

- I. DESIGNATION OF RESPONSIBLE MANAGER
 - A. The Director of Business Services is designated to oversee compliance with Policy 731, Post-Issuance Debt Compliance and the state and federal laws relevant to that policy.
 - B. The Director of Business Services may seek the advice, as necessary, of bond counsel or a financial advisor to ensure compliance with this Policy 731 and applicable state and federal laws and may expend funds as needed to attend training or secure publications and compliance assistance.

- II. DUTIES OF DIRECTOR OF BUSINESS SERVICES
 - A. The Director of Business Services will establish written procedures and guidelines for compliance with Policy 731 including but not limited to procedures and guidelines for:
 - a. General Recordkeeping;
 - b. Arbitrage Yield Restriction and Rebate-Recordkeeping;
 - c. Assembly and Retention of Expenditure and Asset Documentation;
 - d. Monitoring Obligation-Financed Facilities that could trigger private activity concerns through
 - i. An annual review of the books and records maintained by the school district with respect to such obligations;
 - ii. An annual physical inspection of the facilities financed with the proceeds of such obligations; and
 - iii. Proper documentation of any changes to the project including necessary certificates or opinions.
 - e. Any Additional Undertakings and Activities that support II.A.a.-d. above (“Specific Duties”).
 - B. The Director of Business Services will take measures to comply with any future requirements issued beyond the date of these Post-Issuance Debt Compliance Procedures that are essential to ensuring compliance with the applicable state and federal regulations.
 - C. The Director of Business Services will determine if any issuance of debt is subject to this policy.
 - D. The Director of Business Services will ensure training and educational resources for staff members with responsibility for post-issuance compliance requirements.

III. DEFINITIONS

A. General Recordkeeping includes:

- a. Retention of records and documents for the obligation and all obligations issued to refund the obligation for a period of at least seven years following the final payment of the obligation unless otherwise directed by the school district's bond counsel;
- b. Retention of both paper and electronic versions of records and documents for the obligation; and
- c. Assembly and retention of records including:
 - i. Description of the purpose of the obligation (referred to as the project) and the state statute authorizing the project
 - ii. Record of tax-exempt status or revocation of tax-exempt status, if applicable;
 - iii. Any correspondence between the school district and the IRS;
 - iv. Audited financial statements;
 - v. Bond transcripts, official statements and other offering documents of the obligation;
 - vi. Minutes and resolutions authorizing the issuance of the obligation;
 - vii. Certifications of the issue price of the obligation;
 - viii. Any formal elections for the obligation (*i.e.* election to employ an accounting methodology other than the specific tracing method);
 - ix. Appraisals, demand surveys, or feasibility studies of property financed by the obligation;
 - x. Documents related to governmental grants, associated with construction, renovation, or purchase of property financed with the obligation; and
 - xi. Reports of any prior IRS examinations of the school district or the school district's obligation.

B. Arbitrage Yield Restriction and Rebate Recordkeeping includes:

- a. An accounting of all deposits, expenditures, interest income and asset balances associated with each fund established in connection with the obligation, including an accounting of all monies deposited to the Debt Service Account to make debt service payments on the obligation, regardless of the source derived;
- b. Statements prepared by Trustee or Investment Provider;

- c. Documentation of at least quarterly allocations of investments and investment earnings to each obligation (*i.e.* uncommingling analysis)
- d. Documentation for investments made with obligation proceeds such as
 - i. Investment contracts (*i.e.* guaranteed investment contracts);
 - ii. Credit enhancement transactions (*i.e.* bond insurance contracts);
 - iii. Financial derivatives (swaps, caps, *etc.*);
 - iv. Bidding of financial products;
- e. Computations of the arbitrage yield;
- f. Computations of yield restriction and rebate amounts including but not limited to:
 - i. Compliance in meeting the “Temporary Period from Yield Restriction Exception” and limiting the investment of funds after the temporary period expires;
 - ii. Compliance in meeting the “Rebate Exception”:
 - 1. Qualifying for the “Small Issuer Exception”
 - 2. Qualifying for a “Spending Exception”
 - a. Six Month Spending Exception
 - b. 18 Month Spending Exception
 - c. 24 Month Spending Exception
 - 3. Qualifying for the “Bona Fide Debt Service Fund Exception”
 - 4. Quantifying arbitrage on all funds established in connection with the obligation in lieu of satisfying arbitrage exceptions (including Reserve Funds and Debt Service Funds)
- g. Computations of yield restriction and rebate payments;
- h. Timely Tax Form 8038-T filing, if applicable, remit any arbitrage liability associated with the obligation to the IRS at each five year anniversary date of the obligation, and the date in which the obligation is no longer outstanding (redemption or maturity date), whichever comes sooner, within 60 days of said date;
- i. Timely Tax Form 8038-R filing, if applicable;
- j. Procedures or guidelines for monitoring instances where compliance with applicable yield restriction requirements depends on subsequent reinvestment of obligation proceeds in lower yielding investments (for example: reinvestment in zero coupon SLGS).

- C. Assembly and Retention of Expenditure and Asset Documentation includes:
- a. Documentation of allocations of obligation proceeds to expenditures (i.e. allocation of proceeds to expenditures for the construction, renovation or purchase of facilities owned and used in the performance of exempt purposes), such allocation to be done not later than the earlier of:
 - i. Eighteen (18) months after the later of the date the expenditure is paid, or the date the project, if any, that is financed by the tax-exempt bond issue is placed in service, or
 - ii. The date sixty (60) days after the earlier of the fifth anniversary of the issue date of the tax-exempt bond issue, or the date sixty (60) days after the retirement of the tax-exempt bond issue.
 - b. Documentation of allocations of obligation proceeds to issuance costs;
 - c. Copies of requisitions, draw schedules, draw requests, invoices, bills and cancelled checks related to obligation proceed expenditures during the construction period;
 - d. Copies of all contracts entered into for the construction, renovation or purchase of facilities financed with obligation proceeds;
 - e. Records of expenditure reimbursements incurred prior to issuing bonds for facilities financed with obligation proceeds (Declaration of Official Intent/Reimbursement Resolutions including all modifications);
 - f. List of all facilities and equipment financed with obligation proceeds.
 - g. Depreciation schedules for depreciable property financed with obligation proceeds;
 - h. Documentation that tacks the purchase and sale of assets financed with obligation proceeds;
 - i. Documentation of timely payment of principal and interest payments on the obligation
 - j. Tracking of all issue proceeds and the transfer of proceeds into the debt service fund as appropriate; and
 - k. Documentation that excess earnings from a Reserve Fund is transferred to the Debt Service Fund on an annual basis (excess earnings are balances in a Reserve Fund that exceed the Reserve Fund requirement).
- D. Monitoring obligation-financed facilities that could trigger private activity concerns includes:
- a. Monitoring the use of all obligation-financed facilities in order to determine whether private business uses of obligation-financed facilities have

exceeded the *de minimus* limits set in Section 141(b) of the Code as a result of sale of the facilities (including easements or use arrangements for areas outside the four walls, e.g. hosting cell phone towers), leasehold improvement contracts, licenses, management contracts (in which the school district authorizes a third party to operate a facility such as a cafeteria), research contracts, preference arrangements (in which the school district permits a third party preference, such as parking in a public parking lot), joint ventures, limited liability companies or partnership arrangements, output contracts or other contracts for use of utility facilities (including contracts with large utility users), development agreements which provide for guaranteed payments or property values from a developer, grants, or loans made to private entities (including special assessment agreements), naming rights agreements, or other arrangements that provide special legal entitlements to nongovernmental persons; and

- b. Determining whether private security or payments that exceed the *de minimus* limits set forth in Section 141(b) of the Code have been provided by nongovernmental persons with respect to such obligation-financed facilities.
- E. Additional Undertakings and Activities that Support Specific Duties includes:
- a. Notification and consultation with the school district’s bond counsel, financial advisor and arbitrage provider
 - i. Before responding to any IRS inquiries; and
 - ii. Before engaging in post-issuance credit enhancement transactions (*i.e.* bond insurance, letter of credit, or hedging transactions (*i.e.* interest rate swap, cap).
 - b. Monitoring all “qualified tax-exempt debt obligations” within the first calendar year to determine if the limit is exceeded, and if exceeded, address appropriately.
 - c. Compliance with Continuing Disclosure Requirements
 - i. If applicable, the timely filing of annual information agreed to in the Continuing Disclosure Certificate; and
 - ii. Notice of any Material Event.
 - d. Identifying any post-issuance change to terms of bonds that could be treated as a current refunding of “old” bonds by “new” bonds, often referred to as “reissuance.”

PROCEDURE 731 – POST-ISSUANCE DEBT COMPLIANCE PROCEDURES

- e. Consultation with the school district’s bond counsel prior to any sale, transfer, change in use or change in users of obligation-financed property that may require “remedial action” under applicable Treasury Regulations or resolution pursuant to the VCAP Program.
- f. Preparation and timely filing of the appropriate tax form for federal subsidy payments for applicable obligations (*i.e.* Build America Bonds).

Policy Adopted: 11/17/13

School Board
INDEPENDENT SCHOOL DISTRICT 279
Maple Grove, Minnesota