

POST ISSUANCE BOND COMPLIANCE

Kansas Association of School Business Officials
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What are the regulators asking?

Are you following the securities and tax rules that apply to municipal bonds, both at the time the bonds are issued and during the entire life of the bond issue?

Can you prove it?

5 Key Aspects of “Proving It”

#1 - Monitor ongoing federal tax and securities law requirements

- Adopt and implement Written Post-Issuance Compliance Procedures

#2 – Account for the investment of bond proceeds

- Complete Arbitrage Rebate Computations on schedule

#3 – Account for the expenditure of Bond proceeds

- Complete a Final Written Allocation

#4 – Account for the use of Bond-financed assets

- Complete an Annual Compliance Questionnaire

#5 – Account to Bondholders

- File Annual Report and other Event Notices with MSRB

Overview

- Spending Bond Proceeds
 - Final Written Allocation
- Use of Bond-Financed Assets
 - Annual Compliance Questionnaire
- Continuing Disclosure

Spending Bond Proceeds

- State Law Rule
 - Only facilities/equipment for school district purposes
 - Primarily used by the District for educational or extracurricular activities sponsored by District

Spending Bond Proceeds

- Federal Tax Rules
 - Generally only capital expenditures
 - Some limited exceptions
 - Keeping appropriate documentation is very important
 - Sometimes this is the difference between eligible and ineligible expenditures
 - Must be able to later identify bond-financed assets
 - Payee, amount, date of payment, description of asset
 - Placed in service date
 - Expected useful life of asset

Spending Bond Proceeds

- The “Stoplight Approach”



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Spending Bond Proceeds

EXAMPLES OF EXPENSES THAT ARE ALLOWABLE:

- Purchase of
 - Buildings
 - Land
 - Building Improvements
 - Hardware
 - Equipment
 - Furniture
- Other
 - Bond closing costs, Arbitrage calculation costs



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Spending Bond Proceeds

EXAMPLES OF EXPENSES THAT ARE NOT ALLOWABLE:

- Annual maintenance costs
- Online subscription purchases
- Subscription based software
- Training costs



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Spending Bond Proceeds

EXAMPLES OF EXPENSES THAT SHOULD BE DISCUSSED BEFORE APPROVING:

- Personnel Costs
- Software
- Moving & storage costs
- Consultants
- Warranty/Maintenance



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Spending Bond Proceeds

- Other considerations:
 - Some legally permitted expenditures may not be in the District's financial best interests
 - Useful life of assets financed with a specific bond issue can effect the permitted maximum repayment term of the bonds
 - Is it worth the time necessary to create the paper trail?
 - If the expense is ongoing, where will funds come from after bond proceeds are gone?

Documenting Expenditures

- Final Written Allocation
 - Summary of financed assets with back up general ledger detail
 - Complete within 18 months of placed in service date of all bond-financed assets (i.e., within 18 months of date all bond proceeds are spent)
 - Should have all bond proceeds spent by 5 years from bond issue date

Questions on Expenditures?



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Use of Bond-Financed Assets

- Must be able to identify bond-financed assets for life of bond issue + any refunding bond issue + 3 years. Why?

IRS rules restrict the use of bond-financed assets during entire term of bonds (including any refunding issue)

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Use of Bond-Financed Assets

- Can be a problem if both:
 - Private Business Use; and
 - Payments to District related to the private use
- Exceptions to Private Use Rules:
 - Use by another governmental entity
 - Use by general public
 - Short-Term Use (less than 50 days)
 - Incidental Use

Use of Bond-Financed Assets

- What kinds of uses are you concerned about?
 - Sale or lease of property purchased with bond funds
 - Sale of buildings/furniture/equipment
 - Facility Usage – YMCA, Soccer Club, Coaches' use of buildings, church/community groups
 - Cell towers

Use of Bond-Financed Assets

- What kinds of uses are you concerned about?
 - Management/Operating Arrangements
 - PTO/PTA/Boosters running concession stands
 - Bus barns – leasing to outside company for transportation contract

Use of Bond-Financed Assets

- What kinds of uses are you concerned about?
 - Research Contracts
 - Consulting contracts with research teams
 - Other arrangements that convey special legal rights
 - Corporate signs hanging in gyms, stadiums
 - Naming rights on buildings and/or stadiums
 - Vending Machines/Pepsi or Coke Contracts

Documenting Use

Annual Compliance Questionnaire/ Checklist

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SAMPLE TEB
ANNUAL COMPLIANCE CHECKLIST

Name of tax-exempt bonds ("Bonds") financing Financed Asset: _____
 Issue Date of Bonds: _____
 Planned in service date of Project Facility: _____
 Name of Bond Compliance Officer: _____
 Period covered by request ("Annual Period"): _____

Item	Question	Response
1 Ownership	Was the entire Project Facility owned by the Issuer during the entire Annual Period? If answer above was "No," was an Opinion of Bond Counsel obtained prior to the transfer? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Bond Counsel and include description of resolution in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
	2 Leases & Other Rights to Possession	During the Annual Period, was any part of the Project Facility leased at any time pursuant to a lease or similar agreement for more than 50 days? If answer above was "Yes," was an Opinion of Bond Counsel obtained prior to entering into the lease or other arrangement? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Bond Counsel and include description of resolution in the Tax-Exempt Bond File.
3 Management or Service Agreements	During the Annual Period, has the management of all or any part of the operations of the Financed Asset (e.g., cafeteria, gift shop, etc.) been assumed by or transferred to another entity? If answer above was "Yes," was an Opinion of Bond Counsel obtained prior to entering into the management agreement? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No

Questions on Use of Bond-Financed Assets?



Who is the SEC?



The Securities and Exchange Commission has five Commissioners who are appointed by the President of the United States with the advice and consent of the Senate. Their terms last five years and are staggered so that one Commissioner's term ends on June 5 of each year. To ensure that the Commission remains non-partisan, no more than three Commissioners may belong to the same political party. The President also designates one of the Commissioners as Chairman, the SEC's top executive.

What does the SEC do?

Quotes from the SEC website:

- Protect investors
- Make sure investors have access to certain basic facts about an investment prior to buying it, and so long as they hold it.
- Encourage the steady flow of timely, comprehensive, and accurate information so people can make sound investment decisions.
- First and foremost, the **SEC is a law enforcement agency**.

SEC Muni Enforcement Unit

U.S. SECURITIES AND EXCHANGE COMMISSION

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The Municipal Securities Market

Following an SEC staff review of the municipal securities market, which included examination of a wide range of issues, such as disclosure and transparency, financial reporting and accounting, and investor protection and education, the Commission issued a comprehensive report on the municipal securities market in July 2012. This report includes recommendations to help improve the structure of the \$3.7 trillion municipal securities market.

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Continuing Disclosure – Key SEC Rules: Anti-Fraud

The Issuer is 100% responsible for what is said in Official Statements, Continuing Disclosure Reports and other communications to investors.

- No “material misstatement or omission.”
- Financing professionals (Bond Counsel, Underwriters, Financial Advisors) can help, but using experts does not limit the District’s responsibilities.

Continuing Disclosure – West Clark Schools (2013)

SEC Charges School District and Muni Bond Underwriter in
Indiana With Defrauding Investors

FOR IMMEDIATE RELEASE
2013-136

Washington D.C., July 29, 2013 – The Securities and Exchange Commission today charged a school district in Indiana and its municipal bond underwriter with falsely stating to bond investors that the school district had been properly providing annual financial information and notices required as part of its prior bond offerings.

"This is the first time the SEC has charged a municipal issuer with falsely claiming in a bond offering's official statement that it was fully compliant with the annual disclosure obligations it agreed to in prior offerings, and an underwriter and its principal for not doing the necessary research to attest to the truthfulness of that claim," said Andrew Ceresney, Co-Director of the Division of Enforcement. "West Clark Community Schools defrauded bond investors by leading them to believe that it had provided the annual financial information contractually required in a prior bond offering, when in fact for five years they failed to submit the required information. This case demonstrates that we will be vigilant in making sure municipal issuers and underwriters comply with their obligations."



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Continuing Disclosure – Communicating with Investors

1. When bonds are issued
 - Official Statement
2. Annual updates as long as the Bonds are outstanding
 - Continuing Disclosure Agreement/Undertaking
 - Audited Financial Statements
 - Operating Data
3. Event Notices
 - Payment defaults, prepayment of bonds, rating changes, other listed key financial-related events



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Continuing Disclosure

- Check your disclosure filing history
- Review existing Continuing Disclosure Undertakings/ Agreements to check existing requirements
 - Check last five years of filings
 - <http://emma.msrb.org>
 - File catch-up disclosure for any missing filings

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- Access data and information about Commonwealth of Puerto Rico bonds.

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- For Issuers**

MSRB Education Center

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- Price Discovery Tool**
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- Understanding Trade Prices**
Watch a video about municipal bond prices.
- EMMA Updates**
Read about enhancements to EMMA since its launch.

MOST ACTIVELY TRADED MUNICIPAL SECURITIES
Printed 3/3/2017 11:15 AM

Security Description	Coupon (%)	Maturity Date	High/Low Price (%)	High/Low Yield (%)	Trade Count	Total Trade Amount (\$)
CITY OF COCOA, FLORIDA / CAPITAL IMPROVEMENT REVENUE AND REFINANCING BOND SERIES 2011	3.75	10/01/2041	100.51 / 98.657	3.835 / 3.645	35	2,970,000
CITY OF SALEM, MASSACHUSETTS / CERTIFICATES OF PARTICIPATION WATER & SEWER IMPROVEMENTS, SERIES 2017	3.7	11/01/2037	101.0 / 98.33	3.817 / 3.698	33	1,355,000
FLORIDA PORTS FINANCING COMMISSION / REVENUE BOND STATE TRANSPORTATION TRUST FUND, SERIES 2011B	5	06/01/2021	113.269 / 113.269	1.65 / 1.65	30	5,340,000
MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY, MSA HEALTH & EDUCATION PROGRAMS COLLEGE FUND, SERIES 2012	5.625	10/15/2040	110.988 / 110.988	1.127 / 1.1	28	6,000,000

View more trade activity

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Issuer Details
JOHNSON CNTY KANS UNI SCH DIST NO 233 (KS)*
CUSIP-6: 478718*

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Issue Description *	Dated Date or POC Date	Maturity Dates	Official Statement or Preliminary OS
GENERAL OBLIGATION REFUNDING BONDS SERIES 2015B	09/15/2016	2019 to 2033	Available / Executive
GENERAL OBLIGATION REFUNDING BONDS SERIES 2015C	09/15/2016	2020 to 2029	Available / Executive
GENERAL OBLIGATION SCHOOL BONDS SERIES 2016A	09/15/2016	2017 to 2036	Available / Executive
GENERAL OBLIGATION SCHOOL IMPROVEMENT AND REFUNDING BONDS SERIES 2013C	08/20/2013	2016 to 2033	Available / Executive
GENERAL OBLIGATION SCHOOL BONDS, SERIES 2013A	03/28/2013	2017 to 2033	Available / Executive
TAXABLE GENERAL OBLIGATION SCHOOL BONDS QUALIFIED SCHOOL CONSTRUCTION BONDS DIRECT PAYMENT TO ISSUER SERIES 2010B	03/28/2013	09/01/2035	Available / Executive
TAXABLE GENERAL OBLIGATION SCHOOL BONDS SERIES 2011A (QUALIFIED SCHOOL CONSTRUCTION BONDS - DIRECT PAY) (GENERAL OBLIGATION SCHOOL BONDS PAYABLE FROM UNLIMITED AD VALOREM TAXES)	05/24/2011	09/01/2025	Available / Executive
TAXABLE GENERAL OBLIGATION SCHOOL BONDS, SERIES 2010A (BUILD AMERICA BONDS)	07/01/2010	2014 to 2030	Available / Executive
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C	07/01/2010	2015 to 2019	Available / Executive
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010D	07/01/2010	2012 to 2016	Available / Executive
TAXABLE SER A BUILD AMER BGS	06/01/2009	2014 to 2029	Available / Executive
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2009C (GENERAL OBLIGATION BONDS PAYABLE FROM UNLIMITED AD VALOREM TAXES)	06/01/2009	2010 to 2016	Available / Executive
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2009B (GENERAL OBLIGATION BONDS PAYABLE FROM UNLIMITED AD VALOREM TAXES)	06/01/2009	2010 to 2018	Available / Executive
SER A	02/15/2008	2010 to 2028	Available / Executive
SER A	02/15/2006	2008 to 2020	Available / Executive
REF SER A	08/15/2005	2008 to 2011	Available / Executive
REF	04/15/2004	2004 to 2013	Available / Executive
SER B	11/15/2003	2006 to 2016	Available / Executive

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Issue Details
UNIFIED SCHOOL DISTRICT NO. 233 JOHNSON COUNTY KANSAS (OLATHE) GENERAL OBLIGATION SCHOOL IMPROVEMENT AND REFUNDING BONDS SERIES 2013C (KS)
JOHNSON CNTY KANS UNI SCH DIST NO 233 REF & IMPT-SCH-SER C (KS)*
Dated Date: 08/20/2013
Closing Date: 08/20/2013
Time of Formal Award: 07/25/2013 10:09 AM
Time of First Execution: 07/25/2013 12:45 PM

Maturities and issue-related documents
View all maturities of an issue and download the official statement and other documents available from EMMA for this issue. Click on a CUSIP number for security-specific data, including trade price data.

View issuer homepage: JOHNSON CNTY KANS UNI SCH DIST NO 233 | See other issues by this issuer | Return to search results

Final Sale | Official Statement | **Continuing Disclosure/Advance Refunding** | Trade Activity

CUSIP *	Principal Amount At Issuance (\$)	Security Description *	Interest	Maturity Date	Initial Offering Price or Yield (%)	Initial Offering Price (%)	Initial Offering Yield (%)	Current Fitch LT Rating	Current KBRA LT Rating	Current Moody's LT Rating	Current S&P LT Rating
478718J67	2,670,000	REF & IMPT-SCH-SER C	4	09/01/2016	109.372	0.86					NR
478718J75	2,765,000	REF & IMPT-SCH-SER C	4	09/01/2017	111.067	1.18					Aa2
478718J83	5,475,000	REF & IMPT-SCH-SER C	4	09/01/2018	112.069	1.5					Aa2
478718J81	5,690,000	REF & IMPT-SCH-SER C	5	09/01/2019	117.958	1.84					Aa2
478718J24	7,305,000	REF & IMPT-SCH-SER C	4	09/01/2020	111.389	2.24					Aa2
478718J32	6,780,000	REF & IMPT-SCH-SER C	4	09/01/2021	110.163	2.59					Aa2
478718J40	10,580,000	REF & IMPT-SCH-SER C	5	09/01/2022	115.024	2.89					Aa2
478718J57	11,110,000	REF & IMPT-SCH-SER C	5	09/01/2023	113.49	3.09					Aa2
478718J65	11,665,000	REF & IMPT-SCH-SER C	5	09/01/2024	112.055	3.28					Aa2
478718J73	12,250,000	REF & IMPT-SCH-SER C	5	09/01/2025	110.642	3.47					Aa2
478718J81	12,865,000	REF & IMPT-SCH-SER C	5	09/01/2026	109.395	3.64					Aa2
478718J99	13,505,000	REF & IMPT-SCH-SER C	5	09/01/2027	108.165	3.81					Aa2
478718L23	14,180,000	REF & IMPT-SCH-SER C	4.5	09/01/2028	102.85	4.08					Aa2
478718L31	14,820,000	REF & IMPT-SCH-SER C	4.75	09/01/2029	103.784	4.19					Aa2
478718L49	15,525,000	REF & IMPT-SCH-SER C	4.75	09/01/2030	103.232	4.27					Aa2

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Final Scale Official Statement **Continuing Disclosure/Advance Refunding** Trade Activity

View continuing disclosure or advance refunding document, which provides important information about the security after initial issuance.

FINANCIAL INFORMATION & DOCUMENTS Collapse▲

Most Recent Annual Report for the year ended 06/30/2016 posted 12/12/2016 (1.2 MB) [details](#) ←

Annual Financial Information and Operating Data

- Annual Report for the year ended 06/30/2016 posted 12/12/2016 (1.2 MB) [details](#)
- Annual Report for the year ended 06/30/2015 posted 12/16/2015 (698 KB) [details](#)
- Financial Operating Filing for the year ended 06/30/2014 posted 12/19/2014 (688 KB) [details](#)
- Financial Operating Filing for the year ended 06/30/2013 posted 12/19/2013 (783 KB) [details](#)

EVENT NOTICES Collapse▲

Most Recent Event Filing dated 09/15/2016 posted 09/15/2016 (997 KB) [details](#) ←

Bond Call

- Event Filing dated 09/15/2016 posted 09/15/2016 (997 KB) [details](#)

Defeasance

- Event Filing dated 09/15/2016 posted 09/15/2016 (997 KB) [details](#)

ADVANCE REFUNDING DOCUMENTS Collapse▲

Most Recent Advance Refunding posted 09/14/2016 (634 KB) [details](#) ←

Advance Refunding

- Advance Refunding posted 09/14/2016 (634 KB)

Links to former NRMSIRS
For continuing disclosure documents produced prior to July 1, 2009, contact one of the following organizations:

- Bloomberg L.P.
- DPC Data
- Interactive Data Pricing and Reference Data
- Standard & Poor's

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Disclosure Best Practices

- Designate a "Disclosure Compliance Officer"
- Prepare and adopt (and follow) written policies & procedures
- Review Official Statements
 - New developments that might be material to investors
 - Keep omissions in mind
 - Prepare to spend extra time/effort on disclosure questions from everyone in the deal

Questions on Continuing Disclosure?



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Take-Aways

- Bond compliance doesn't end when all of the money is spent!
- Ask questions early and often
 - Some answers are very fact-specific
- Keep good documentation
- Don't forget disclosure
 - Annual reports and material events

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Final Questions?



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