

RESOLUTION NO. 2231

**A RESOLUTION OF THE GOLDEN CITY COUNCIL
ADOPTING A POST ISSUANCE COMPLIANCE POLICY AND
PROCEDURE MANUAL**

WHEREAS, the Internal Revenue Code of 1986, as amended, and Treasury Regulations have established requirements concerning tax-exempt and tax-advantaged debt obligations; and

WHEREAS, the City of Golden is subject to these requirements as an issuer of tax-exempt obligations; and

WHEREAS, one of the requirements is that the City shall have a formal policy regarding compliance with post issuance arbitrage, yield restrictions and rebate requirements; and

WHEREAS, the City's financial advisor, bond counsel, and arbitrage consultants have reviewed the policies and procedures prepared by City staff and recommend formal adoption.

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GOLDEN, COLORADO:

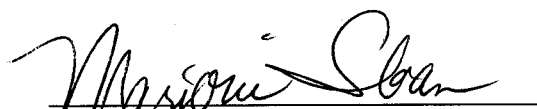
The attached Post Issuance Compliance Policy and Procedure Manual is hereby approved.

Adopted the 6th day of December, 2012.



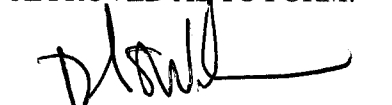


Susan M. Brooks, MMC
City Clerk



Marjorie Sloan
Mayor

APPROVED AS TO FORM:



David S. Williamson
City Attorney


Resolution No. 2231

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I, Susan M. Brooks, City Clerk of the City of Golden, Colorado, do hereby certify that the foregoing is a true copy of a certain Resolution adopted by the City Council of the City of Golden, Colorado at a rescheduled regular business meeting thereof held on the 6th day of December, A.D. 2012.



ATTEST:


Susan M. Brooks, City Clerk of the City of
Golden, Colorado

CITY OF GOLDEN
Post Issuance Compliance Policy and Procedure Manual
Effective December 2012

PURPOSE:

The purpose of this post-issuance compliance policy and procedure manual (this "Policy and Procedure Manual") is to adopt policies and procedures to guide the City of Golden, Colorado (the "City") in meeting the requirements of the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder (collectively, the "Tax Code") concerning tax-exempt and tax-advantaged obligations (including bonds, certificates, notes, leases or other similar arrangements) issued or executed and delivered by the City from time to time ("obligations"). Non-compliance with the Tax Code may result in loss of the preferential status of the obligations.

COMPLIANCE OFFICER:

The City's Finance Director shall serve as the compliance officer of the City (the "Compliance Officer") and shall be primarily responsible for ensuring that the City successfully carries out its post-issuance compliance requirements under applicable provisions of the Tax Code with regard to all obligations of the City. The Compliance Officer shall be assisted by other City staff and officials when appropriate. The Compliance Officer will also be assisted in carrying out post-issuance compliance requirements by contracted entities including bond counsel, financial advisors, paying agents, trustees, arbitrage consultant and/or other consultants deemed necessary.

The Compliance Officer shall be responsible for assigning post-issuance compliance responsibilities to other City staff, bond counsel, a financial advisor, a paying agent, a trustee or an arbitrage consultant. The Compliance Officer shall utilize such other professional service organizations as are necessary to ensure compliance with the post-issuance compliance requirements of the City.

I. GENERAL OVERVIEW OF ARBITRAGE, YIELD RESTRICTION AND REBATE REQUIREMENTS

A. Overview

The purpose of this section is to introduce the concept of arbitrage and its requirements. There are exceptions to many of the arbitrage rules. Advice from the City's arbitrage consultant and/or bond counsel is strongly recommended before any action is taken.

B. Definition

Arbitrage is the price differential, or profit made, from investing inherently lower yielding obligation proceeds in higher yielding taxable investments. **In other words, arbitrage** is the difference between the yield on the City's obligation and the investment income earned on the proceeds of the obligation invested in taxable instruments. **Arbitrage rebate** refers to the positive or negative amount that must be paid (rebated) to the federal government.

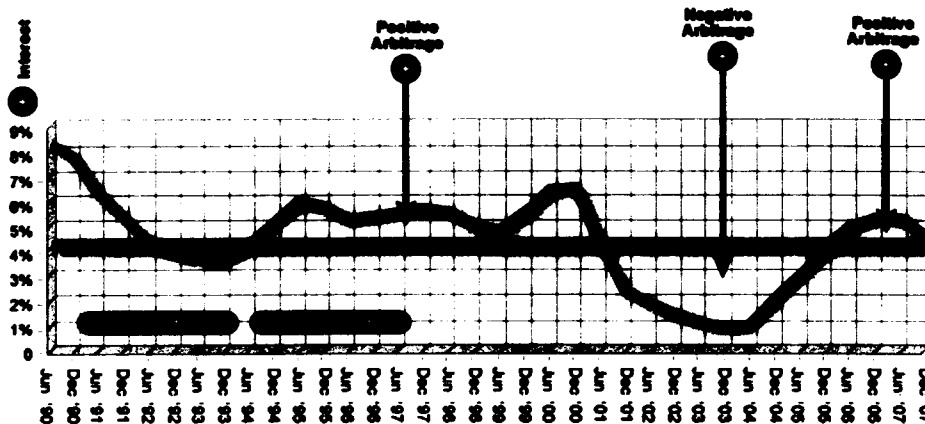
<i>Debt Yield</i>	<i>Overall Investment Yield for Gross Proceeds</i>	<i>Result</i>
4.0%	5.0%	<i>Positive Arbitrage</i>
5.0%	5.0%	<i>No Arbitrage</i>
6.0%	5.0%	<i>Negative Arbitrage</i>

C. Areas of arbitrage compliance that must be addressed:

1. The arbitrage rebate requirements identify what must be done with any arbitrage (profits or earnings) above the obligation’s yield earned on the investment of the gross proceeds of the obligation. Arbitrage on gross proceeds must be rebated to the federal government every five years after the date of original issuance or execution and delivery (or earlier if elected) through and including the final maturity or termination of the obligation (“filing date”).

What is Arbitrage Rebate?

Investment Pool Historical Rates

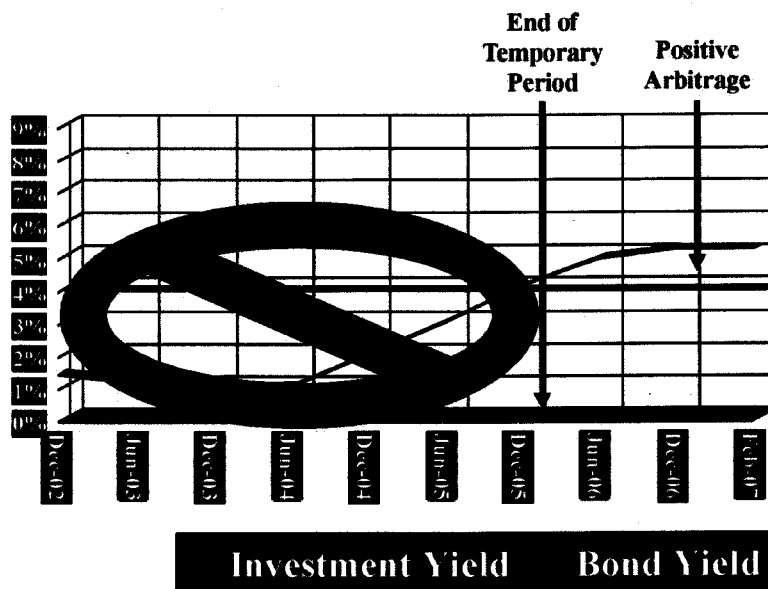


2. The yield restriction requirements of the Tax Code set forth various investment yield limitation conditions for different categories of gross proceeds from an obligation (e.g., construction, refunding escrow, debt service and reserve funds). The City should meet these various yield restriction conditions to avoid compromising the tax-exempt or tax-advantaged status of the obligation. Since the yield restriction requirements are specific to each obligation, the Compliance Officer should consult with

an arbitrage consultant and/or bond counsel to determine the specific yield restriction requirements for each issue of obligations.

Construction Fund Yield Restriction: The most common yield restriction constraint for an entity such as the City is related to construction funds. Generally, if there are unexpended project/construction proceeds at the end of the initial 3-year temporary period in excess of the **minor portion** (the lesser of \$100,000 or 5% of the sale proceeds of the obligation), the City may no longer invest the remaining proceeds above the **materially higher yield** (obligation yield + .125%) without taking corrective actions to remedy interest earnings above the materially higher yield. The City must yield restrict the proceeds below the materially higher yield, or a yield reduction payment report will be required. Any yield reduction payment under the yield restriction requirements must be paid per the same deadlines as the arbitrage rebate requirements: every five years after the date of original issuance or execution and delivery (or earlier if elected) through and including the final maturity or termination of the obligation.

What is Yield Restriction?



D. Purpose of the Tax Code regarding arbitrage:

The Tax Code was put into place to minimize the benefits of investing tax-exempt or tax-advantaged obligation proceeds, thus encouraging expenditures for the governmental purpose of the obligation and to remove the incentive to:

1. Issue or execute and deliver obligations earlier than needed;
2. Leave obligations outstanding longer than necessary; and/or
3. Issue or execute and delivery more obligations than necessary for a governmental purpose.

E. Type of obligations and funds subject to arbitrage compliance:

1. The following types of obligations are subject to arbitrage compliance as of the date indicated:

- a. Single Family Obligations 09/25/1979
- b. Private Activity Obligations 12/31/1984
- c. Student Loan Obligations 12/31/1985
- d. Governmental Obligations 08/31/1986

2. The following funds and proceeds of an obligation are defined as **Gross Proceeds** of an obligation:

- a. Project funds
- b. Debt service funds
- c. Base rental or rental payment funds
- d. Costs of issuance or execution and delivery funds
- e. Refunding escrow funds
- f. Reserve funds
- g. Disposition proceeds
- h. Replacement proceeds (other than debt service or base rental funds)
- i. Transferred proceeds (if an old obligation has been refunded by a new obligation and the old obligation has unspent funds, such funds may transfer to the new obligation)

Note of Concern: An often misunderstood concept is that monies received upon closing of an obligation are the only monies subject to arbitrage rebate. One of the most common funds found to be subject to arbitrage rebate that is not funded from obligation proceeds is the debt service fund (sometimes referred to as a base rentals or rental payments fund in lease transactions). The debt service fund receives a majority of its funding from tax or use revenues. The debt service fund is required to be included in the arbitrage rebate calculation unless the fund balance is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of:

- a. The earnings on the fund for the immediate preceding bond year; or
- b. One-twelfth of the principal and interest payments on the obligation or the immediately preceding bond year.

F. Exceptions to the rebate requirements:

The Tax Code sets forth general arbitrage and rebate requirements for obligations. The general rule is that any arbitrage earned must be determined and reported to the federal government every fifth anniversary date after the date of original issuance or execution and delivery of the obligation and on the final maturity or termination of the obligation, or as elected. Arbitrage rebate is essentially 100% of investment earnings in excess of the obligation's yield. There are several exceptions to the arbitrage and rebate requirements, and if any one of these exceptions are met, all or a portion of the obligation's proceeds are not subject to the arbitrage and rebate requirements. The Compliance Officer should consult with the City's arbitrage consultant and/or bond counsel to determine if the obligation is eligible for a

particular exception, to establish the appropriate investment plan for the obligation proceeds, and to assess whether the exception requirements were met.

The purpose of this section is to introduce the concept of spending exceptions and their requirements. There may be special elections and circumstances for an obligation that can affect how the exceptions are tested. Advice from the City's arbitrage consultant and/or bond counsel is strongly recommended before any action is taken. Below are descriptions of the various exceptions:

1. **6-month spending exception:** If all gross proceeds and actual interest earnings are spent within 6-months after original issuance or execution and delivery, the interest earned during that period is not subject to the rebate requirements. Intermediate expenditure requirements are necessary (95% by 6 months and 100% within 12 months).

If there are unspent proceeds remaining at the end of the 6-month period, the City may still qualify for the spending exception if the remaining amount is 5% or less and is spent within 6 months from the end of the 6-month spending date.

2. **18-month spending exception:** If an obligation *does not* qualify as a construction issuance (75% of the obligation actually spent on construction) then the obligation is eligible for the 18-month spending exception, but *not* the 2-year spending exception. If all gross proceeds and expected interest earnings for the 6-month and 12-month period and actual interest for the 18-month period is spent within 18-months according to a strict timetable, the interest earned during that period is not subject to the rebate requirements. Intermediate expenditure requirements are necessary (15% by 6 months, 60% by 12 months, 100% by 18 months).

If there are unspent proceeds remaining at the end of the 18-month period, the City may still qualify for the spending exception under the following conditions:

a. A reasonable retainage amount of 5% or less is allowed for business purposes and the retainage is spent within 12 months from the end of the 18-month spending date;
or

b. If the remaining amount does not exceed the lesser of \$250,000 or 3% of the issue price and due diligence is exercised to complete the project and spend the remaining project/construction proceeds.

3. **2-year spending exception:** If an obligation qualifies as a construction issuance (75% of the obligation is actually spent on construction) and all gross proceeds and expected interest earnings for the 6-month, 12-month, and 18-month period and actual interest for the 24-month period are spent within 2 years according to a strict timetable, then interest earned during that period is not subject to the rebate requirements. Intermediate expenditure requirements are necessary (10% by 6 months, 45% by 12 months, 75% by 18 months and 100% by 2 years).

If there are unspent project/construction proceeds remaining at the end of the 2-year period, the City may still qualify for the spending exception under the following conditions:

a. A reasonable retainage amount of 5% or less is allowed for business purposes and the retainage is spent within 12 months from the end of the 2-year spending date; **or**

b. If the remaining amount does not exceed the lesser of \$250,000 or 3% of the issue price and due diligence is exercised to complete the project and spend the remaining project/construction proceeds.

4. **Small issuer exception:** If the City reasonably expects to issue \$5,000,000 or less in tax-exempt or tax-advantaged obligations during a calendar year (cumulative for all obligations), the City may be able to qualify for the small issuer exception to the rebate requirements, *but must still satisfy the yield restriction requirements*. The small issuer exception applies only to "governmental bonds" – not to private activity bonds.

- a. General requirements:
 - i. The City must have general taxing powers;
 - ii. The obligations must be governmental obligations;
 - iii. At least 95% of the proceeds must be used for local governmental activities of the City or by governmental units located within the City's boundaries; and
 - iv. All tax-exempt or tax-advantaged obligations issued or executed and delivered in the calendar year cannot exceed \$5,000,000.
- b. Additional requirements for refunding obligations:
 - i. The obligations being refunded (the "old obligations") must have qualified for the small issuer exception;
 - ii. The aggregate face amount of the refunding obligations (the "new obligations") does not exceed \$5,000,000;
 - ii. The weighted average maturity of the new obligations must not exceed the weighted average maturity of the old obligations (new obligations that "current refund" old obligations and that have a three year or less weighted average maturity are exempt from this weighted average maturity test); and
 - iii. The new obligations must not mature more than 30 years after the issuance or execution and delivery of the old obligations.

Note – Historically, 1/3 of new obligations will fail one of the three rules listed above and become subject to the rebate requirements.

II. DUE DILIGENCE REVIEW AT REGULAR INTERVALS

The City shall complete the annual due diligence reviews every January on all outstanding obligations in order to ensure that each issue of obligations is compliance with the requirements of the Tax Code.

III. IDENTIFYING THE COMPLIANCE OFFICER RESPONSIBLE FOR REVIEW

The City's finance department (the "Finance Department") is primarily responsible for the administration of the matters set forth in this Policy and Procedure Manual. Within the Finance Department, the Compliance Officer will be responsible for the due diligence review. The due diligence review will apply to all obligations.

IV. TRAINING OF COMPLIANCE OFFICER

The Compliance Officer shall (or shall continue to) take all necessary steps to maintain an adequate understanding of post-issuance compliance requirements relating to the obligations which he or she will review. These steps include, but are not limited to:

- A. Attending training offered by the Government Finance Officers Association (GFOA), the Colorado Government Finance Officers Association (CGFOA) or other qualified organizations; and
- B. Consultation with bond counsel, financial advisors, arbitrage consultants and/or other consultants as the Compliance Officer deems necessary.

V. RETENTION OF ADEQUATE RECORDS TO SUBSTANTIATE COMPLIANCE

A. General overview

1. **Obligations not refunded:** Currently the record retention requirements of the Internal Revenue Service ("IRS") are to keep all records, data and documents associated with non-refunded obligations for three years past the final maturity date for the obligation (or longer if required by local or state law or by the transaction documents relating to the obligation).

2. **Refunded obligations:** Since the refunding obligation (new obligation) is dependent on the tax-exempt or tax-advantaged status of the refunded obligation (old obligation), all records are required to be maintained for three years past the final maturity of both obligations (or longer if required by local or state law or by the transaction documents relating to the obligation).

3. **Electronic data storage requirements:** Electronic records may be stored in an electronic format in lieu of hard copies if certain requirements are satisfied, for example:

a. The system must ensure an accurate and complete transfer of the hard copy books and records to the electronic storage system and contain a retrieval system that indexes, stores, preserves, retrieves and reproduces all transferred information.

b. The system must include reasonable controls and quality assurance programs.

c. The information maintained in the system must be cross-referenced with the books and records in a manner that provides an audit trail to the source documents.

d. Upon request by the IRS, a complete description of the electronic storage system, including all procedures relating to its use and the indexing system must be provided.

e. Upon request by the IRS, the City must retrieve and reproduce hard copies of all electronically stored records.

f. The system must not be subject to any agreement that would limit the IRS' access to the use of the system.

B. Electronic file storage and backup: Financial/accounting transactions will be retained in a designated computer file folder labeled as P: finance\accounting\escrow, grants, debt and will be backed up by IT Department. Access to this folder will be restricted as authorized by the Compliance Officer.

C. Storage of hard copies: A folder jacket, box or other media storage container displaying the obligation description will be set up for each obligation. The storage container will contain the documents mentioned in Section E below. Access will be restricted to persons authorized by the Compliance Officer.

D. Destruction of records: A log will be kept of all obligations whose records are destroyed after the IRS mandated retention period detailing the obligation description, allowable destruction date, date records were destroyed, the Compliance Officer's signature authorizing the record destruction, and witness signature. Access to this information will be restricted as authorized by the Compliance Officer and stored at City Hall, 911 10th Street, Golden, Colorado 80401.

E. Required information to be stored for each obligation

1. **Documents:** Bond counsel shall send a transcript of transaction documents for the obligation to the Compliance Officer. If a transcript was not compiled, then copies of the following documents will be forwarded or made available to the Compliance Officer's office:

a. Bond Counsel Opinion

b. Final Official Statement or Private Placement Memorandum

c. Insurance Documents

d. Council Certificate for Ordinance

e. Copy of Ordinance Authorizing Obligation

f. IRS Form 8038-G, Form 8038-GC, Form 8038, Form 8308-TC or Form 8038-B

- g. CPA Verification Report (for refunding obligations only)
 - h. Non-Arbitrage Tax Certificate or similar document
 - i. All Debt Service or Base Rentals Schedules not included in the Official Statement
 - j. Letter of Credit Agreement (generally for variable rate obligations only)
 - k. Swap Agreement (generally for variable rate obligations only)
 - l. Winning Bid Forms
 - m. Trust Indenture
 - n. Investment Banker's Closing Memorandum
 - o. Investment Banker's Notice of Delivery Memorandum
 - p. Investment Banker's Sources and Uses of Funds Memorandum
2. **Reports completed after issuance or execution and delivery**
- a. Rebate calculation reports
 - b. Yield restriction reports
 - c. Spending exception reports
 - d. Penalty in lieu of rebate reports
 - e. CPA verification report for restructuring of escrow
 - f. Payment documentation to include:
 - i. Form 8038-T
 - ii. Cancelled check
 - iii. Proof of mailing
 - g. Refund claims
 - h. Other reports related to the Obligation
3. **Correspondence**
- a. Bond Counsel
 - b. Board Meetings
 - c. Financial Advisor
 - d. Arbitrage Consultant
 - e. Underwriter
 - f. Investment Firms
 - g. Other correspondence concerning any other aspect of the obligation to include but not limited to expenditures, investments, allowable projects, etc.
4. **Investment activity:** Trust statements (or equivalent) with detailed investment activity for the entire computation period for each fund/account in which gross proceeds of the obligation were held. Investment information must be recorded on a daily transactional level. This information is required to compute the yield on the investments and to comply with archive requirements. Investment activity details should include such items as:
- a. General ledgers
 - b. Subsidiary ledgers
 - c. Investment statements (state pools, bank statements, etc.)
 - d. Type of investment
 - e. Date of purchase and purchase price
 - f. Interest rate
 - g. Interest payment amounts
 - h. Maturity date
 - i. Interest payment dates
 - j. Interest calculation methodology
 - k. Date of sale and sales price
 - l. Investment contract information to include:

- i. Evidence of the purchase price paid for investment contract
- ii. Detailed documentation of the investment contract bid process
- iii. Certification by the investment contract provider of fees paid for contract
- iv. All bid solicitation forms (3 bid minimum)
- v. Administrative costs

5. **Expenditure information:** The Finance Department will capture expenditure information. The following expenditure information must be captured and stored in accordance with the above mentioned record retention requirements to include:

- a. Description of expenditure
- b. Date of expenditure
- c. Amount of expenditure
- d. Invoices
- e. Proof of payment (canceled check, wire information, etc.)

6. **Initial letter of credit information to include:**

- a. Payment amounts
- b. Date of payment
- c. Terms

7. **Actual letter of credit information to include:**

- a. Actual amount paid
- b. Actual date payment is made
- c. Invoices
- d. Statements

8. **Initial swap/hedge agreement information to include:**

- a. Payment amounts
- b. Date of payment
- c. Terms

9. **Final swap/hedge agreement information to include:**

- a. Actual date payment is made
- b. Actual amount paid
- c. Invoices
- d. Statements

10. **Allocation of gross proceeds to expenditures:** Any allocation of gross proceeds to expenditures must involve a current outlay of cash for the governmental purpose of the obligation. A current outlay of cash is an outlay reasonably expected to occur within five banking days after the date of an allocation. If expenditure is paid by check, the outlay is the date the check is mailed, provided that it is expected to be cashed in five days.

a. **Allocation:** Reasonable allocation methods for allocating funds from different sources to expenditures for the **same** governmental purpose include any of the following methods if consistently applied:

i. The first in, first out (FIFO) method permits the City to put the proceeds of more than one obligation into a single account (commingle) and treat all expenditures as coming from proceeds of the first obligation until they are fully spent.

ii. The gross proceeds spent first method is used where available funds include, tax revenues, private contributions, etc., in addition to obligation proceeds. The obligation proceeds are treated as spent first.

iii. The specific tracing method permits the City to keep proceeds from different obligations in separate accounts. Costs may be charged to any obligation/checking account at the City's discretion.

iv. The ratable allocation method permits the City to place proceeds of more than one obligation into a single account (commingle) and treat expenditures as coming from proceeds of each obligation that contributed proceeds to that account. The expenditures are allocated to each obligation ratably based on each obligation's proportion of ownership of the account.

b. **Timing:** The City must account for the allocation of proceeds to expenditures not more than 18 months after the later of: the date the expenditure is paid or the date the project, if any, that is financed by the obligation is placed in service. This allocation must be made in any event by the date 60 days after the fifth anniversary of the original issuance or execution and delivery date or the date 60 days after the retirement of the obligation, if earlier. This paragraph applies to obligations originally issued or executed and delivered on or after May 16, 1997.

11. Allocation of investments in a commingled fund: The Tax Code requires that all payments and receipts on investments held in a commingled fund must be allocated to the different sources/investments in the fund not less frequently than the close of a consistently used fiscal period (not in excess of three months); this allocation must be based on a consistently applied, reasonable ratable allocation. Treasury Reg. § 1.148-6(e). Currently, the City allocates all payments and receipts on a monthly basis.

12. Qualified use of proceeds, financed property, private business use: The qualified use of proceeds, property financed, and private business use limitations by the obligation should be identified and continually monitored to ensure compliance with the limitations as defined in the obligation documents or if more restrictive, state law or the Tax Code's limitations. Supporting documentation is required to support qualified use of proceeds, property financed, and private business use. The Compliance Officer will ensure such limitations are in compliance with obligation documents or if more restrictive, state law or the Tax Code's limitations.

13. Issue price and volume cap allocation: The issue price and volume cap allocation activity limitations, if applicable to a particular obligation, should be identified and monitored to ensure compliance with the limitations as defined in the obligation documents or if more restrictive, state law or the Tax Code's limitations. Supporting documentation is required for issue price determination and volume cap allocation limitations of the obligation. The Compliance Officer will ensure such limitations are in compliance with the obligation documents or if more restrictive, state law or the Tax Code's limitations.

14. Fair market value of investments: The City shall maintain and provide information to support that the investments were purchased or sold at a fair value. The City may not purchase an investment at a price in excess of fair market value with gross proceeds of the obligation. Nor may the City sell an investment purchased with gross proceeds at a price lower than fair market value. Treasury Regulations § 1.148-6(c). In dealing with fair market value requirements, the Tax Code specifically provides three safe harbor categories of investments:

a. Securities traded on an established market from a willing seller in a bona fide arm's-length transaction.

b. Certificates of deposit purchased using a safe harbor under the applicable Tax Code section. The safe harbor is available only for certificates that have a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal.

c. Guaranteed investment contracts purchased used a three-bid safe harbor under the Tax Code.

15. Continuing disclosure: The City shall provide continuing disclosure, such as annual financial information and material event notices in accordance with SEC rule 15c2-12. The Compliance Officer is primarily responsible for undertaking such continuing disclosure obligations and to monitor compliance with such obligations.

VI. PROCEDURES TO IDENTIFY NON-COMPLIANCE

Included in the due diligence review is a list of items that are required to be verified for compliance. The due diligence procedure to be followed is attached as Appendix A.

VII. PROCEDURES TO CORRECT NON-COMPLIANCE

If it is determined that the requirements of this Policy and Procedure Manual have been violated or if it is determined that any Tax Code sections related to an obligation have been violated, the City shall take the appropriate action described under the applicable Tax Code section to remediate such non-compliance. Such action may include, but is not limited to the following steps:

- A. Notify Compliance Officer.
- B. Notify bond counsel, an arbitrage consultant and/or the City's financial advisors.
- C. Resolve non-compliance in a timely manner in order to reduce penalties and late interest. A 60-day resolution period is recommended.
- D. Take the appropriate remedial action as advised by bond counsel. Remedies may include, but are not limited to:
 1. Entering the Voluntary Closing Agreement Program (VCAP);
 2. Paying all past due arbitrage rebate or yield restriction liabilities to the IRS to include a letter of explanation for late payment, late interest and/or penalties; or
 3. Correcting non-compliance matter to ensure future compliance.

APPENDIX A
CITY OF GOLDEN
DUE DILIGENCE PROCEDURES

Date due diligence review completed: _____

Person(s)/Contractor(s) completing review:

Compliance Officer:	_____	_____	_____
	Name/Title	Signature/Date	Sections
Completed			
Bond Counsel:	_____	_____	_____
	Name/Title	Signature/Date	Sections
Completed			
Arbitrage Consultant:	_____	_____	_____
	Name/Title	Signature/Date	Sections
Completed			
Financial Advisor:	_____	_____	_____
	Name/Title	Signature/Date	Sections
Completed			
Trustee:	_____	_____	_____
	Name/Title	Signature/Date	Sections
Completed			
Other:	_____	_____	_____
	Name/Title	Signature/Date	Sections
Completed			
Other:	_____	_____	_____
	Name/Title	Signature/Date	Sections
Completed			
Other:	_____	_____	_____
	Name/Title	Signature/Date	Sections
Completed			
Results accepted by:	_____	_____	_____
	Name/Title	Signature	Date

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Date of next due diligence review: _____

The following pages contain items that are required to be verified for compliance. For all "no" responses, provide an explanation on Schedule A.

A. GENERAL OVERVIEW OF ARBITRAGE, YIELD RESTRICTION AND REBATE REQUIREMENTS	Yes/No	Responsibility
1. Debt Facts		
a. Has an obligation listing been prepared identifying all obligations issued or executed and delivered on and after August 31, 1986? Include the following facts: <ul style="list-style-type: none"> i. Obligation description ii. Date of issuance or execution and delivery iii. Maturity or termination date iv. Whether obligation is subject to arbitrage rebate v. Whether obligation is subject to project fund yield restriction 		
2. Obligations that are Subject to Arbitrage Rebate		
a. Have arbitrage reports been completed for each filing date?		
3. Obligations Subject to Project Fund Yield Restriction		
a. Have project proceeds been spent before the end of the temporary period for each obligation? If no, proceed with question 3.b. below.		
b. Have yield restriction calculations been completed for all filing dates until the project monies were spent below the minor portion? If no, provide the following information on Schedule A: <ul style="list-style-type: none"> i. End date of temporary period ii. Balance remaining on temporary period end date iii. Balance remaining as date of the review (if known) iv. Explanation of compliance measures taken 		

B. TRAINING OF COMPLIANCE OFFICER AND OTHER RESPONSIBLE PARTIES	
Provide the following information for training sessions attended since the last due diligence review.	
Name(s) of Attendees:	_____ _____
Name of Program:	_____
Program Provider's Organization:	_____
Date of Training:	_____
Hours of Training:	_____

C. RETENTION OF ADEQUATE RECORDS	Yes/No	Responsibility
1. Retention of Adequate Records in Adherence to the Policy and Procedure Manual		
b. Electronic data storage requirements met?		
c. Electronic file storage and backup requirements met?		
d. Storage of hard copy requirements met?		
e. Destruction of records requirements met?		
f. Document data storage requirements met?		
g. Report storage requirements met?		
h. Correspondence storage requirements met?		
2. Recording of Financial Transactions in Adherence to the Policy and Procedure Manual		
a. Investment activity recording requirements met?		
b. Expenditure activity recording requirements met?		
c. Allocation of gross proceeds to expenditure requirements met?		
d. Allocation of investments in commingled fund requirements met?		
3. Qualified Use of Proceeds, Financed Property, Private Business Use		
a. Have proceeds been properly spent on allowable uses?		
b. Has the financed property been used in accordance with the allowable uses including private business use limitations?		
4. Issue Price, Volume Cap Allocation and Private Activity		
a. Has the issue price been identified appropriately according to the requirements of the Tax Code and guidelines stated within the obligation documents?		
b. Have the volume cap allocation requirements been satisfied for applicable obligations as identified in the Tax Code and guidelines stated within the obligation documents?		
c. Have all qualified private activity obligations been identified appropriately according to the requirements of the Tax Code and guidelines stated within the obligation documents?		
5. Fair Market Value of Investments		
a. Have all investments purchased since the last due diligence review qualified under the safe harbor rules for purchasing investments at fair market value?		