

## 4415 DEBT MANAGEMENT

### **PURPOSE**

This Debt Policy sets forth a comprehensive guideline for the financing of capital expenditures by Grand Island Public Schools (District). The primary objectives of the policy are as follows;

- (1) Establishing debt issuance practices for obtaining financing when needed
- (2) Setting an efficient process for identifying the timing for and amount of debt or other financing
- (3) Obtaining optimal interest rates, controlling other issuance costs and reducing risk where possible
- (4) Conforming to all applicable state and federal laws and contractual obligations

### **USE OF DEBT FINANCING**

Debt financing, to include general obligation bonds, certificates of participation, lease/purchase agreements, and other obligations permitted to be issued or incurred by school districts under Nebraska law, shall be used only to: purchase equipment, acquire real property, construct facility additions or renovations, or other similar improvements. The useful life of the asset or project shall exceed the maximum average life of any debt the District incurs in order to acquire the asset or project.

### **RESPONSIBILITY**

The primary responsibility for developing financing recommendations rests with the Chief Financial Officer (CFO). No less than annually, the CFO, or designee, shall prepare for the Facilities and Finance Committee (or full Board of Education) a written report on the status of Capital Improvements Program (CIP) financing. The report shall include a projection of near-term financing needs compared with available resources, an analysis of the impact of contemplated financings on the Long-Range Financial Plan and the CIP, and financing recommendations. In developing financing recommendations, the CFO, or designee, shall consider the following:

- (1) The expected spend time of bond or other proceeds, and any related carrying cost
- (2) Options for interim financing, including near-term and interfund borrowing, taking into consideration federal tax reimbursement regulations
- (3) Trends in interest rates
- (4) Other factors as may be appropriate

### **INVOLVEMENT OF ADVISORS**

The District recognizes the importance of engaging legal counsel and possibly other professionals in connection with complex financial matters. Accordingly, the District will engage counsel to represent the District in connection with most financings in order for the District to have proper representation.

#### **Bond Counsel**

Bond Counsel shall be selected by the District and engaged to represent the District, and shall be nationally recognized in matters of Nebraska municipal law and federal tax-exempt law. Bond Counsel will issue an opinion as to the validity and tax-exempt status of interest on all obligations issued as tax- exempt indebtedness. In coordination with the CFO, Bond Counsel will be responsible for preparing the Board resolution authorizing issuance of obligations; drafting any bond purchase agreement, installment contract or other operative instrument; drafting all of the documents required at closing; and providing other services as determined by the CFO. In addition, the CFO, or designee, may seek the advice of Bond Counsel on other types of financings and from time to time on any other questions involving state law or federal tax law or regulations.

#### **Disclosure Counsel**

The District may engage Disclosure Counsel to assist the District with preparation of the Official Statement (as described below). Disclosure Counsel shall be nationally recognized in matters of federal municipal securities law. In coordination with the CFO, Disclosure Counsel will assist the District with drafting the Official Statement and coordinate disclosure due diligence matters.

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The CFO, or designee, also may seek the advice of Disclosure Counsel from time to time on questions involving federal securities matters.

### **Financial Advisor**

The District may engage a Financial Advisor if determined appropriate. The Financial Advisor will advise the District on the structuring of obligations to be issued, inform the District of various options, advise the District as to how certain choices will impact the marketability of the District's obligations, and provide the District other services as determined by the Board of Education (Board). The District's Financial Advisor shall meet the definition of a "municipal advisor" within the meaning of federal securities laws and shall accordingly owe the District a fiduciary duty.

## **SHORT-TERM DEBT**

### **General**

Short-term obligations may be issued to finance projects or portions of projects for which the District ultimately intends to issue long-term debt; i.e., it will be used to provide interim financing that eventually will be refunded with the proceeds of long-term obligations. Short-term obligations may be supported by a tax pledge, or a pledge of other available funds of the District as in each case may be permitted by Nebraska law.

### **Interim**

Interim financing may be appropriate when long-term interest rates are expected to decline in the future. In addition, some forms of short-term obligations can be obtained more quickly than long-term obligations and, thus, can be used in emergencies until long-term financing can be obtained. In some cases when the amount of financing required in the immediate future is relatively small, it may be more cost-effective for the District to issue a small amount of short-term obligations to provide for its immediate needs than to issue a larger amount of long-term obligations to provide financing for both immediate and future needs when the carrying costs of issuing obligations that are not immediately needed are taken into account.

### **Cash Flow Borrowing**

The District may incur short-term obligations if tax revenues are expected to result in a period where the District will experience a negative cash position in one or more of its funds. If possible, the conditions which necessitate any such borrowing should be corrected in order to avoid any such cash flow borrowings in the future.

## **LONG-TERM DEBT**

### **General**

Long-term obligations will not be used for operating purposes, and the life of the obligations will not exceed the useful life of the projects financed. Debt service structure will approximate level annual debt service unless it is determined appropriate by the Board to otherwise structure the amortization to fit with the amortization of other obligations outstanding or expected to be incurred. The District will strive to limit its annual issuance of long-term tax-exempt obligations to \$10 million to take advantage of federal tax rules for bank-qualified debt. Should subsequent changes in federal tax law increase applicable bank-qualified limits, the District's policies will be adjusted accordingly.

The cost of taxable bonds is typically higher than for tax-exempt bonds. However, the issuance of taxable debt is necessary in certain instances that would allow the District valuable flexibility related to the use of a financed facility or covenant structures. Therefore, the District will typically issue tax-exempt obligations but may issue taxable obligations.

### **Bonds**

Long-term general obligation bonds may be issued to finance significant capital improvements for purposes set forth by the Board when authorized by voters in a properly called election or as otherwise permitted under Nebraska law. Bonds will have a maximum average life of the lesser

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of (a) the average useful life of the facility being financed and (b) 25 years. Outstanding general obligation bonds of the District shall never exceed in the aggregate 5 percent of the assessed valuation of all taxable property in the District.

Call provisions for bond issues shall be made as short as possible, consistent with the lowest interest cost to the District, and as may be required by Nebraska law. When feasible, all bonds shall be callable at par.

### **Method of Sale**

Debt obligations may be issued by either negotiated sale, competitive sale or privately placed directly with a purchaser. From time to time and at the sole direction of the District, but prior to issuing debt, the District will select an underwriter via a due diligence process to be utilized for negotiated sales. The District and the Financial Advisor, if applicable, will participate together in the selection of the underwriter. If the District determines to utilize a competitive sale process, the sale will be structured to ensure the most favorable bid for the District, upon the advice of the Financial Advisor, taking into account market conditions and other prevailing factors.

### **Sale Parameters**

Parameters to be examined in connection with any bond issue may include the following:

- Limits between lowest and highest coupons
- Coupon requirements relative to the yield curve
- Method of underwriter compensation
- Use of true interest cost (TIC) versus net interest cost (NIC)
- Use of bond insurance or other credit enhancement vs. a standalone individual bond rating
- Permissible amount of original issue discount or premium
- Call provisions

### **REFUNDING**

The District shall consider refunding debt whenever an analysis indicates the potential for minimum net present value savings of approximately 4 percent of the principal being refunded or at least \$750,000. The District will not refund less than 5 percent of its outstanding debt at one time except in unusual circumstances, such as when it intends to change bond covenants or for other favorable business objectives.

### **CAPITAL LEASING**

Capital leasing or lease/purchase agreements may be used for the acquisition of a capital asset with a cost of less than \$2,000,000.

Whenever a lease is arranged with a private entity, a tax-exempt interest rate shall be sought. When a lease is arranged with a government or other tax-exempt entity, the interest rate should be taxable and the obligation should likewise not be subject to federal tax-exempt bond rules or regulations.

The lease agreement shall permit the District to refinance the lease at no more than reasonable cost should the District decide to do so. In assessing a lease arrangement, the District will consider call and acceleration provisions to achieve the most favorable approach.

Since the market for lease financings is relatively inefficient, the interest rates available at any one time may vary widely. Therefore, the District shall seek competitive proposals for any major lease financing. The net present value of competitive bids shall be compared, taking into account whether payments are in advance or in arrears and the frequency of payments. In addition, the District will consider the cost of lease financings compared with other financing potentials. If possible and cost-effective, the purchase price of equipment shall be bid competitively and separately from the financing cost.

The District's Bond Counsel shall be engaged to review any leasing arrangement proposed to be structured as tax-exempt, and may be engaged to review taxable leasing arrangements if determined

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appropriate by the CFO. The District may consider issuing certificates of participation to finance large projects.

### **OTHER TYPES OF FINANCINGS**

From time to time, other types of financings may become available, such as debt pools with other entities and low-interest loans from state agencies. The CFO, or designee, will prepare a written analysis of such options. This report will include consideration of the legal advice of the District's Bond Counsel and, if applicable, the advice of the District's Financial Advisor.

### **OFFICIAL STATEMENT**

An Official Statement is the disclosure document prepared by the District for an offering of municipal securities in the aggregate amount of \$1 million or more. It is used by the underwriter to market the District's bonds, and typically describes the District, the financing plan, certain tax matters, and the security for the bonds or other obligations being offered pursuant to the Official Statement.

#### **Responsibility**

The preparation of the Official Statement is the responsibility of the District, but completion of the Official Statement will be managed by the CFO, with input from departments and divisions throughout the District as determined appropriate. The District's counsel, Financial Advisor, or underwriter may provide additions or suggest changes to the District's Official Statement. The District will participate in due diligence sessions with underwriters and counsel, and may consult with Disclosure Counsel on matters that may require disclosure in an Official Statement.

#### **Timing**

The CFO, or designee, will begin assembling the information needed to update the Official Statement as soon as reasonably practical when a bond issue is contemplated. If Disclosure Counsel is engaged, Disclosure Counsel will coordinate the preparation of the Official Statement with the financing team.

#### **Auditor's Involvement**

The District may include but is not required to include a review of its Official Statement in the contract for services with its independent external auditor. No consent of the independent external auditor shall be required for inclusion of the District's audited financial statements in an Official Statement.

### **RATINGS**

The District's goal is to establish and maintain a respectable bond rating. Accordingly, prudent financial management policies will be adhered to in all areas. Full disclosure of operations shall be made to the bond rating agencies. The District staff, with the assistance of the Financial Advisor and underwriter and others, will prepare the necessary materials for a presentation to the rating agencies. If requested by the District, Disclosure Counsel may review rating agency presentations for consistency with the Official Statement.

The District shall maintain lines of communication with the rating agencies (Standard and Poor's, Moody's, et al.) informing them of major financial events in the District as they occur. The AFR shall be distributed to the rating agencies after it has been accepted by the Board.

For bond issues that are expected to be rated, the rating agency or rating agencies will be notified that a debt issue is being prepared. After the initial contact, a formal ratings application will be prepared and, along with any other requested documentation, sent to the rating agency. This application and related documentation should be sent as soon as possible within the expected financing timeline to permit the rating agencies sufficient time to perform their review.

A meeting or call with representatives of the rating agencies will be scheduled as needed upon the recommendations of the Financial Advisor or as determined by the CFO.

### **CREDIT ENHANCEMENTS**

Credit enhancements are mechanisms that guarantee or support principal and interest payments. They include bond insurance or a letter of credit. A credit enhancement, while costly, may bring a lower interest rate on debt and a higher rating from the rating agencies, thus lowering overall borrowing costs.

During debt issuance planning, the Financial Advisor or the underwriter, as applicable, will advise the District whether a credit enhancement is cost effective under the circumstances. In a negotiated sale and if determined appropriate by the CFO, bids for credit enhancement will be taken during the period prior to the pricing date. In a competitive sale, bond insurance may be provided by the purchaser if the issue qualifies for bond insurance.

### **CONTINUING DISCLOSURE**

The District is committed to compliance with its continuing disclosure undertakings. The District's continuing disclosure obligations require annual provision of certain financial information and operating data to the Municipal Securities Rulemaking Board's EMMA website, and filing of event notices for certain enumerated events within 10 business days after their occurrence. The CFO is the "Compliance Officer" for purposes of continuing disclosure compliance. At the direction of the CFO, the District may engage external counsel or another organization to assist with its annual filing obligations, or to assist from time to time with any event notices that may need to be filed.

### **TAX COMPLIANCE**

It is the District's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the federal tax laws and regulations.

#### **General**

Federal tax laws and regulations are intended to discourage municipal entities such as the District from issuing tax-exempt obligations unnecessarily or too early. In compliance with the spirit of federal tax laws and regulations, the District will not issue obligations except for identifiable projects with very good prospects of timely initiation.

#### **Responsibility**

Because of the complexity of federal tax laws and regulations and the severity of noncompliance penalties, the advice of Bond Counsel or other qualified experts will be sought when questions about tax compliance arise. The CFO shall be responsible for promoting compliance with the District's ongoing tax covenants and obligations, as set forth in the District's tax compliance policy adopted August 9, 2012 and attached hereto as Exhibit A.

#### **Internal Interim Financing; Reimbursement**

In order to defer the issuance of obligations and reduce interest cost, when sufficient nonrestricted reserve funds are on hand, consideration shall be given to appropriating funds to provide interim financing for large construction contracts or parts of contracts. When the appropriations are subsequently refinanced with the proceeds of obligations or other resources, the nonrestricted reserve funds shall be repaid. When expenditures are reimbursed from the proceeds of tax-exempt bonds, applicable state law and Internal Revenue Service rules on reimbursement will be complied with so that the reimbursements may be considered permissible expenditures for federal tax purposes. In such connection, the District may ask Bond Counsel to prepare a resolution of the Board declaring its intent to reimburse itself from tax-exempt bond proceeds for expenditures made.

### **MODIFICATION TO POLICY**

This policy and its provisions will be reviewed annually by the Board of Education Facilities and Finance Committee.

The Committee may approve minor changes of a housekeeping or corrective nature, or on advice of counsel, that conflict with federal or state laws or regulations. Significant policy changes will be presented to the Board for confirmation.

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Legal Review – February 26, 2019  
BOE Facilities and Finance Committee Review – February 26,  
2019 Board Adoption – March 7, 2019

Policy Adopted: 02.11.2021

Exhibit A

Tax-exempt bond compliance  
procedure

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**HALL COUNTY SCHOOL DISTRICT 0002  
(GRAND ISLAND PUBLIC SCHOOLS)**

**TAX-EXEMPT FINANCING COMPLIANCE PROCEDURE**

**Dated as of \_\_\_\_\_, 2019**

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**TAX-EXEMPT FINANCING COMPLIANCE PROCEDURE**

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Exhibit A – List of Tax-Exempt Bonds Covered by this Compliance Procedure

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## TAX-EXEMPT FINANCING COMPLIANCE PROCEDURE

### ARTICLE I

#### DEFINITIONS

**Section 1.1. Definitions.** Capitalized words and terms used in this Compliance Procedure have the following meanings:

**“Annual Compliance Checklist”** means a questionnaire and/or checklist described in **Section 6.1** hereof that is completed each year for the Tax-Exempt Bonds.

**“Bond Compliance Officer”** means the Issuer’s Chief Financial Officer or, if the position of Chief Financial Officer is vacant, the person filling the responsibilities of the Chief Financial Officer for the Issuer.

**“Bond Counsel”** means a law firm selected by the Issuer to provide a legal opinion regarding the tax status of interest on the Tax-Exempt Bonds as of the issue date or the law firm selected to advise the Issuer on matters referenced in this Compliance Procedure.

**“Bond Restricted Funds”** means 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 the Tax-Exempt Bonds.

**“Bond Transcript”** means the “transcript of proceedings” or other similarly titled set of transaction documents assembled by Bond Counsel following the issuance of the Tax-Exempt Bonds.

**“Code”** means the Internal Revenue Code of 1986, as amended.

**“Compliance Procedure”** means this Tax-Exempt Financing Compliance Procedure.

**“Cost”** or **“Costs”** means all costs and expenses paid for the acquisition, design, construction, equipping or improvement of a Project Facility or costs of issuing Tax-Exempt Bonds for a Project Facility.

**“Final Written Allocation”** means the Final Written Allocation of Tax-Exempt Bond proceeds prepared pursuant to **Section 5.4** of this Compliance Procedure.

**“Financed Assets”** means that part of a Project Facility treated as financed with Tax-Exempt Bond proceeds as reflected in a Final Written Allocation or, if no Final Written Allocation was prepared, the accounting records of the Issuer and the Tax Compliance Agreement for the Tax-Exempt Bonds.

**“Governing Body”** means the Board of Education of the Issuer.

**“Intent Resolution”** means a resolution of the Issuer stating (1) the intent of the Issuer to finance all or a portion of the Project Facility, (2) the expected maximum size of the financing and (3) the intent of the Issuer to reimburse Costs of the Project Facility paid by the Issuer from proceeds of the

Tax-Exempt Bonds.

“**IRS**” means the Internal Revenue Service.

“**Issuer**” means the Hall County School District 0002 (Grand Island Public Schools).

“**Placed In Service**” means that date (as determined by the Bond Compliance Officer) when the Project Facility is substantially complete and in operation at substantially its design level.

“**Project Facility**” means all tangible or intangible property financed in whole or in part with Tax-Exempt Bonds that are (1) functionally related or integrated in use, (2) located on the same physical site or proximate sites, and (3) expected to be Placed In Service within a one-year period of each other.

“**Rebate Analyst**” means the rebate analyst for the Tax-Exempt Bonds selected pursuant to the Tax Compliance Agreement.

“**Regulations**” means all regulations issued by the U.S. Treasury Department to implement the provisions of Code §§ 103 and 141 through 150 and applicable to tax-exempt obligations.

“**Tax Compliance Agreement**” means the Federal Tax Certificate, Tax Compliance Agreement, Arbitrage Agreement, or other written certification or agreement of the Issuer setting out representations and covenants for satisfying the post-issuance tax compliance requirements for the Tax-Exempt Bonds.

“**Tax-Exempt Bonds**” means any bond, note, installment sale agreement, lease or certificate intended to be a debt obligation of the Issuer or another political subdivision or government instrumentality, the proceeds of which are to be loaned or otherwise made available to the Issuer, and the interest on which is excludable from gross income for federal income tax purposes. A list of all Tax-Exempt Bonds outstanding and subject to this Compliance Procedure as of \_\_\_\_\_, 2019, is attached as **Exhibit A**.

“**Tax-Exempt Bond File**” means documents and records which may consist of paper and electronic medium, maintained for the Tax-Exempt Bonds. Each Tax-Exempt Bond File will include the following information if applicable:

- (a) Intent Resolution.
- (b) Bond Transcript.
- (c) Final Written Allocation and/or all available accounting records related to the Project Facility showing expenditures allocated to the proceeds of the Tax-Exempt Bonds and expenditures (if any) allocated to other sources of funds.
- (d) All rebate and yield reduction payment calculations performed by the Rebate Analyst and all investment records provided to the Rebate Analyst for purposes of preparing the calculations.
- (e) Forms 8038-T together with proof of filing and payment of rebate.
- (f) Investment agreement bid documents (unless included in the Bond Transcript) including:
  - (1) bid solicitation, bid responses, certificate of broker;
  - (2) written summary of reasons for deviations from the terms of the

- solicitation that are incorporated into the investment agreement; and
- (3) copies of the investment agreement and any amendments.
  - (g) 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-Exempt Bonds.
  - (h) Any opinion of Bond Counsel regarding the Tax-Exempt Bonds not included in the Bond Transcript.
  - (i) Amendments, modifications or substitute agreements to any agreement contained in the Bond Transcript.
  - (j) Any correspondence with the IRS relating to the Tax-Exempt Bonds including all correspondence relating to an audit by the IRS of the Tax-Exempt Bonds or any proceedings under the Tax-Exempt Bonds Voluntary Closing Agreement Program (VCAP).
  - (k) 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-Exempt Bonds.
  - (l) For refunding bond issues, the Tax-Exempt Bond File for the refunded Tax-Exempt Bonds.

## ARTICLE II

### PURPOSE AND SCOPE

#### **Section 2.1. Purpose of Compliance Procedure.**

(a) Issuer's Use of Tax-Exempt Bonds. The Issuer uses Tax-Exempt Bonds to fund Costs of a Project Facility. The Issuer understands that in exchange for the right to issue Tax-Exempt Bonds at favorable interest rates and terms, the Code and Regulations impose ongoing requirements related to the proceeds of the Tax-Exempt Bonds and the Project Facility financed by the Tax-Exempt Bonds. These requirements focus on the investment, use and expenditure of proceeds of the Tax-Exempt Bonds and related funds as well as restrictions on the use of the Project Facility.

(b) IRS Recommends Separate Written Procedures. The Issuer recognizes that the IRS has stated that all issuers of Tax-Exempt Bonds should have separate written procedures regarding ongoing compliance with the federal tax requirements for Tax-Exempt Bonds.

**Section 2.2. Scope of Compliance Procedure; Conflicts.** This Compliance Procedure applies to all Tax-Exempt Bonds currently outstanding and all Tax-Exempt Bonds 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-Exempt Bonds will be incorporated in the Tax Compliance Agreement for the future issue. Any requirements imposed on the Issuer in the Tax Compliance Agreement, will be noted by the Bond Compliance Officer and incorporated into the Annual Compliance Checklist.

#### **Section 2.3. Amendments and Publication of Compliance Procedure.** This Compliance

Procedure may be amended from time-to-time by the Governing Body. Copies of this Compliance Procedure and any amendments will be included in the permanent records of the Issuer.

### ARTICLE III

#### BOND COMPLIANCE OFFICER; TRAINING

**Section 3.1. Bond Compliance Officer Duties.** The Bond Compliance Officer is responsible for implementing this Compliance Procedure. The Bond Compliance Officer will work with other employees that use the Project Facility to assist in implementing this Compliance Procedure. The Bond Compliance Officer will consult with Bond Counsel, legal counsel to the Issuer, accountants, tax return preparers and other outside experts to the extent necessary to carry out the purposes of this Compliance Procedure. The Bond Compliance Officer will report to the Governing Body as necessary, and at least annually, regarding implementation of this Compliance Procedure and any recommended changes or amendments to this Compliance Procedure.

**Section 3.2. Training.** When appropriate, the Bond Compliance Officer and/or other employees of the Issuer under the direction of the Bond Compliance Officer will attend training programs offered by the IRS or other industry professionals regarding tax-exempt financing that are relevant to the Issuer. At the time the individual acting as the Bond Compliance Officer passes the responsibilities for carrying out the provisions of this Compliance Procedure to another individual, the outgoing Bond Compliance Officer is responsible for training the incoming individual acting as Bond Compliance Officer to ensure the Issuer's continued compliance with the provisions of this Compliance Procedure and all Tax Compliance Agreements for any outstanding Tax-Exempt Bonds.

### ARTICLE IV

#### TAX-EXEMPT BONDS CURRENTLY OUTSTANDING

**Section 4.1. Tax-Exempt Bonds Covered by Article IV Procedures.** This Article IV applies to all Tax-Exempt Bonds issued prior to the date of this Compliance Procedure that are currently outstanding. These Tax-Exempt Bonds are listed on **Exhibit A**.

**Section 4.2. Tax-Exempt Bond File.** As soon as practical, the Bond Compliance Officer will attempt to assemble as much of the Tax-Exempt Bond File as is available for the Tax-Exempt Bonds listed on **Exhibit A**.

**Section 4.3. Annual Compliance Checklists.** As soon as practical following the adoption of this Compliance Procedure, the Bond Compliance Officer will work with Bond Counsel and/or legal counsel to the Issuer and cause Annual Compliance Checklists to be completed for all outstanding Tax-Exempt Bonds and will follow the procedures specified in Article VI to complete the Annual Compliance Checklists and thereafter include each completed Annual Compliance Checklist in the Tax-Exempt Bond File.

**Section 4.4. Correcting Prior Deficiencies in Compliance.** In the event the Bond Compliance Officer determines any deficiency in compliance with a Tax Compliance Agreement for an outstanding

Tax-Exempt Bond listed on **Exhibit A**, the Bond Compliance Officer will follow the procedures described in the Regulations or the Tax-Exempt Bonds Voluntary Closing Agreement Program (VCAP) to remediate the noncompliance. If remediation of the noncompliance requires the Issuer to submit a request under VCAP, the Bond Compliance Officer will undertake this step only after reporting the violation to the Governing Body and obtaining its approval.

## ARTICLE V

### COMPLIANCE PROCEDURE FOR NEW TAX-EXEMPT BOND ISSUES

**Section 5.1. Application.** This Article V applies to Tax-Exempt Bonds issued on or after the date of this Compliance Procedure.

**Section 5.2. Prior to Issuance of Tax-Exempt Bonds.**

(a) Intent Resolution. The Governing Body will authorize and approve the issuance of Tax-Exempt Bonds. Prior to or as a part of the authorizing resolution or ordinance, the Governing Body may adopt an Intent Resolution.

(b) Directions to Bond Counsel. 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-Exempt Bonds so that they conform to the requirements of this Compliance Procedure, except to the extent Bond Counsel determines that different procedures are required. The Bond Compliance Officer will consult with Bond Counsel so that appropriate provisions are made to fund or reimburse the Issuer's costs and expenses incurred to implement this Compliance Procedure.

(c) Tax Compliance Agreement. For each issuance of Tax-Exempt Bonds, a Tax Compliance Agreement will be signed by the Bond Compliance Officer. 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 Tax-Exempt Bonds. The Bond Compliance Officer will confer with Bond Counsel and the Issuer's counsel regarding the meaning and scope of each representation and covenant contained in the Tax Compliance Agreement.

(d) Preliminary Cost Allocations. For each issuance of Tax-Exempt Bonds, 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 are expected to be financed with proceeds of the Tax-Exempt Bonds (the "Financed Assets") and the portions, if any, expected to be financed from other sources.

(e) Tax Review with Bond Counsel. Prior to the sale of Tax-Exempt Bonds, 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. If Bond Counsel determines that this Compliance Procedure conflicts with the Tax Compliance Agreement, or must be

supplemented to account for special issues or requirements for the Tax-Exempt Bonds, the Bond Compliance Officer will ask Bond Counsel to include the written modifications or additions in the final Tax Compliance Agreement. The Bond Compliance Officer will request Bond Counsel to prepare a form of Annual Compliance Checklist for use in monitoring the ongoing compliance requirements for the Tax-Exempt Bonds.

### **Section 5.3. Accounting and Recordkeeping.**

(a) Accounting for New Money Projects. The Bond Compliance Officer will be responsible for accounting for the investment and allocation of proceeds of the Tax-Exempt Bonds. The Bond Compliance Officer will establish separate accounts or subaccounts to record expenditures for Costs of the Project Facility. Where appropriate, the Bond Compliance Officer may use accounts established as part of the Issuer'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) invoice number or other identifying reference.

(b) Accounting for Refunded Bonds and Related Refunded Bond Accounts. For Tax-Exempt Bonds that are issued to refund prior Tax-Exempt Bonds, 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 Tax-Exempt Bonds.

(c) Tax-Exempt Bond File. The Bond Compliance Officer will be responsible for assembling and maintaining the Tax-Exempt Bond File.

### **Section 5.4. Final Allocation of Bond Proceeds.**

(a) Preparation of Final Written Allocation; Timing. The Bond Compliance Officer is responsible for making a written allocation of proceeds of Tax-Exempt Bonds to expenditures and identifying the 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 Tax-Exempt Bond proceeds from any segregated Tax-Exempt Bond funded account, (2) the date the Project Facility has been substantially completed or (3) four and one-half years following the issue date of the Tax-Exempt Bonds. For Tax-Exempt Bonds issued only to refund a prior issue of Tax-Exempt Bonds, the Bond Compliance Officer will work with Bond Counsel to prepare and/or document the Final Written Allocation for the Project Facility financed by the refunded Tax-Exempt Bonds and include it in the Tax Compliance Agreement.

(b) Contents and Procedure. 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-Exempt Bond proceeds and other money of the Issuer 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-Exempt Bonds in accordance with the Issuer'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-Exempt Bonds (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-Exempt Bonds).

(c) Finalize Annual Compliance Checklist. As part of the preparation of the Final Written Allocation, the Bond Compliance Officer will update the draft Annual Compliance Checklist contained in the relevant Tax Compliance Agreement. The Bond Compliance Officer will include reminders for all subsequent arbitrage rebate computations required for the Tax-Exempt Bonds in the Annual Compliance Checklist.

(d) Review of Final Written Allocation and Annual Compliance Checklist. Each Final Written Allocation and Annual Compliance Checklist will be reviewed by legal counsel to the Issuer 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.

## ARTICLE VI

### ONGOING MONITORING PROCEDURES

**Section 6.1. 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-Exempt Bond File. The Bond Compliance Officer will refer any responses indicating a violation of the terms of the Tax Compliance Agreement to legal counsel to the Issuer or Bond Counsel and, if recommended by counsel, will follow the procedure set out in **Section 4.4** hereof to remediate the non-compliance.

**Section 6.2. 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.

ADOPTED BY THE BOARD OF EDUCATION OF  
HALL COUNTY SCHOOL DISTRICT 0002  
(GRAND ISLAND PUBLIC SCHOOLS)  
\_\_\_\_\_, 2019

**EXHIBIT A**

**LIST OF TAX-EXEMPT BONDS CURRENTLY COVERED BY THIS COMPLIANCE PROCEDURE**

\$21,340,000 General Obligation Refunding Bonds, Series 2012  
\$51,215,000 General Obligation Bonds, Series 2014  
\$4,445,000 Limited Tax Refunding Building Bonds, Series 2015  
\$4,710,000 Limited Tax Building Bonds, Series 2016  
\$18,685,000 General Obligation Bonds, Series