Post Issuance Compliance Policy (for Governmental Bonds)

Scope. This Post Issuance Compliance Policy addresses the Issuer's compliance with federal tax, federal securities and state law requirements and contractual obligations applicable to the Issuer's tax-advantaged governmental bond issues. The policy applies generally to all of the Issuer's tax-exempt governmental bonds, and other bonds subject to comparable requirements. As used in this policy, references to "bonds" include bonds, lines of credit, bond anticipation notes, and equipment and other financing leases.

Purpose. This policy is intended to improve the Issuer's ability to:

- Prevent violations in bond requirements from occurring in the first place,
- Timely identify potential violations, and
- Correct identified violations through appropriate remedial steps.

Schedule of Review. The policy is to be reviewed at least annually and upon each issuance of new bonds, including refunding bonds. In connection with this periodic review, the Issuer will consider whether the policy should be amended or supplemented:

- To address any particular requirements associated with the new bond issue, or
- To reflect general changes in requirements since the prior bond issue.

Requirements at Bond Closing. Numerous federal tax, federal securities and state law requirements must be met in connection with a bond issue. In some circumstances (e.g., revenue bonds) rate and other covenant requirements will also need to be satisfied. These requirements are addressed in the bond transcript completed at bond closing, and confirmed in certain respects by the legal opinions included in the bond transcript.

Requirements After Bond Closing. Other federal tax, federal securities law and state law requirements and contractual obligations require on-going monitoring after the issuance of the bonds.

- <u>Officials or employees responsible for review</u>. The following officers and employees of the Issuer are identified as the responsible persons for reviewing compliance with the Issuer's post-issuance obligations. Each responsible individual is to institute a calendaring system to track compliance with tasks in a timely manner.

  - ➢ Federal tax requirements, including arbitrage, use of proceeds, use of facilities and IRS filings:

    - ✓ Arbitrage, IRS Filings: Business Manager
    - ✓ Use of Proceeds: Business Manager
    - ✓ Use of Facilities: Business Manager

  - ➢ Continuing disclosure requirements:

- ✓ Annual Filing: Business Manager
- ✓ Material Event Notices: Business Manager
- ✓ The Issuer also contracts with a financial advisor to assist with material event notices.
- ✓ Prior to filing each annual filing or material event notice, the Business Manager is to circulate the draft filing or notice to Bond Counsel and to the Superintendent for review.

- ➢ The Business Manager is responsible for reviewing the other requirements under this policy.

- ➢ The responsible persons identified above may need to confer, from time to time, with the Issuer's bond counsel, and/or financial advisor, to confirm the applicability and scope of the requirements outlined in this policy. For reference, the contact information for these advisors is provided below:

  - ✓ Pacifica Law Group LLP, as bond counsel (contact: Faith Pettis at 206-245-1715, faith.pettis@pacificalawgroup or Edward McCullough at 206-254-1727, edward.mccullough@pacificalawgroup.com)
  - ✓ Current Financial Advisor, Business Manager will provide contact information if required

- <u>Training of the responsible official/employee</u>. The Issuer provides opportunities for training to the responsible individuals, specifically including the following training opportunities:

  - ➢ At or after bond closing, a conference call or meeting with bond counsel to review the requirements applicable to a new bond issue.
  - ➢ Other seminars conducted by professional organizations such as WASBO and GFOA.

- <u>Records to be Maintained</u>. The following documents are maintained in connection with each bond issue. The goal is to retain adequate records to substantiate compliance with federal tax, securities law, state law and other contractual requirements applicable to the Issuer's bonds. Generally records should be maintained for the term of the bonds (plus any refunding) plus four years. Unless otherwise specified, the following records are to be maintained in the office of the Business Manager.

  - ➢ Complete bond transcript (provided by bond counsel) in CD or hard copy.
  - ➢ Records of investment of bond proceeds in a format showing the date and amount of each investment, its interest rate and/or yield, the date any earnings are received and the amount earned, and the date each investment matures and if sold prior to maturity, the sale date and sale price.
  - ➢ Records of expenditure of bond proceeds in a format showing the amount, timing and the type of expenditure.
  - ➢ Records of invoices or requisitions, together with supporting documentation showing payee, payment amount and type of expenditure, particularly for projects involving multiple sources of funds.

- Records necessary to document the allocation of bond proceeds and other sources of funds to particular projects or portions of projects.
- Records documenting the final allocation of bond proceeds to projects, including any reallocations of bond proceeds, in a format showing the timing and substance of the reallocation, if applicable.
- Records demonstrating compliance with arbitrage and rebate requirements, including arbitrage calculations, documentation of spending exceptions to rebate, rebate reports and IRS filings and payments.
- Copies of contracts relating to the use of the bond-financed facility including leases, concession agreements, management agreements and other agreements that give usage rights or legal entitlements with respect to the facility to nongovernmental persons (e.g., advertising displays, cell tower leases, and naming rights agreements).
- Copies of contracts relating to ongoing compliance with respect to the bonds.
- Copies of any filings or correspondence with the IRS, the SEC or other regulatory body.

- <u>Investment of Bond Proceeds.</u> In general, bond proceeds and certain other funds can only be invested at a rate that exceeds the yield on the bonds under limited circumstances. Furthermore, amounts earned by investing above the bond yield must be rebated to the IRS, unless the Issuer qualifies as a small issuer or a spending exception is met. The arbitrage and rebate requirements for each bond issue are detailed in the federal tax certificate. The Business Manager will monitor the investment and expenditure of the funds and accounts listed below. The Business Manager determines whether the bond issue meets the requirement for one of the expenditure exceptions to arbitrage rebate. The Business Manager in consultation with bond counsel will determine whether a rebate calculation is necessary and, if so, will perform the calculation or engage a rebate consultant. The Business Manager will arrange for the payment of any required rebate to the IRS together with the appropriate IRS form on the dates described below.

  - <u>Funds to Monitor</u>.
    - ✓ Bond or debt service funds/accounts
    - ✓ Project or construction funds/accounts
    - ✓ Debt service reserve funds/accounts
    - ✓ Other accounts with bond proceeds or amounts pledged to pay bonds

  - <u>Arbitrage Reports; Rebate May Be Due</u>.
    - ✓ During construction, monitor expenditures to confirm satisfaction of expected exception to rebate (such as six month exception, 18 month exception, 24 month exception)
    - ✓ The first rebate payment is due five years after date of issue plus 60 days
    - ✓ Rebate is due every succeeding five years, if there are unspent gross proceeds of the bonds
    - ✓ Final rebate payment is due 60 days after early redemption or retirement of the bonds

  - <u>Limitations on Type of Investments</u>. Bond proceeds must be invested as permitted under state law. In addition, the bond ordinance, bond resolution or any bond insurance agreement may further limit the permitted investments. To monitor compliance with these investment restrictions, the Issuer has invested bond proceeds solely in the Local Government Investment Pool.

- Use of Bond Proceeds During the Construction Period. Monitoring the expenditure of bond proceeds is necessary to assure that the required amount of bond proceeds are expended for capital expenditures and that not more than 10% of the bond proceeds are expended for projects that will be used for in a private trade or business (including by the federal government and nonprofit entities).

  - ➢ The Business Manager is responsible for reviewing the transcript for the bonds, and in particular the authorizing documents and the federal tax certificate, as well as invoices and other expenditure records to monitor that the bond proceeds are spent on authorized project costs.
  - ➢ If, at the completion of the project, there are unspent bond proceeds the Business Manager, conferring with bond counsel, will direct application of the excess proceeds for permitted uses under federal tax law, state law, and bond authorization documents.
  - ➢ If the project involves bond proceeds and other sources of funds and included both governmental and nongovernmental use of the financed facilities the Business Manager will undertake a final reconciliation of bond proceeds expenditures with project costs no later than 18 months after the later of the date of expenditure or the date that the project is placed in service (but in no event more than five years after the date of issue).

- Use of Bond-Financed Facilities. Monitoring (and limiting) any private use of the bond-financed facility is important to maintaining the federal tax treatment of governmental bonds. In general, no more than 10% of the bond-financed facility can be used in a private trade or business (including by the federal government and nonprofit entities). Private use can arise through any of the following arrangements, either directly or indirectly.

  - ➢ Types of Private Use
    - ✓ Selling all or a portion of the facility
    - ✓ Leasing all or a portion of the facility
    - ✓ Entering into a management contract for the facility (except for qualified management contracts under IRS Rev. Proc. 97-13)
    - ✓ Use of all or a portion of the facility for research purposes under a research contract (except for qualified research contracts under IRS Rev. Proc. 97-14)
    - ✓ Entering into contracts giving “special legal entitlement” to the facility (for example, selling advertising space or naming rights)

  - ➢ Procedures for monitoring private use; procedures reasonably expected to timely identify noncompliance.
    - ✓ The district has approved policy 4260 and the corresponding procedure governing the use of district facilities. Bond financed facilities are generally used by the district for the purposes set forth in the district mission statement. The policy allows for some use by the

public. The Administrative Assistant to the Superintendent will be responsible for monitoring private use of the facilities and will not allow any private use in excess of 50 days, by any organization.

- Procedures ensuring that the Issuer will take steps to timely correct noncompliance.
    - ✓ If the Issuer takes official action to sell, lease or otherwise change the use of bond-financed facilities to private use, action should be taken under Treas. Reg. § 1.141-12 within 90 days to apply net proceeds of the sale or lease of the facility to other qualifying capital expenditure or to redeem or defease bonds. Upon a determination that there has been or could be a change in use of a bond-financed facility under the monitoring procedures described above, the Business Manager shall consult with bond counsel and apply net proceeds of the change in use as required.

- Continuing Disclosure. The Issuer is required to make annual filings with the Municipal Securities Rulemaking Board ("MSRB") as described in the continuing disclosure undertaking for each bond issue (which may include tax-exempt, or taxable bonds), and to file notice of certain material events.

    - Submissions will be made in electronic form through the MSRB's web-based system known as Electronic Municipal Market Access ("EMMA"), currently available at http://www.emma.msrb.org . Submissions will be made in word-searchable PDF.
    - Annual filings
        - ✓ Financial information and operating data about the issuer included in the Official Statement for the bonds
        - ✓ Change in fiscal year; other information described in the continuing disclosure undertaking
        - ✓ Audited financial statements
        - ✓ These reports must be filed no later than nine months after the end of the District's fiscal year (currently August 31)

    - Material event notices.
        - ✓ The Issuer is required to provide or cause to be provided to the MSRB, in a timely manner, notice of certain events with respect to the bonds. Amendments to SEC Rule 15c2-12 (the "Rule") in 2010 expanded the list of events requiring disclosure and added a 10-day compliance period for undertakings effective after December 1, 2010.
        - ✓ Generally, if any of the following events occur, the Issuer shall provide, or cause to be provided, to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of the any of the following events with respect to the bonds:

            1. Principal and interest payment delinquencies
            2. Non-payment related defaults, if material
            3. Unscheduled draws on debt service reserves reflecting financial difficulties

4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the bonds
7. Modifications to the rights of bondholders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the Bonds, if material
11. Rating changes (both upgrades and downgrades)
12. Bankruptcy, insolvency, receivership or similar event of the City
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

- Procedure for ensuring that notice of the above events is provided to the responsible individual(s) identified above: Business Manager

- Periodic check of information regarding bonds on EMMA. Prior to each new bond issue, the Issuer will search EMMA for its continuing disclosure filings to confirm proper filings have been made.

Adoption Date: October 13, 2014
Woodland School District #404