

Department of Administrative Services, Capital Investment Section
 Arbitrage Compliance Procedures: Recordkeeping Requirements and Asset Valuation
 Updated: January 17, 2012

This document establishes the general operating procedures for recordkeeping requirements and asset valuation for bonds issued by the Capital Investment Section (CIS) on behalf of the State and its agencies. This guidance helps assure continuing compliance with Internal Revenue Code and GASB Statements as well as conformity with generally accepted accounting principles.

Responsible Party	Action	Time Frame
Bond Counsel	<p>Prepare Bond Transcripts including all required documents. Each transcript will come with a table of contents describing the legal documents for the sale. Provide to the issuers, normally CIS Staff and Treasury, the transcript in electronic form. Transcripts include, but are not limited to:</p> <ul style="list-style-type: none"> ➤ Trust Indentures (and supplemental) if applicable ➤ Official Statements, including Preliminary Official Statement (POS) ➤ Bond Purchase Agreements (negotiated sale) ➤ Schedule of bids received noting bidder and bond yield of each bidder (competitive sale) ➤ Continuing Disclosure Certificates ➤ Tax Certificates and Form 8038-G ➤ Underwriter Certificate, including Issuance Price ➤ Letter from Financial Advisor regarding fair pricing ➤ Legal authority for issuance/projects ➤ Transaction documents on investment of proceeds including such items as bid documents. 	Within 30 days of bond sale
State Agencies	Obtain appraisals when acquiring real property and submit to CIS Staff. Document that use of bond proceeds for acquisition price is commensurate with market value. Explain any significant variances between market and purchase price, and submit to CIS Staff.	Prior to bond sale
CIS Staff	Work with finance team to estimate issuance costs. Include Cost of Issuance (COI) in sizing of bond sale as necessary. Allocate COI between series as appropriate.	Prior to bond sale
State Agencies / CIS Staff	State Agencies will be directed in interagency agreements to retain all construction and purchase contracts for three years after final bond maturity for each series. CIS will retain copies of all interagency agreements and requests for	At time of sale

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	reimbursements in its permanent files.	
CIS Staff / State Agencies	CIS Staff provides budgeted cost of issuance expenditures to State Agencies. State Agencies record cost of issuance expenditures in accordance with generally accepted accounting principles and Oregon Accounting Manual. Retain supporting documentation for three years after final bond maturity for each series.	Post bond sale
Financial Advisor	Immediately subsequent to bond sale, track sales price data. Identify and discuss any market conditions that resulted in price changes. Document and report market condition changes to CIS and Treasury staff. Treasury staff will provide Oregon State Treasury policy 3.01.09A to Financial Advisor for additional compliance information on market conditions.	Two-week period post bond sale date
DAS Operations / State Agencies / Grantees	For COP and XI-Q bonds, DAS Operations will review agency reimbursement requests with accompanying documentation for adequacy and legal compliance as prescribed in Exhibit G of the Interagency Agreement. Reimbursement requests with documentation will be retained for three years after final bond maturity for each series. Documentation accompanying reimbursement requests should include detailed invoices, or payroll information for state-constructed assets to sufficiently demonstrate expenditures were necessary for the construction of asset(s). Include explanatory notes where appropriate describing how asset(s) qualifies as a capital expenditure under GAAP. Any agency or grantee requesting payroll expense reimbursement will document the process for capturing capital expenditures in the interagency agreement.	Ongoing
DAS Operations / State Agencies / Grantees	As part of its review and approval process and to comply with the tax-exempt status of the issue, DAS Operations will verify that the payment date costs for which reimbursement is being requested were either after or within 60 days before the bond closing. Or, if earlier: 1) Intent Resolution: a) the costs were authorized through an Intent Resolution; b) the costs were paid no earlier than 60 days before the date of the Intent Resolution; c) the costs are being reimbursed no later than the later of 18 months after i) the expenditure was paid; or	Ongoing

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	<ul style="list-style-type: none"> ii) the project to which the expenditure relates was placed in service; and d) the costs are not being reimbursed more than 3 years after the expenditure was paid; or <p>2) Preliminary Costs:</p> <ul style="list-style-type: none"> a) The costs were paid earlier than the time limits described in (1) above but such costs were “preliminary costs” such as architectural, engineering, surveying, soil testing, and similar costs; b) The costs were incurred prior to commencement of the construction, acquisition or rehabilitation of the project; and c) No more than 20% of the proceeds of a bond issue can be used to reimburse preliminary costs described in this section. 	
DAS Operations / State Agencies / Grantees	For all programs including but not limited to Certificates of Participation, XI-Q bonds, Lottery bonds, and Seismic bonds, State Agencies and grantees will be directed in interagency/grant agreement(s) to review and retain expenditure(s) of proceeds for three years after final bond maturity for each series.	Ongoing
CIS Staff	Retain correspondence including but not limited to communications regarding investment of proceeds, change in use, unanticipated return of proceeds, and changes in projected spending plans.	Ongoing
State Agencies / Grantees	The State Agency shall not change the use of the capital asset(s), or in any manner alter its design, structure, or configuration in any way inconsistent with the State Agency’s currently approved plan, without first requesting and receiving the written consent of DAS.	Ongoing
State Agencies / Grantees	Interagency agreements require State Agencies and grantees to receive CIS permission prior to conducting any disposition of obsolete or sale of bond-financed assets.	Ongoing
CIS Staff	Maintain in permanent file information regarding disposition of obsolete or sale of bond-financed assets.	Ongoing
State Agencies / Grantees	As required by the Interagency Agreement, State Agencies/Grantees will submit completion certificate to CIS	Ongoing

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	<p>Staff upon project(s) completion. Upon completion of capital asset, State Agencies will remove expenditures from construction in progress and place the asset into service in accordance with generally accepted accounting principles and the Oregon Accounting Manual.</p>	
CIS Staff	<p>Ensure records retention policies require maintaining bond and tax compliance documents for three years after final bond maturity for each series. Refer to archives schedules for detailed information. In the event of a discrepancy with federal regulations, the guidelines established by the Internal Revenue Code shall prevail. The index for records retention schedules can be found at: http://arcweb.sos.state.or.us/pages/recmgmt/sched/index.html.</p>	Ongoing
State Agencies / Grantees	<p>State Agencies/Grantees are responsible for maintaining the list of capital assets and associated depreciation throughout the life of the asset in accordance with generally accepted accounting principles and the Oregon Accounting Manual.</p>	Ongoing after asset is placed in service