

CHAPTER 2.00 FINANCIAL PROCEDURE

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2.01 PREPARATION OF TAX ROLL AND TAX RECEIPTS.

AGGREGATE TAX STATED ON ROLL. Pursuant to section 70.65(2), Wisconsin Statutes, the Village Clerk shall, in computing the tax roll, insert only the aggregate amount of state, county, school and local taxes in a single column in the roll opposite the parcel or tract of land against which the tax is levied or in the case of personal property, in a single column opposite the name of the person against whom the tax is levied.

RATES STAMPED ON RECEIPTS. Pursuant to section 74.08(1), Wisconsin Statutes, in lieu of entering on each tax receipt the several amounts paid respectively for state, county, school, local and other taxes; the aggregate amount of such taxes shall be combined in a single column on the tax receipt issued by the Village Treasurer. The Treasurer shall cause to be printed or stamped on the tax receipt the separate proportion or rate of taxes levied for state, county, school, local or other purposes.

2.02 ORDER CHECKS.

Order checks disbursing funds of the Village for purposes and items authorized by the Village Board shall be signed by two designees of the following: the Village Clerk, the Village Treasurer, the Village President, and the Village Financial Officer. (#03-15)

2.03 CLAIMS AGAINST VILLAGE.

- A. CLAIMS TO BE CERTIFIED. Prior to submission of any account, demand or claim to the Village for approval of payment, the Village Treasurer shall certify that the following conditions have been complied with:
 - 1. That funds are available pursuant to the budget.
 - 2. That the item or service was duly authorized by the proper official or agency and the item has been received or the service rendered in accordance with the purchasing agreement.
 - 3. That the claim is accurate in amount and a proper charge has been credited to the treasury.
- B. PAYMENT OF REGULAR WAGES OR SALARIES. Regular wages or salaries of Village officers and employees shall be verified by the proper Village official or department head and filed with the Village Clerk in time for payment on the regular pay day.

2.04 FISCAL YEAR.

The calendar year shall be the fiscal year.

2.05 BUDGET: GENERAL VILLAGE.

DEPARTMENTAL ESTIMATES. On or before October 1 of each year, the Village Administrator shall submit a proposed budget to the Village Board for the ensuing year.

BUDGET AND FINANCE COMMITTEE TO PREPARE FINAL DRAFT OF BUDGET. On or before October 31 each year the Budget and Finance Committee shall prepare and submit to the Village Board a proposed budget presenting a financial plan for conducting the affairs of the Village for the ensuing calendar year. The budget shall include the following information:

- 21296. The expense of conducting each department and activity of the Village for the ensuing fiscal year and corresponding items for the preceding and estimates for the current fiscal year, with reasons for increase and decrease recommended as compared with appropriations for the current year.
- 21297. An itemization of all anticipated income of the Village from sources other than general property taxes and bonds issued, with a comparative statement of the amounts received by the Village from each of the same or similar sources for the last preceding and current fiscal year.
- 21298. An estimate of the amount of money to be raised from general property taxes, which, with income from other sources, will be necessary to meet the proposed expenditures.
- 21299. A debt payment schedule and budget will be prepared by the Village Treasurer and Village Administrator which will include the entire indebtedness of the Village of Jackson and the fully extended schedule of payments.
- 21300. Such other information as may be required by the Village Board and by State Law.
- 21301. The Village shall provide a reasonable number of copies of the budget thus prepared for distribution to citizens.

B. HEARING. The Village Administrator shall submit to the Village Board at the time the annual budget is submitted the draft of an appropriation ordinance providing for the expenditures proposed for the ensuing fiscal year. Upon the submission of the proposed appropriation ordinance to the Board it shall be deemed to have been regularly introduced therein. The Board shall hold a public hearing on the budget and the proposed appropriation ordinance as required by law. Following the public hearing the proposed appropriation ordinance may be changed or amended and shall take the same course in the Board as other ordinances.

2.06 BUDGET: WATER AND SEWER UTILITIES.

DEPARTMENTAL ESTIMATES. On or before October 1st of each year, the Village Administrator shall submit to the Village Board a proposed budget for each utility for the ensuing year.

BUDGET AND FINANCE COMMITTEE TO PREPARE FINAL DRAFT OF BUDGET. On or before October 31 of each year the Budget and Finance Committee shall prepare and submit to the Village Board a proposed budget presenting a financial plan for conducting the affairs of the utility for the ensuing calendar year. The budget shall include the following information:

22328. The expense of conducting the operation of the utility for the ensuing fiscal year and corresponding items for the current year and last preceding fiscal year, with reasons for increase and decrease recommended as compared with appropriations for the current year.

22329. An itemization of all anticipated income of the utility with a comparative statement of the amount received by the utility from each of the same or similar sources for the last preceding and current fiscal year.

2.07 AMENDMENT OF THE BUDGET.

The Village Board may at any time by a 2/3 vote of the entire membership amend the budget. Notice of such amendment shall be given by publication within 15 days thereafter in the official Village newspaper.

2.08 VILLAGE FUNDS TO BE SPENT IN ACCORDANCE WITH APPROPRIATION.

No money shall be drawn from the Treasury of the Village, nor shall any obligation for the expenditure of money be incurred, except in pursuance of the annual appropriation in the adopted budget or when changed as authorized by Section 2.07 of this chapter. At the close of each fiscal year any unencumbered balance of an appropriation shall revert to the general fund and shall be subject to re-appropriation; but appropriations may be made by the Board, to be paid out of the income of the current year, in furtherance of improvements or other objects or works which will not be completed within such year, and any such appropriation shall continue in force until the purpose for which it was made shall have been accomplished.

2.09 DESTRUCTION OF PUBLIC RECORDS.

FINANCIAL RECORDS. Officers are empowered to destroy the following non-utility records under their jurisdiction after the completion of an audit by the Department of State Audit or an auditor licensed under Ch.

442, Wis. Stats. but not less than 7 years after payment or receipt of the sum involved in the applicable transaction:

- 23360. Bank statements, deposit books, slips and stubs.
- 23361. Bonds and coupons after maturity.
- 23362. Canceled checks, duplicates and check stubs.
- 23363. License applications.
- 23364. Pay rolls and other time and employment records of personnel included under Wisconsin Retirement Fund.
- 23365. Receipt forms.
- 23366. Special assessment records.
- 23367. Vouchers, requisitions, purchase orders and all other supporting document pertaining thereto.

B. UTILITY RECORDS. Officers are empowered to destroy the following records of municipal utilities subject to regulation by the State Public Service Commission and after an audit as provided above, but not less than 2 years after payment or receipt of the sum involved in the applicable transaction:

- 23876. Water and sewer stubs and receipts of current billings.
- 23877. Customers' ledgers.
- 23878. Vouchers and supporting documents pertaining to charges not included in plant accounts.
- 23879. Other utility records after 7 years with the written approval of the State Public Service Commission.

B. OTHER RECORDS. Officers are empowered to destroy the following records, but not less than 7 years after record was effective:

- 24392. Assessment rolls and related records, including Board of Review minutes.
- 24393. Contracts and papers relating thereto.
- 24394. Correspondence and communications.
- 4. Auditors' reports.
- 5. Insurance policies.
- 6. Oaths of office.

7. Reports of boards, commissions, committees and officials duplicated in the official minutes.
8. Resolutions and petitions.
9. Voter record cards.

B. NOTICE REQUIRED. Prior to the destruction of any public record described above, at least 60 days' notice shall be given to the State Historical Society.

2.10 ABANDONED PROPERTY.

The Chief of Police is hereby authorized to dispose of all personal property which has been abandoned or which has been unclaimed for 30 days and which has a value of less than \$500.00 in one of the following manners:

25424. By transfer to the Police Department for the Department's use;
2. By transfer to another Village department for the department's use;
3. As a trade-in on any item of personal property needed by any Village department;
4. By sale;
5. By donation to a non-profit organization.

B. This section shall not apply to motor vehicles, trailers, semi-trailers and mobile homes, which shall be disposed of in accordance with the provisions of the Wisconsin Statutes.

- C. Personal property in excess of \$500.00 in value shall be disposed of in accordance with Section 66.28, Wis. Stats.
- D. Property seized by the Police Department pursuant to a search warrant or seized without a search warrant shall be disposed of in accordance with the provisions of Section 968.20, Wis. Stats. and as amended from time to time. (#95-22)

2.11 SPECIAL ASSESSMENT PROCEDURE

- A. Alternate Method Selected. As provided in Sec. 66.0703 of the Wis. Stats in addition to other methods provided by law, special assessments for any public work and improvement may be levied by alternate methods. The Village Board hereby elects to levy such special assessments as provided in this section. (#03-15)
- B. Preliminary Resolution. Whenever the Village Board shall determine that any public work or improvement shall be financed in whole or in part by special assessments levied under this section, it shall adopt a preliminary resolution setting forth the following:

25884. Its intent to exercise its police powers for the purpose of levying special assessments for the stated municipal purpose.

The limits of the proposed assessment district.

3. The time, either before or after completion of the work or improvement, when the amount of such assessments shall be determined and levied.
4. The number of installments in which the special assessments may be paid, or that the number of installments will be determined after the public hearing required by sub. (4) below, and will be included in the final resolution.
5. The rate of interest to be charged on the unpaid installments or that the rate of interest will be determined after the public hearing required by sub. (4) below, and will be included in the final resolution.
6. The terms on which any of such assessments may be deferred while no use of the improvement is made in connection with the property or that such terms will be determined after the public hearing required by sub. (4) below, and will be included in the final resolution.
7. The Village Engineer shall prepare a report as required by sub. (3) below.

C. Report of the Village Engineer. Whenever the Village Board, by preliminary resolution, directs the Village Engineer to prepare a report, the Village Engineer shall prepare a report consisting of the following: (#03-15)

1. Preliminary of final plans and specifications for the public works.
2. An estimate of the entire cost of the proposed work or improvements, except that when the Village Board determines by preliminary resolution that the hearing on such assessments shall be held subsequent to the completion of the work or improvements, the report shall contain a statement of the final cost of the work, service or improvement in lieu of an estimate of such costs.
3. A Schedule of the proposed assessments.
4. A statement that each property against which the assessments are proposed has been inspected and is benefited, setting forth the basis of such benefit.
5. Upon completion of the report, the Village Engineer shall file a copy of the report with the Village Clerk.

D. Incorporation of Statutory Provisions. The provisions of Section 66.0703 of the Wis. Stats. including those related to notice hearing and the adoption of a final resolution, shall, to the extent not inconsistent with this section, apply to special assessments levied under this section. (#03-15)

E. Lien. Every special assessment levied under this section shall be a lien against the property assessed from the date of the final resolution of the Village Board determining the amount of such levy.

2.12 TRANSIENT LODGING ROOM TAX.

Pursuant to Section 66.75, Wisconsin Statutes, a tax is imposed on the privilege and service of furnishing, at retail, rooms or lodging to transients by hotel keepers, motel operators and other persons furnishing accommodations that are available to the public, irrespective of whether membership is required for the use of the accommodations. Such tax shall be at the rate of five percent (5%) of the gross receipts from such retail furnishing of rooms or lodgings. Such tax shall not be subject to the selective sales tax imposed by Section 77.52(2)(a) 1, Wisconsin Statutes.

- A. Registration Required. Every person furnishing rooms or lodging under par. (a) above shall register each business entity with the Village Treasurer. The owner shall sign the registration if a sole proprietor and, if not a sole proprietor, by the person authorized to act on behalf of such sellers.
- B. License Required. Every person and organization furnishing rooms or lodging defined herein, shall file an application with the Village Treasurer for a License for each place of business. Applications shall be made upon a form provided by the Village Treasurer. The business owner or his/her authorized agent shall sign the application. The current application fee, as set by Resolution, shall be paid to the Village Treasurer at the time of filing the application.

License shall be issued annually, for one year, from July first through June thirtieth. It shall be the responsibility of the owner or his/her authorized agent, to apply for this license annually. There shall be no refund or pro-rating of the license should the business change ownership or cease operation. Change of ownership shall require the new owner to obtain a license in their name and place of business name.

The license shall at all times be displayed in a conspicuous location at the place of business for which it was issued.

If any person or organization fails to comply with the requirements for Hotel/Motel Quarterly Tax Reporting and payment, or are in default of any other taxes, charges or fees due to the Village, the license shall not be granted. If the license is denied for nonpayment of taxes, charges or fees, the license will not be granted.

If the person or organization becomes in default during the year that such license has been issued, for failure to comply with the requirements for Hotel/Motel Quarterly Tax Reporting and payment, or are in default of any other such fees due to the Village, shall be given written notification by the Village Treasurer, to have ten (10) days notice to come into compliance *with* all fees and fines due, or to show just cause why his/her license should not be revoked. No license shall be reissued until the Village Treasurer is satisfied that the license holder will comply with the provisions of this section. If the license has been revoked, then a new fee and application will be required before a new license is issued.

- C. Collection of Tax. The room tax imposed by Section 1 for each calendar quarter is due and payable and must be received in the office of the Village Treasurer at the Village Hall on or before the last business day of the month next succeeding the calendar quarter for which it is imposed.

1. Quarterly Room Tax Returns. A Quarterly Room Tax Report ~~return~~ shall be filed with the

Village Treasurer. The Quarterly Tax imposed for the Months of January, February, March shall constitute the first quarter, April May June the second quarter, July August September the third quarter, and October November December the fourth quarter. Such return shall be on a form provided by the Village and shall show the gross receipts of the preceding calendar quarter from such retail furnishing of rooms or lodging, illustrating and indicating thereon any exemption from an imposed room tax, billed to the State and/or its departments or agencies, the amount of taxes imposed for such period, and such other information as the Village Treasurer deems necessary, provided it is directly related to the tax. The Quarterly Room Tax Report and payment for such tax shall be filed with the Village Treasurer fifteen (15) days following the end of such quarter.

2. Annual Room Tax Return. Every person or organization required to file such a quarterly return, shall also be required to file an annual calendar year return on a form provided by the Village which shall be due and filed as part of the quarterly return for the fourth quarter of each calendar year. The annual return shall summarize the quarterly returns, reconcile and adjust for errors in the quarterly returns, and shall contain certain such additional information as the Village Treasurer requires, provided it is directly related to the tax. The required person or organization to file a return, or his or her duly authorized agent shall sign all annual returns. This annual return shall be filed with the Village Treasurer thirty (30) days following the close of the calendar year. The Village Treasurer may extend the time for filing any return if such extension shall not exceed thirty (30) days from the date that it is due. Such an extension may be granted only for good and sufficient cause.
 3. Exemptions From Room Tax. Any Hotel/Motel establishment must furnish lease or rent receipt copies, verifying that the individual(s) is (are) indeed lodging there for a continuous period of thirty (30) days or more, and are therefore exempt from the Hotel/Motel Tax imposed by the municipality (#05-15).
 4. Ability For Unpaid Tax. The room tax imposed hereunder shall be a continuing liability upon the business entity or person or organization upon whom it is imposed until paid in full. Business successors shall be liable for any preceding calendar quarter for which a return has not been filed and payment not received.
 5. Interest On Unpaid Taxes. All unpaid taxes under this chapter shall bear interest at the rate of one percent per month/twelve percent (12%) per annum from the due date of the return until the first day of the month following the month in which the tax was paid.
- D. **DELINQUENT TAX RETURNS.** Tax returns required hereunder and not timely filed shall be deemed delinquent and shall be subject to a ten-dollar (\$10) late filing fee.
- E. **ADMINISTRATION OF TAX COLLECTION.** The Village Treasurer shall be responsible for the administration and collection of the room tax. The Village Treasurer may, by field audit, determine the tax required to be paid to the Village or the refund due to any person or organization under this section. The determination shall be made upon the basis of the facts contained in the return being audited and upon any other information available to the Village Treasurer. The Village Treasurer is authorized to examine and inspect the books, records, state sales tax records, memoranda, and property of the person or organization which is directly related to the tax or which ~~have~~ has a direct bearing upon the gross receipts upon which the tax is due, in order to verify the tax liability of that person or

person or organization. Nothing herein shall prevent the Village Treasurer from making a determination of tax at any time.

- F. **PENALTY ASSESSMENT.** If any person fails to timely file a return, as required by this Chapter, the Village Treasurer shall make an estimate of the amount of the gross receipts upon which the tax is determined. Such estimate shall be made for the period for which such person failed to make a return and shall be based upon any information in the Village Treasurer=s possession or may come into his or her possession, which may have a bearing upon the determination of gross receipts. The Village Treasurer shall compute and determine the amount required to be paid to the Village by adding to the sum thus arrived at, and by adding a penalty equal to ten percent (10%) to that total amount due. Such a determination may be made for each quarterly period for which no return is filed. Such a penalty shall be due upon written notice to the business entity or person owing the tax and shall not be in lieu of the tax due hereunder.
- G. **FRAUDULENT TAX RETURNS.** If a person files a false or fraudulent return with the intent in either case to defect or evade the tax imposed by this Chapter, a penalty of fifty percent (50%) shall be added to the tax amount that is required to be paid, exclusive of interest and other penalties.
- H. **RECORDS TO BE MAINTAINED.** Every person or organization shall be held liable for the tax imposed by this Chapter and shall keep or cause to be kept such records, receipts, invoices and other pertinent papers for seven (7) years in such form so as to enable the Village Treasurer to determine the tax due hereunder.
- I. **CONFIDENTIALITY.** All tax returns, schedules, exhibits, writings or audit reports relating to such returns on file with the Village Treasurer are deemed to be confidential, except the Village Treasurer may divulge their contents to the following and no others:
- (1) The person who filed the return.

Such other public officials when deemed necessary and after notification of the licensee.
 - (3) No person having an administrative duty under this section shall make known in any manner the business affairs, the amount or source of income, profits, losses, expenditures, any tax return or copy thereof, or any particular disclosed in any return, or permit, to be seen or examined by any person, except as provided herein, or that which is obtained by an investigation of records of any person or organization on whom a tax is imposed by this.
- J. **DEFINITIONS.**

1. @Hotel@ or AMotel@ means a building or group of buildings in which the public may obtain accommodations for a consideration, including, without limitation, such establishments as inns, motels, tourist homes, tourist houses or courts, lodging houses, summer camps, apartment hotels, resort lodges, campgrounds, cabins and any other building or group of buildings in which the accommodations are available to the public, except accommodations rented for a continuous period of more than one month and accommodations furnished by any hospital, sanatoriums, or nursing homes, rooming houses, or by corporations or associations organized

and operated exclusively for religious, charitable or educational purposes, provided that no part of the net earnings of such corporations and associations inures to the benefit of any private shareholder or individual.

2. @Gross receipts@ has the meaning as defined in Section 77.51(11)(a), (b) and (c) Wisconsin Statutes, insofar as applicable. Any federal and state tax-exempt transactions shall not be included in the definition of gross receipts.
3. @Person or organization@ shall include corporations, partnerships and other business entities.
4. @Transient@ means any individual residing for a continuous period of less than one month in a motel, hotel, or other furnished accommodations available to the public.

K. PENALTY. Any violation of, or noncompliance with, any of the provisions of this Chapter for which a penalty has not been prescribed herein shall subject the violator to a forfeiture of not less than fifty dollars (\$50) nor more than two hundred fifty dollars (\$250), together with the costs of prosecution and in default of payment thereof to imprisonment in the county jail until such forfeiture has been paid but not to exceed fifteen (15) days. Each day of violation or noncompliance shall constitute a separate offense. (#05-06)

2.13 Post-Issuance Compliance Policy for Tax-Exempt and Tax-Advantaged Obligations and Continuing Disclosure.

Statement of Purpose

This Post-Issuance Compliance Policy (the "Policy") sets forth specific policies of the Village of Jackson, Wisconsin (the "Issuer") designed to monitor post-issuance compliance:

- (i) with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder ("Treasury Regulations") for obligations issued by the Issuer on tax-exempt or tax-advantaged basis ("Obligations"); and
- (ii) with applicable requirements set forth in certificates and agreement(s) ("Continuing Disclosure Agreements") providing for ongoing disclosure in connection with the offering of obligations to investors ("Offerings"), for obligations (whether or not tax-exempt / tax-advantaged) subject to the continuing disclosure requirements of Rule 15c2-12(b)(5) (the "Rule") promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934.

This Policy documents practices and describes various procedures and systems designed to identify on a timely basis facts relevant to demonstrating compliance with the requirements that must be satisfied subsequent to the issuance of Obligations in order that the interest on such Obligations continue to be eligible to be excluded from gross income for federal income tax purposes or that the Obligations continue to receive tax-advantaged treatment. The federal tax law requirements applicable to each particular issue of Obligations will be detailed in the arbitrage or tax certificate prepared by bond counsel and signed by officials of the Issuer and the post-closing compliance checklist provided by bond counsel with respect to that issue. This Policy establishes a permanent, ongoing structure of practices and procedures that will facilitate compliance with the requirements for individual borrowings.

This Policy similarly documents practices and describes various procedures and systems designed to ensure compliance with Continuing Disclosure Agreements, by preparing and disseminating related reports and information and reporting "material events" for the benefit of the holders of the Issuer's obligations and to assist the Participating Underwriters (within the meaning of the Rule) in complying with the Rule.

The Issuer recognizes that compliance with pertinent law is an on-going process, necessary during the entire term of the obligations, and is an integral component of the Issuer's debt management. Accordingly, the analysis of those facts and implementation of the Policy will require on-going monitoring and consultation with bond counsel and the Issuer's accountants and advisors.

General Policies and Procedures

The following policies relate to procedures and systems for monitoring post-issuance compliance generally.

- A. The Treasurer (the "Compliance Officer") shall be responsible for monitoring post-issuance compliance issues.
- B. The Compliance Officer will coordinate procedures for record retention and review of such records.
- C. All documents and other records relating to Obligations issued by the Issuer shall be maintained by or at the direction of the Compliance Officer. In maintaining such documents and records, the Compliance Officer will comply with applicable Internal Revenue Service ("IRS") requirements, such as those contained in Revenue Procedure 97-22.
- D. The Compliance Officer shall be aware of options for voluntary corrections for failure to comply with post-issuance compliance requirements (such as remedial actions under Section 1.141-12 of the Regulations and the Treasury's Tax-Exempt Bonds Voluntary Closing Agreement Program) and take such corrective action when necessary and appropriate.
- E. The Compliance Officer will review post-issuance compliance procedures and systems on a periodic basis, but not less than annually.

Issuance of Obligations - Documents and Records

With respect to each issue of Obligations, the Compliance Officer will:

- A. Obtain and store a closing binder and/or CD or other electronic copy of the relevant and customary transaction documents (the "Transcript").
- B. Confirm that bond counsel has filed the applicable information report (e.g., Form 8038, Form 8038-G, Form 8038-CP) for such issue with the IRS on a timely basis.
- C. Coordinate receipt and retention of relevant books and records with respect to the investment and expenditure of the proceeds of such Obligations with other applicable staff members of the Issuer.

Arbitrage

The following policies relate to the monitoring and calculating of arbitrage and compliance with specific arbitrage rules and regulations.

The Compliance Officer will:

- A. Confirm that a certification of the initial offering prices of the Obligations with such supporting data, if any, required by bond counsel, is included in the Transcript.
- B. Confirm that a computation of the yield on such issue from the Issuer's financial advisor or bond counsel (or an outside arbitrage rebate specialist) is contained in the Transcript.
- C. Maintain a system for tracking investment earnings on the proceeds of the Obligations.
- D. Coordinate the tracking of expenditures, including the expenditure of any investment earnings. If the project(s) to be financed with the proceeds of the Obligations will be funded with multiple sources of funds, confirm that the Issuer has adopted an accounting methodology that maintains each source of financing separately and monitors the actual expenditure of proceeds of the Obligations.
- E. Maintain a procedure for the allocation of proceeds of the issue and investment earnings to expenditures, including the reimbursement of pre-issuance expenditures. This procedure shall include an examination of the expenditures made with proceeds of the Obligations within 18 months after each project financed by the Obligations is placed in service and, if necessary, a reallocation of expenditures in accordance with Section 1.148-6(d) of the Treasury Regulations.
- F. Monitor compliance with the applicable "temporary period" (as defined in the Code and Treasury Regulations) exceptions for the expenditure of proceeds of the issue, and provide for yield restriction on the investment of such proceeds if such exceptions are not satisfied.
- G. Ensure that investments acquired with proceeds of such issue are purchased at fair market value. In determining whether an investment is purchased at fair market value, any applicable Treasury Regulation safe harbor may be used.
- H. Avoid formal or informal creation of funds reasonably expected to be used to pay debt service on such issue without determining in advance whether such funds must be invested at a restricted yield.
- I. Consult with bond counsel prior to engaging in any post-issuance credit enhancement transactions or investments in guaranteed investment contracts.
- J. Identify situations in which compliance with applicable yield restrictions depends upon later investments and monitor implementation of any such restrictions.
- K. Monitor compliance with six-month, 18-month or 2-year spending exceptions to the rebate requirement, as applicable.
- L. Procure a timely computation of any rebate liability and, if rebate is due, to file a Form 8038-T and to arrange for payment of such rebate liability.

- M. Arrange for timely computation and payment of "yield reduction payments" (as such term is defined in the Code and Treasury Regulations), if applicable.

Private Activity Concerns

The following polices relate to the monitoring and tracking of private uses and private payments with respect to facilities financed with the Obligations.

The Compliance Officer will:

- A. Maintain records determining and tracking facilities financed with specific Obligations and the amount of proceeds spent on each facility.
- B. Maintain records, which should be consistent with those used for arbitrage purposes, to allocate the proceeds of an issue and investment earnings to expenditures, including the reimbursement of pre-issuance expenditures.
- C. Maintain records allocating to a project financed with Obligations any funds from other sources that will be used for otherwise non-qualifying costs.
- D. Monitor the expenditure of proceeds of an issue and investment earnings for qualifying costs.
- E. Monitor private use of financed facilities to ensure compliance with applicable limitations on such use. Examples of potential private use include:
 - 1. Sale of the facilities, including sale of capacity rights;
 - 2. Lease or sub-lease of the facilities (including leases, easements or use arrangements for areas outside the four walls, e.g., hosting of cell phone towers) or leasehold improvement contracts;
 - 3. Management contracts (in which the Issuer authorizes a third party to operate a facility, e.g., cafeteria) and research contracts;
 - 4. Preference arrangements (in which the Issuer permits a third party preference, such as parking in a public parking lot);
 - 5. Joint-ventures, limited liability companies or partnership arrangements;
 - 6. Output contracts or other contracts for use of utility facilities (including contracts with large utility users);
 - 7. Development agreements which provide for guaranteed payments or property values from a developer;
 - 8. Grants or loans made to private entities, including special assessment agreements; and
 - 9. Naming rights arrangements.

Monitoring of private use should include the following:

1. Procedures to review the amount of existing private use on a periodic basis; and
2. Procedures for identifying in advance any new sale, lease or license, management contract, sponsored research arrangement, output or utility contract, development agreement or other arrangement involving private use of financed facilities and for obtaining copies of any sale agreement, lease, license, management contract, research arrangement or other arrangement for review by bond counsel.

If the Compliance Officer identifies private use of facilities financed with tax-exempt or tax-advantaged debt, the Compliance Officer will consult with the Issuer's bond counsel to determine whether private use will adversely affect the tax status of the issue and if so, what remedial action is appropriate. The Compliance Officer should retain all documents related to any of the above potential private uses.

Qualified Tax-Exempt Obligations

If the Issuer issues "qualified tax-exempt obligations" in any year, the Compliance Officer shall monitor all tax-exempt financings (including lease purchase arrangements and other similar financing arrangements and conduit financings on behalf of 501(c)(3) organizations) to assure that the \$10,000,000 "small issuer" limit is not exceeded.

Federal Subsidy Payments

The Compliance Officer shall be responsible for the calculation of the amount of any federal subsidy payments and the timely preparation and submission of the applicable tax form and application for federal subsidy payments for tax-advantaged obligations such as Build America Bonds, New Clean Renewable Energy Bonds and Qualified School Construction Bonds.

Reissuance

The following policies relate to compliance with rules and regulations regarding the reissuance of Obligations for federal law purposes.

The Compliance Officer will identify and consult with bond counsel regarding any post-issuance change to any terms of an issue of Obligations which could potentially be treated as a reissuance for federal tax purposes.

Record Retention

The following policies relate to retention of records relating to the Obligations issued.

The Compliance Officer will:

- A. Coordinate with staff regarding the records to be maintained by the Issuer to establish and ensure that an issue remains in compliance with applicable federal tax requirements for the life of such issue.
- B. Coordinate with staff to comply with provisions imposing specific recordkeeping requirements and cause compliance with such provisions, where applicable.

- C. Coordinate with staff to generally maintain the following:
1. The Transcript relating to the transaction (including any arbitrage or other tax certificate and the bond counsel opinion);
 2. Documentation evidencing expenditure of proceeds of the issue;
 3. Documentation regarding the types of facilities financed with the proceeds of an issue, including, but not limited to, whether such facilities are land, buildings or equipment, economic life calculations and information regarding depreciation.
 4. Documentation evidencing use of financed property by public and private entities (e.g., copies of leases, management contracts, utility user agreements, developer agreements and research agreements);
 5. Documentation evidencing all sources of payment or security for the issue; and
 6. Documentation pertaining to any investment of proceeds of the issue (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received by the investment of proceeds, guaranteed investment contracts, and rebate calculations).
- D. Coordinate the retention of all records in a manner that ensures their complete access to the IRS.
- E. Keep all material records for so long as the issue is outstanding (including any refunding), plus seven years.

Continuing Disclosure

Under the provisions of SEC Rule 15c2-12 (the "Rule"), Participating Underwriters (as defined in the Rule) are required to determine that issuers (such as the Issuer) have entered into written Continuing Disclosure Agreements to make ongoing disclosure in connection with Offerings subject to the Rule. Unless the Issuer is exempt from compliance with the Rule or the continuing disclosure provisions of the Rule as a result of certain permitted exemptions, the Transcript for each issue of related obligations will include a Continuing Disclosure Agreement executed by the Issuer.

In order to monitor compliance by the Issuer with its Continuing Disclosure Agreements, the Compliance Officer will, if and as required by such Continuing Disclosure Agreements:

- A. Assist in the preparation or review of annual reports ("Annual Reports") in the form required by the related Continuing Disclosure Agreements.
- B. Maintain a calendar, with appropriate reminder notifications, listing the filing due dates relating to dissemination of Annual Reports, which annual due date is generally expressed as a date within a certain number of days (e.g., 180 days) following the end of the Issuer's fiscal year (the "Annual Report Due Date"), as provided in the related Continuing Disclosure Agreements.
- C. Ensure timely dissemination of the Annual Report by the Annual Report Due Date, in the format and manner provided in the related Continuing Disclosure Agreements, which may include transmitting such filing to the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB.
- D. Monitor the occurrence of any "Material Event" (as defined in the Continuing Disclosure Agreements) and timely file notice of the occurrence of any such Material Event in the manner provided under the Continuing Disclosure Agreements. To be timely filed, such notice must be transmitted within 10 days (or such other time period as set forth in the Continuing Disclosure Agreements) of the occurrence of such Material Event.
- E. Ensure timely dissemination of notice of any failure to perform under a Continuing Disclosure Agreement, if and as required by the Continuing Disclosure Agreement.
- F. Respond to requests, or ensure that the Issuer Contact (as defined in the Continuing Disclosure Agreement) responds to requests, for information under the Rule, as provided in the Continuing Disclosure Agreements.
- G. Monitor the performance of any dissemination agent(s) engaged by the Issuer to assist in the performance of any obligation under the Continuing Disclosure Agreements.

Conduit Bond Financings

In conduit bond financings, such as industrial revenue bonds or Midwestern Disaster Area Bonds, the Issuer is not in a position to directly monitor compliance with arbitrage requirements and qualified use requirements because information concerning and control of those activities lies with the private borrower. The Issuer's policy in connection with conduit financings is to require that the bond documents in such financings impose on the borrower (and trustee or other applicable party) responsibility to monitor compliance with qualified use rules and arbitrage and other federal tax requirements and to take necessary

action if remediation of nonqualified bonds is required.