

TAXING AND BORROWING AUTHORITY AND LIMITATIONS
(Bond Compliance Does Not Include a Continuing Disclosure Provision)

Definitions

Annual Compliance Checklist B A questionnaire and/or checklist described in this compliance procedure that is completed each year for an issue of tax-advantaged obligations.

Board B The Board of Education of the Cole County R-I School District.

Bond Compliance Officer B The individual serving as bond compliance officer when appropriate. The bond compliance officer is Superintendent

Bond Counsel B A law firm selected by the district to provide a legal opinion regarding the tax status of interest on tax-advantaged obligations as of the issue date or the law firm selected to advise regarding matters referenced in this compliance procedure.

Bond-Restricted Funds B The funds, accounts and investments that are subject to arbitrage rebate and/or yield restriction rules that have been identified in the tax compliance agreement for an issue of tax-advantaged obligations.

Bond Transcript B The "transcript of proceedings" or other similar titled set of documents assembled by bond counsel following the issuance of tax-advantaged obligations.

Code B The Internal Revenue Code, as amended.

Compliance Procedure B This tax-exempt financing compliance procedure.

Cost or Costs B All costs and expenses paid for the acquisition, design, construction, equipping or improvement of a project facility or costs of issuing tax-advantaged obligations.

District B The Cole County R-I School District.

Final Written Allocation B The final written allocation of tax-advantaged obligations proceeds prepared pursuant to this compliance procedure.

Financed Assets B That part of a project facility treated as financed with proceeds of tax-advantaged obligations, as reflected in a final written allocation or, if no final written allocation was prepared, the accounting records of the district and the tax compliance agreement for the issue of tax-advantaged obligations.

FILE: DC-API
Basic

Intent Resolution B A resolution of the Board stating 1) the intent of the district to finance all or a portion of the project facility, 2) the expected maximum size of the financing and 3) the intent of the district to reimburse the costs paid by the district from proceeds of the tax-advantaged obligations.

IRS B The Internal Revenue Service.

Placed in Service B That date (as determined by the bond compliance officer) when the project facility is complete and is actually used at a level substantially as originally designed.

Project Facility B All tangible or intangible property financed in whole or in part with tax-advantaged obligations that is functionally related or integrated in use, that is located on the same physical site or proximate sites, and that is expected to be placed in service within a one-year period.

Rebate Analyst B The rebate analyst for the tax-advantaged obligations selected pursuant to the tax compliance agreement.

Tax-Advantaged Obligation(s) B Any bond, note, installment sale agreement, lease or other obligation of the district (or nonprofit corporation, another political subdivision or government instrumentality), the proceeds of which are to be loaned or otherwise made available to the district, that is 1) a tax-exempt obligation; 2) a Build America Bond; 3) a Qualified School Construction Bond; 4) a Qualified Zone Academy Bond; or 5) a Recovery Zone Economic Development Bond. A list of all tax-advantaged obligations outstanding and subject to this compliance procedure as of the date of initial adoption of this procedure appears at the end of this document.

Tax-Advantaged Obligation File B Documents and records that may consist of paper and electronic medium that are maintained for each tax-advantaged obligation. Each tax-advantaged obligation file will include the following information, if applicable:

1. Intent resolution.
2. Bond transcript.
3. Final written allocation and/or all available accounting records related to the project facility showing expenditures allocated to the proceeds of a tax-advantaged obligation and expenditures (if any) allocated to other sources of funds.
4. All rebate and yield reduction payment calculations performed by the rebate analyst and all investment records provided to the rebate analyst for the purposes of preparing the calculation.
5. Forms 8038-T together with proof of filing and payment of rebate.

6. Investment agreement bid documents (unless included in the bond transcript) including:
 - < Bid solicitations, bid responses and certificate of broker;
 - < Written summaries of reasons for deviations from the terms of the solicitation that are incorporated into the investment agreement; and
 - < Copies of the investment agreement and any amendments.
7. Any item required to be maintained by the terms of the tax compliance agreement involving the use of the project facility or expenditures related to tax compliance for the tax-advantaged obligations.
8. Any opinion of bond counsel regarding the tax-advantaged obligations not included in the bond transcript.
9. Amendments, modifications or substitute agreements to any agreement contained in the bond transcript.
10. Any correspondence with the IRS relating to the tax-advantaged obligations, including all correspondence relating to an IRS audit of the tax-advantaged obligations, or any proceedings under the tax-advantaged obligations Voluntary Closing Agreement Program (VCAP).
11. Any available questionnaires or correspondence substantiating the use of the project facility in accordance with the terms of the tax compliance agreement for the tax-advantaged obligations.
12. For refunding bond issues, the tax-advantaged obligation file for the refunded tax-advantaged obligations.

Tax Compliance Agreement B The federal tax certificate, tax compliance agreement, arbitrage agreement, arbitrage certificate or other written certification or agreement of the district setting out representations and covenants for satisfying the post-issuance tax compliance requirements for an issue of tax-advantaged obligations.

Purpose and Scope

The district is committed to full compliance with the tax-exempt bond requirements for all of its outstanding and future tax-advantaged obligations. This compliance procedure is being implemented to comply with IRS directives and to improve tax compliance and documentation.

This compliance procedure applies to all tax-advantaged obligations currently outstanding and all tax-advantaged obligations issued in the future. If the provisions of this compliance procedure conflict with a tax compliance agreement or any other specific written instructions of bond counsel, the terms of the tax compliance agreement or specific written instructions of bond counsel will supersede and govern in lieu of this compliance procedure. Any exception to this compliance procedure required by bond counsel as part of a future issue of tax-advantaged obligations will be incorporated in the tax compliance agreement for the future issue. Any requirements imposed on the district in the tax compliance agreement will be noted by the bond compliance officer and incorporated into the annual compliance checklist.

This compliance procedure may be amended from time to time by the Board after consultation with bond counsel or the Board's legal counsel.

Bond Compliance Officer

The bond compliance officer is responsible for implementing this compliance procedure. The bond compliance officer will:

1. Work with other employees who use the project facility to assist in implementing the compliance procedure.
2. Consult with bond counsel, district legal counsel, accountants, tax return preparers and other outside experts to the extent necessary to carry out the purposes of this compliance procedure.
3. When appropriate and upon approval of the Board, attend district-relevant tax-exempt financing training programs offered by the IRS or other industry professionals.
4. Report to the Board as necessary, but at least annually, regarding implementation of this compliance procedure and any recommended changes or amendments to this compliance procedure.

Currently Outstanding Tax-Advantaged Obligations

As soon as practical, the bond compliance officer will attempt to assemble as much of the tax-advantaged obligation file as is available for all tax-advantaged obligations outstanding as of the date of initial approval of this compliance procedure.

As soon as practical following the implementation of this compliance procedure, the bond compliance officer will work with bond counsel and/or legal counsel to the district to complete annual compliance checklists for all outstanding tax-advantaged obligations.

In the event the bond compliance officer determines any deficiency in compliance with a tax compliance agreement for any outstanding tax-advantaged obligations, the bond compliance officer will follow the procedures described in Treasury Regulations or the Tax-Exempt Bonds VCAP to remediate the noncompliance. If remediation of the noncompliance requires the district to submit a request under VCAP, the bond compliance officer will undertake this step only after reporting the violation to the Board and obtaining its approval.

Compliance Procedure for New Issues of Tax-Advantaged Obligations

New tax-advantaged obligation financings are those issued on or after the date of initial approval of this procedure.

Prior to Issuance of Tax-Advantaged Obligations

Directions to Bond Counsel B The bond compliance officer will provide a copy of this compliance procedure to bond counsel with directions for bond counsel to structure the documentation and procedural steps taken prior to issuing the tax-advantaged obligations so that they conform to the requirements of this compliance procedure, except to the extent bond counsel determines that different procedures are required.

Tax Compliance Agreement B Each issue of tax-advantaged obligations will include a tax compliance agreement. The tax compliance agreement will: 1) describe the project facility and the anticipated financed assets; 2) identify all bond-restricted funds and provide for arbitrage and rebate compliance; 3) for new money financings, require a final written allocation; and 4) contain a form of the annual compliance checklist for the issue of tax-advantaged obligations. The bond compliance officer will confer with bond counsel and the district's counsel regarding the meaning and scope of each representation and covenant contained in the tax compliance agreement.

Preliminary Cost Allocations B The bond compliance officer, in consultation with bond counsel, will prepare a preliminary cost allocation plan for the project facility. The preliminary cost allocation plan will identify the assets and expected costs for the project facility and, when necessary, will

break out the portions of costs that the district expects to finance with tax-advantaged obligations (the "financed assets") from the portions expected to be financed from other sources.

Tax Review with Bond Counsel B Prior to the sale of the tax-advantaged obligations, the bond compliance officer and bond counsel will review this compliance procedure together with the draft tax compliance agreement to ensure that any tax compliance issues in the new financing are adequately addressed by this compliance procedure and/or the tax compliance agreement. In the event bond counsel determines that this compliance procedure conflicts with Cor must be supplemented to account for Cspecial issues or requirements for the tax-advantaged obligations, the bond compliance officer will ask bond counsel to include the written modifications or additions to the final tax compliance checklist for use in monitoring the ongoing compliance requirements for the issue of tax-advantaged obligations.

Accounting and Recordkeeping

Accounting for New Money Projects B The bond compliance officer will be responsible for accounting for the investment and allocation of proceeds of the tax-advantaged obligations. The bond compliance officer will establish separate accounts or subaccounts to record expenditures for costs of the project facility. When appropriate, the bond compliance officer may use accounts established as part of the district's financial records for this purpose. In recording costs for the project facility, the bond compliance officer will ensure that the accounting system will include the following information:

1. Identity of person or business paid, along with any other available narrative description of the purpose for the payment;
2. Date of payment;
3. Amount paid; and
4. A number or other identifying reference.

Accounting for Refunded Bonds and Related Refunded Bond Accounts B For tax-advantaged obligations that refund prior issues, the tax compliance agreement will set out special accounting and allocation procedures for the proceeds of the financing and, if necessary, proceeds of the refinanced debt.

Tax-Advantaged Obligation File B The bond compliance officer will be responsible for assembling and maintaining the tax-advantaged obligation file.

Final Allocation of Bond Proceeds

Bond Compliance Officer Responsible for Preparation of Final Written Allocation: Timing B The bond compliance officer is responsible for making a written allocation of proceeds to expenditures and the identification of financed assets. This process will be memorialized in the final written allocation. For a new money financing, the bond compliance officer will commence this process as of the earliest of 1) the requisition of all proceeds of the tax-advantaged obligations from any segregated account funded with those proceeds; 2) the date the project facility has been substantially completed; or 3) four and one-half years following the issue date of the tax-advantaged obligations. For tax-advantaged obligations issued only to refund a prior issue of tax-advantaged obligations, the bond compliance officer will prepare and/or document the final written allocation for the project facility financed by the refunded tax-advantaged obligations in accordance with the advice of bond counsel and include it in the tax compliance agreement.

Contents and Procedure B The bond compliance officer will consult the tax compliance agreement and, if necessary, contact bond counsel to seek advice regarding any special allocation of tax-advantaged obligation proceeds and other district moneys to the costs of the project facility. If no special allocation is required or recommended, the bond compliance officer will allocate costs of the project facility to the proceeds of the tax-advantaged obligations in accordance with the district's accounting records. Each final written allocation will contain the following: 1) a reconciliation of the actual sources and uses to costs of the project facility; 2) the percentage of the cost of the project facility financed with proceeds of the tax-advantaged obligations (sale proceeds plus any investment earnings on those sale proceeds); 3) the project facility's placed-in-service date; 4) the estimated economic useful life of the project facility; and 5) any special procedures to be followed in completing the annual compliance checklist (e.g., limiting the annual compliance checklist to specific areas of the project facility that the final written allocation or the tax compliance agreement treats as having been financed by tax-advantaged obligations).

Finalize Annual Compliance Checklist B As part of the preparation of the final written allocation, the bond compliance officer will update the draft annual compliance checklist contained in the tax compliance agreement. The bond compliance officer will include reminders for all subsequent arbitrage rebate computations required for the tax-advantaged obligations in the annual compliance checklist.

Review of Final Written Allocation and Annual Compliance Checklist B Each final written allocation and annual compliance checklist will be reviewed by district legal counsel or bond counsel for sufficiency and compliance with the tax compliance agreement and this compliance procedure. Following the completion of the review, the bond compliance officer will execute the final written allocation.

Ongoing Monitoring Procedures

Annual Compliance Checklist

An annual compliance checklist will be completed by the bond compliance officer each year following completion of the final written allocation. Each annual compliance checklist will be designed and completed for the purpose of identifying potential noncompliance with the terms of the tax compliance agreement or this compliance procedure and obtaining documents (such as investment records, arbitrage calculations, or other documentation for the project facility) that are required to be incorporated in the tax-advantaged obligation file. The bond compliance officer will refer any responses indicating a violation of the terms of the tax compliance agreement to district legal counsel or bond counsel and, if recommended by counsel, will follow the procedure described herein to remediate the noncompliance.

Arbitrage and Rebate Compliance

The bond compliance officer will monitor the investment of bond-restricted funds and provide investment records to the rebate analyst on a timely basis. The bond compliance officer will follow the directions of the rebate analyst with respect to the preparation of and the timing of rebate or yield reduction computations.

List of Tax-Advantaged Obligations Covered by this Compliance Procedure

[District should insert list of all outstanding tax-advantaged obligations.]

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Note: The reader is encouraged to review policies and/or forms for related information in this administrative area.

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Cole County R-I School District, Russellville, Missouri