.21**	**$ 4,519,782.21**
Check sources = uses		-			-
[1]Agencies need to use TC 568 (not TC 167R) to record the expenditure for C/O 4051 Bond Refunded Debt Payment to Escrow for the PBRS reserve release since the reserve is Cash In Bank (0077).					
The PBRS Debt Service Reserve Release was cash that was taken out of the debt service reserve fund and placed in the escrow fund along with refunding bond proceeds.					
[2]Costs of Issuance includes additional proceeds.					

EXAMPLE G

Refunding Documents – Savings Summary

DAS Capital Finance

Lottery Revenue Bonds

2021 Series AB Refunding Bonds

Debt Service Savings

This is being provided for information purposes. See updated debt service database for current debt service.

Fiscal Year	Payment Date	Prior Debt Service	Refunding Debt Service	Savings[1]	
2022	10/1/2021	133,313	10,854	96,321	
2022	4/1/2022	1,440,223	12,687	94,488	
2023	10/1/2022	107,175	12,687	94,488	
2023	4/1/2023	1,468,193	1,457,687	10,506	
2024	10/1/2023	73,150	10,440	62,710	
2024	4/1/2024	1,500,762	1,465,440	35,322	
2025	10/1/2024	37,459	6,540	30,919	
2025	4/1/2025	1,535,828	1,461,540	74,288	
2026	10/1/2025	-	-	-	
2026	4/1/2026	-	-	-	
2027	10/1/2026	-	-	-	
2027	4/1/2027	-	-	-	
2028	10/1/2027	-	-	-	
2028	4/1/2028	-	-	-	
2029	10/1/2028	-	-	-	
2029	4/1/2029	-	-	-	
2030	10/1/2029	-	-	-	
2030	4/1/2030	-	-	-	
2031	10/1/2030	-	-	-	
2031	4/1/2031	-	-	-	
2032	10/1/2031	-	-	-	
2032	4/1/2032	-	-	-	
2033	10/1/2032	-	-	-	
2033	4/1/2033	-	-	-	
Total Cash Flow Savings				**499,043**	-
					Check
Net PV Savings				**319,591**	

[1]Savings are negative in some later payment dates because the refunding was purposely structured for upfront savings in earlier years; however, savings are positive in every fiscal year when both payment dates are added together for fiscal year totals.

EXAMPLE H

Refunding Documents – New Debt Service Schedules

Local Government Infrastructure Facilities			
Existing Debt Service			
Date	**Principal**	**Interest**	**Debt Service**
10/01/21	-	133,313.17	133,313.17
04/01/22	1,306,910.00	133,313.17	1,440,223.17
10/01/22	-	107,174.97	107,174.97
04/01/23	1,361,018.00	107,174.97	1,468,192.97
10/01/23	-	73,149.52	73,149.52
04/01/24	1,427,612.00	73,149.52	1,500,761.52
10/01/24	-	37,459.22	37,459.22
04/01/25	1,498,369.00	37,459.22	1,535,828.22
Total	**5,593,909.00**	**702,193.76**	**6,296,102.76**

Local Government Infrastructure Facilities			
Refunded Debt Service			
Date	**Principal**	**Interest**	**Debt Service**
10/01/21	-	10,854.10	10,854.10
04/01/22	-	12,686.61	12,686.61
10/01/22	-	12,686.61	12,686.61
04/01/23	1,445,000.00	12,686.61	1,457,686.61
10/01/23	-	10,439.63	10,439.63
04/01/24	1,455,000.00	10,439.63	1,465,439.63
10/01/24	-	6,540.23	6,540.23
04/01/25	1,455,000.00	6,540.23	1,461,540.23
Total	**4,355,000.00**	**82,873.65**	**4,437,873.65**

EXAMPLE I

ORBITS Budget Bonding Codes						
			Debt Type			
Expense Type	Fund Type	Description	Lottery Bonds	GO Bonds	COPs	Other Revenue Bonds
Debt Service						
Debt Service	General Fund	Debt Service - Principal		7100	7200	
	General Fund	Debt Service - Interest		7150	7250	
	Lottery Funds	Debt Service - Principal	7100			
	Lottery Funds	Debt Service - Interest	7150			
	Lottery Funds	Transfer In Lottery Proceeds (Agency to use this code at ARB when requesting Lottery Bonds to pay Debt Service)	1040			
	Other Funds	Debt Service - Principal		7100	7200	7100
	Other Funds	Debt Service - Interest		7150	7250	7150
	Federal Funds	Debt Service - Principal		7100	7200	7100
	Federal Funds	Debt Service - Interest		7150	7250	7150
Bond Revenue						
Bond Revenue (All Bond Revenue should be coded as Other Funds)	Other Funds	Bond Sales (COPs)			0580	
	Other Funds	GF Obligation Bonds (All GO Bonds where Debt Service is paid with GF)		0555		
	Other Funds	Dedicated Fund Obligation Bonds (All GO Bonds where Debt Service is paid with OF)		0560		0560
	Other Funds	Revenue Bonds (Non-DAS Revenue Bonds; Housing Bonds, SELP Bonds, etc.)				0570
	Other Funds	Lottery Bonds	0565			
Cost of Issuance						
Cost of Issuance (All COI should be coded as Other Funds)	Other Funds	Other Services & Supplies **(suggested code, not mandatory)**	4650	4650		4650
	Other Funds	Other COP Costs			4625	
Appropriated Funds						
Appropriated Fund - Revenue, COI, Expenditure Limitation	Other Funds	Other Funds Cap Improvement	3010	3010	3010	3010
	Other Funds	Other Funds Cap Construction	3020	3020	3020	3020
	Other Funds	Other Funds Non-Limited	3200	3200	3200	3200
	Other Funds	Other Funds Limited	3400	3400	3400	3400
Appropriated Fund - Debt Service	General Fund	General Fund Debt Service		8030	8030	
	Lottery Funds	Lottery Funds Debt Service Limited	4430			
	Other Funds	Other Funds Debt Service Non-Limited	3230	3230	3230	3230
	Other Funds	Other Funds Debt Service Limited	3430	3430	3430	3430
	Federal Funds	Federal Funds Debt Service Non-Limited		6230	6230	6230

EXAMPLE J

SFMS Bonding Codes

Capital Finance - SFMS Bonding Codes						
			Debt Type/Compt Object Codes			
Expense Type	**Fund Type**	**Description**	**Lottery Bonds**	**GO Bonds**	**COPs**	**Other Revenue Bonds**
		Debt Service				
Debt Service	General Fund	Debt Service - Principal		7100	7150	
	General Fund	Debt Service - Interest		7250	7300	
	Lottery Funds	Debt Service - Principal	7100			
	Lottery Funds	Debt Service - Interest	7250			
	Lottery Funds	Transfer In from DAS (Receive Lottery Funds to pay Debt Service)	1306			
	Other Funds	Debt Service - Principal		7100	7150	7100
	Other Funds	Debt Service - Interest		7250	7300	7250
	Other Funds	Debt Service - Refunding Payment to Escrow		7050	7050	7050
	Federal Funds	Debt Service - Principal		7100	7150	7100
	Federal Funds	Debt Service - Interest		7250	7300	7250
		Bond Revenue				
Bond Revenue (All Bond Revenue should be coded as Other Funds)	Other Funds	Bond Sales (COPs)			1506	
	Other Funds	GF Obligation Bonds (All GO Bonds where Debt Service is paid with GF)		1501		
	Other Funds	Bond Proceeds from Refunding GO Bonds or COP Debt		1505		
	Other Funds	Dedicated Fund Obligation Bonds (All GO Bonds where Debt Service is paid with OF)		1500		
	Other Funds	Revenue Bonds (Non-DAS Revenue Bonds; Housing Bonds, SELP Bonds, etc.)				1503
	Other Funds	Lottery Bonds	1502			
	Other Funds	Original Issue Discount Proceeds (COP)			1507	
	Other Funds	Original Issue Discount Proceeds (Bonds)		1508		
	Other Funds	Original Issue Premium Proceeds (COP)			1509	
	Other Funds	Original Issue Premium Proceeds (Bonds)		1510		
		Cost of Issuance				
Cost of Issuance (All COI should be coded as Other Funds)	Other Funds	Other Services & Supplies **(suggested code, not mandatory)**	4050	4050		4050
	Other Funds	Other COP Costs			4055	
		Appropriated Funds				
Appropriated Fund - Revenue, COI, Expenditure Limitation	Other Funds	Other Funds Cap Improvement	3010	3010	3010	3010
	Other Funds	Other Funds Cap Construction	3020	3020	3020	3020
	Other Funds	Other Funds Non-Limited	3200	3200	3200	3200
	Other Funds	Other Funds Limited	3400	3400	3400	3400
Appropriated Fund - Debt Service	General Fund	General Fund Debt Service		8030	8030	
	Lottery Funds	Lottery Funds Debt Service Limited	4430			
	Other Funds	Other Funds Debt Service Non-Limited	3230	3230	3230	3230
	Other Funds	Other Funds Debt Service Limited	3430	3430	3430	3430
	Federal Funds	Federal Funds Debt Service Non-Limited		6230	6230	6230

EXAMPLE K

SFMS Transaction Codes (TCodes)

Capital Finance - SFMS Bond Transaction Codes (T-Codes)

Fund Type	Transaction Code (T-Code or TC)	Description
		Cash Transactions
Governmental/ Proprietary/Fiduciary Fund	567	Record cash received on sale of COPs, interest income - Cash in Bank
	567R	Record negative revenue for original issue discount - Cash in Bank
	568	Record expenditure for issuance costs, interest payment - Cash in Bank
	190	Record cash received on sale of Bonds - Cash in Treasury
	167R	Record expenditure (ACH or wire transfer) for issuance costs - Cash in Treasury
	760/761	Remit principal and interest payment to DAS BAM - Cash in Treasury
	186	Recognize wire transfer or ACH transfer in - Cash in Bank
	479	Record transfer out - Cash in Bank
		Issuance of Debt
Governmental Fund	507	Establish accrued interest on Bond/COP sold
	191	Establish accrued interest on Bond/COP sold - Cash in Treasury
	512	Establish/adjust matured Bond/COP coupon payable
	513	Payment of accrued interest on Bond/COP
Proprietary/Fiduciary Fund	504	Establish/adjust payable/original issue premium for Bond/COP
	504R	Establish/adjust payable/original issue discount for Bond/COP
	507	Establish accrued interest on Bond/COP sold
	191	Establish accrued interest on Bond/COP sold - Cash in Treasury
	511	Original discount/premium/prepaid insurance for Bonds/COP
	512	Establish/adjust matured Bond/COP coupon payable
	513	Payment of accrued interest on Bond/COP
	514	Record prepaid insurance/deferred outflows for Bond/COP
	516	Write-off Deferred Out/Inflows and discount on Bonds (advanced refundings/calls)
	517	Write-off original issue premium on Bond/COP (advanced refundings/calls)
Government-Wide Fund	504	Establish/adjust payable/original issue premium for Bond/COP
	504R	Establish/adjust payable/original issue discount for Bond/COP
	514	Record prepaid insurance/deferred outflows for Bond/COP
	516	Write-off Deferred Out/Inflows and discount on Bonds (advanced refundings/calls)
	517	Write-off original issue premium on Bond/COP (advanced refundings/calls)
		Accreted Interest
Proprietary/Fiduciary Fund/Government-Wide	524	Establish/adjust accreted interest payable
		Debt Service Principal and Interest
Proprietary/Fiduciary Fund/Government-Wide	528	Reduce liability for amount of principal paid for Bond/COP
		Call or Refunding Related Transactions
Proprietary/Fiduciary Fund/Government-Wide	516	Write-off Deferred Out/Inflows and discount on Bonds (advanced refundings/calls)
	517	Write-off original issue premium on Bond/COP (advanced refundings/calls)

EXAMPLE K (cont.)

SFMS Transaction Codes (TCodes)

Capital Finance - SFMS Bond Transaction Codes (T-Codes)		
Fund Type	**Transaction Code (T-Code or TC)**	**Description**
	Amortization	
Proprietary/Fiduciary Fund/Government-Wide	520	Amortize prepaid insurance/original discount/deferred outflows
	523	Amortize original issue premium
	Arbitrage Liability	
Proprietary/Fiduciary Fund/Government-Wide	526	Establish/adjust arbitrage payable
	Accrued Interest Payable	
Proprietary/Fiduciary Fund/Government-Wide	437	Accrue interest payable at June 30
	Reclassify Portion or Bond/COP Liability to Current Liability	
Proprietary/Fiduciary Fund/Government-Wide	475	Set up current liability
	475R	Reduce noncurrent liability
	Reclassify Restricted Assets	
Governmental/ Proprietary/Fiduciary	474	Report restricted assets
	474R	Reduce unrestricted asset account

11. Definitions of Bond Related Terms

When talking about bond financing, there are various terms that are used. Below are the definitions of some of the common bond-related terms.

Advance Refunding – The refinancing of outstanding bonds by the issuance of a new issue of bonds prior to the date on which the outstanding bonds become due or are callable. In an advance refunding, the refunded bonds remain outstanding for a period of more than 90 days from the call date. New bonds are issued, and the proceeds of the new bonds are invested and held in escrow until the call date, at which time the old bonds are paid off.

Arbitrage – Arbitrage is the technique of simultaneously buying at a lower price in one market and selling at a higher price in another market to make a profit on the spread between the prices.

Bond – Bonds are an instrument of indebtedness of the bond issuer to the holders. It is a debt security, under which the issuer owes the holders a debt and is obligated to pay them principal and interest at specified dates and pay in full at a later date, termed the maturity date.

Bond Counsel – An attorney (or firm of attorneys) retained by the issuer to give a legal opinion that the issuer is authorized to issue proposed securities, the issuer has met all legal requirements necessary for issuance, and interest on the proposed securities will be exempt from federal income taxation and, where applicable, from state and local taxation.

Bond Sizing – The determination of what structure and size a bond issuance should be sold at. This includes determining how many maturities to sell, for what price, and what coupon (interest) rates to use for a specific bond issuance.

Callable Bonds – A callable bond means that the issuer and the purchasers have agreed that, at some specified future date(s) prior to maturity, the issuer can “call” the bonds by paying the principal amount. Most bond issues are set up so that bonds maturing in the earliest years are not callable, while bonds maturing in later years are callable.

Cost of Issuance – The expenses associated with the sale of a new issue of municipal securities, including such items as printing, legal and rating agency fees, underwriters’ discount and others.

Current Refunding - The refinancing of outstanding bonds by the issuance of a new issue of bonds prior to the date on which the outstanding bonds become due or are callable. A current refunding is one in which the outstanding (refunded) bonds are redeemed within 90 days of their call date. New bonds are issued and the proceeds of the new issue are used to pay off the refunded bonds.

Debt Service – Payment required of a municipality for interest on and retirement of principal amount on a bond issue. The amount of money necessary to pay interest on an outstanding debt, the principal of maturing serial bonds and the required contributions to a sinking fund for term bonds. Debt service on bonds may be calculated on a calendar year, fiscal year, or bond fiscal year basis.

Declaration of Intent to Reimburse – The Internal Revenue Service states that the proceeds of bonds may be allocated to a prior capital expenditure for a period of time after the expenditure is made, but only if a formal declaration of intention to reimburse the expenditure with the proceeds of a borrowing (a “declaration of official intent”) had been properly made within sixty (60) days after the date the expenditure was paid.

Defeasance - A defeasance relates to methods by which an outstanding bond issue can be made void, both legally and financially. A defeasance is generally the outcome of a refunding transaction, but can also be accomplished with cash rather than the issuance of any bonds.

Discount Bonds – A discount bond sells below its issuance price. (i.e., A bond issued with a $1,000 par value that sells at $900.)

Escrow Fund – A fund that contains monies held in escrow that can only be used to pay debt service, generally under the terms and conditions of an escrow deposit agreement.

Fiscal Agent – Also known as the Paying Agent, the bank, designated by the issuer, to pay interest and principal to the bondholders.

Interest – The amount paid by a borrower as compensation for the use of borrowed money. This amount is generally an annual percentage of the principal amount.

Interagency Agreement – An agreement between the Department of Administrative Services and the Project Agency receiving bond funding. The agreement provides guidance related to the bond funding as well as roles and responsibilities for DAS and the Agency.

Grant Agreement – An agreement between the Agency receiving bond funding and the Grantee. The agreement provides guidance related to the bond funding as well as roles and responsibilities for the Agency and Grantee.

Grantee – The recipient receiving bond funding from the Agency.

Municipal bond - A debt security issued by a municipality such as the State of Oregon to finance its capital expenditures, such as constructing or renovating buildings, building technology systems, and other infrastructure-related projects. In the United States, interest income received by holders of municipal bonds is often excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code and is usually exempt from state income tax for those filing taxes in Oregon.

Official Statement (OS) – Statement prepared by the issuer to inform the public about the security of a particular issuance. A document published by the issuer which generally discloses material information on a new issue of municipal securities including the purposes of the issue, how the securities will be repaid, and the financial and economic characteristics of the borrower.

Par – The face value of a bond.

Premium Bonds - A premium bond sells above its issuance price. (i.e., A bond issued with a $1,000 par value that sells at $1,100.)

Principal – The face amount of a bond not including interest.

Private Business Use - Private business use means, the use of a portion or all of the bond-financed project by a private person if such use is other than as a member of the general public. Private business use can include ownership of the property by the private person as well as other arrangements that transfer to the private person the actual or beneficial use of the property (such as a lease, management contract, etc.) in such a manner as to set the private person apart from the general public.

Private Person - Any person or entity other than a state or local governmental unit or an individual not acting in a trade or business, including the federal government, a for-profit or non-profit organization, and individuals who are acting in a trade or business capacity.

Refunded Bonds – A procedure whereby an issuer refinances an outstanding bond issue by issuing new bonds. There are generally two major reasons for refunding: to reduce the issuer's interest costs or to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced. The proceeds of the new bonds are either deposited in escrow to pay the debt service on the outstanding obligations, when due, or they are used to immediately retire the outstanding obligations. The new obligations are referred to as the "refunding bonds" and the outstanding obligations being refinanced are referred to as the "refunded bonds".

Refunding Bonds – A procedure whereby an issuer refinances an outstanding bond issue by issuing new bonds. There are generally two major reasons for refunding: to reduce the issuer's interest costs or to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced. The proceeds of the new bonds are either deposited in escrow to pay the debt service on the outstanding obligations, when due, or they are used to immediately retire the outstanding obligations. The new obligations are referred to as the "refunding bonds" and the outstanding obligations being refinanced are referred to as the "refunded bonds".

Related Party Costs – Costs that get paid from one entity to another entity when the entities are considered "related parties" as defined in federal regulations, except to the extent that those costs represent pass-through out-of-pocket payments to unrelated parties, such as a payment to a contractor passed through from one agency to another, as addressed in US Code of Federal Regulations, Title 26, Chapter 1, Part 1, Section 1.148-6 (d)(3)(iii)(7).