

Construction Financing

The board will attempt to add moneys to the capital projects fund regularly in such amounts as are available and appropriate to the district's needs as projected by the long range facilities plan. Moneys in that fund which are not immediately needed will be invested in those securities permitted by law which will provide maximum return to the fund. In addition to those moneys, the board may consider non-voter approved debt within statutory limits and the board will seek authority from district electors to issue bonds or levy a special capital improvements property tax assessment for school construction when specific projects are anticipated. The board will also seek matching funds from the Superintendent of Public Instruction to the maximum extent available as well as any federal funds that may be available.

State School Construction Funds

Immediately after the board has approved the initiation of a construction project, the superintendent will notify the Superintendent of Public Instruction of the board's intent. All studies, notices and other requirements established by the Superintendent of Public Instruction as conditions for eligibility for state construction grants will be completed by the superintendent.

Non-Voter Approved Debt

If the board decides it is prudent, it may authorize the issuance of non-voter approved debt within statutory limits to purchase facility sites; improve energy efficiency of buildings; or acquire, remodel or repair school facilities. Statute limits non-voter approved school district debt to three-eighths of one percent of the value of the taxable land within the district.

Bonds

If the board determines that there are insufficient moneys in the building fund for a construction project, the board chooses not to authorize an election for a capital levy, and the district's limit on bonded indebtedness has not been reached, the board will authorize an election to seek the approval of voters to issue bonds in the amount needed for the project.

The legal requirements for bond elections and subsequent issuance and redemption of bonds will be met. The resolution adopted by the board calling for the bond election will specify the purposes of the bond including the specific buildings to be constructed or remodeled and any other purposes authorized in RCW 28A.530.010. The board resolution will also describe the specific purposes the board anticipates for using any state financing assistance, if any. If circumstances alter the purposes for which the board believes it is in the best interest of the district to use the state funds or those raised through the bond, the board will conduct a public hearing to consider the circumstances and to receive public testimony. At a meeting subsequent to the public hearing the board may either amend its original resolution or adopt a new one describing the specific purposes to which the state and/or bond funds will be put.

Upon the sale of bonds duly authorized as prescribed by law, the proceeds will be credited by the county treasurer to the appropriate fund of the district.

Notice of intent to apply for state school construction funds will be submitted to the Superintendent of Public Instruction prior to submitting a bond proposal to district voters.

Legal References:	<u>RCW 28A.320.310</u>	Investment of building funds — Restrictions
	<u>RCW 28A.525.020</u>	Duties of superintendent of public instruction
	<u>RCW 28A.525.080</u>	Federal funds for school plant facilities — Rules
	<u>RCW 28A.530.030</u>	Disposition of bond proceeds — Capital projects fund
	<u>RCW 28A.530.080</u>	Additional authority to contract indebtedness — Notice
	<u>RCW 39.36.020</u>	Limitation of indebtedness prescribed
	<u>WAC 392-123-180</u>	Bond Proceeds

Construction Financing

Bonds: Post-Issuance Compliance Procedures For Tax-Exempt Bonds

1. Purpose. The purpose of these post-issuance compliance procedures (“Compliance Procedures”) for tax-exempt bonds issued by Washougal School District No. 112-6, Clark and Skamania Counties, Washington (the “District”), for which federal tax exemption is provided by the Internal Revenue Code of 1986, as amended (the “Code”), is to ensure that the District will be in compliance with requirements of the Code that must be satisfied with respect to such bonds or other obligations (sometimes collectively referred to herein as “bonds” or “tax-exempt bonds”) after the bonds are issued.

2. Responsibility for Monitoring Post-Issuance Tax Compliance. The Board of Directors of the District (the “Board”) has the overall, final responsibility for monitoring whether the District is in compliance with post-issuance federal tax requirements for the District’s tax-exempt bonds. However, the District’s Business Manager, or such other officer of the District who may in the future perform the duties of that office, if any (the “Business Manager”), shall have the primary operating responsibility to monitor the District’s compliance with post-issuance federal tax requirements for the District’s bonds.

3. Arbitrage Yield Restriction and Rebate Requirements. The Business Manager shall maintain or cause to be maintained records of:

(a) purchases and sales of investments made with bond proceeds (including amounts treated as “gross proceeds” of bonds under section 148 of the Code) and receipts of earnings on those investments;

(b) expenditures made with bond proceeds (including investment earnings on bond proceeds) in a timely and diligent manner for the governmental purposes of the bonds, such as for the costs of purchasing, constructing and/or renovating property and facilities;

(c) information showing, where applicable for a particular calendar year, that the District was eligible to be treated as a “small issuer” in respect of bonds issued in that calendar year because the District did not reasonably expect to issue more than (i) \$5,000,000 of tax-exempt bonds in that calendar year or (ii) \$15,000,000, of which any amount in excess of \$5,000,000 will be attributable to the financing of capital expenditures made after December 31, 2001, for the construction of public school facilities;

(d) calculations that will be sufficient to demonstrate to the Internal Revenue Service (“IRS”) upon an audit of a bond issue that, where applicable, the District has complied with an available spending exception to the arbitrage rebate requirement in respect of that bond issue;

(e) calculations that will be sufficient to demonstrate to the IRS upon an audit of a bond issue for which no exception to the arbitrage rebate requirement was applicable, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS; and

(f) information and records showing that investments held in yield-restricted advance refunding or defeasance escrows for bonds, and investments made with unspent bond proceeds after the expiration of the applicable temporary period, were not invested in higher-yielding investments.

4. Restrictions on Private Business Use and Private Loans. The Business Manager shall adopt other procedures that are calculated to educate and inform the principal operating officials of those departments, including capital projects and facility departments, if any, of the District (the “users”) for which land, buildings, facilities and equipment (“property”) are financed with proceeds of tax-exempt bonds about the restrictions on private business use that apply to that property after the bonds have been issued, and of the restriction on the use of proceeds of tax-exempt bonds to make or finance any loan to any person other than a state or local government unit.

In particular, following the issuance of bonds for the financing of property, the Business Manager shall provide to the users of the property a copy of these Compliance Procedures and other appropriate written guidance advising that:

(a) “private business use” means use by any person other than a state or local government unit, including business corporations, partnerships, limited liability companies, associations, nonprofit corporations, natural persons engaged in trade or business activity, and *the United States of America and any federal agency*, as a result of ownership of the property or use of the property under a lease, management or service contract (except for certain “qualified” management or service contracts), output contract for the purchase of electricity or water, privately sponsored research contract (except for certain “qualified” research contracts), “naming rights” contract, “public-private partnership” arrangement, or any similar use arrangement that provides special legal entitlements for the use of the bond-financed property;

(b) under section 141 of the Code, no more than 10% of the proceeds of any tax-exempt bond issue (including the property financed with the bonds) may be used for private business use, of which no more than 5% of the proceeds of the tax-exempt bond issue (including the property financed with the bonds) may be used for any “unrelated” private business use—that is, generally, a private business use that is not functionally related to the governmental purposes of the bonds; and no more than *the lesser* of \$5,000,000 or 5% of the proceeds of a tax-exempt bond issue may be used to make or finance a loan to any person other than a state or local government unit;

(c) before entering into any special use arrangement with a nongovernmental person that involves the use of bond-financed property, the user must consult with the Business Manager, provide the Business Manager with a description of the proposed nongovernmental use arrangement, and determine whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property;

(d) in connection with the evaluation of any proposed nongovernmental use arrangement, the Business Manager should consult with nationally recognized bond counsel to the District as may be necessary to obtain federal tax advice on whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property, and, if not, whether any “remedial action” permitted under Section 141 of the Code may be taken by the District as a means of enabling that use arrangement to be put into effect without adversely affecting the tax-exempt status of the bonds that financed the property; and

(e) the Business Manager and the user of the property shall maintain records of such nongovernmental uses, if any, of bond-financed property, including copies of the pertinent leases, contracts or other documentation, and the related determination that those

nongovernmental uses are not inconsistent with the tax-exempt status of the bonds that financed the property.

5. Records to be Maintained for Tax-Exempt Bonds. It is the procedure of the District that, unless otherwise permitted by future IRS regulations or other guidance, written records (which may be in electronic form) will be maintained with respect to each bond issue for as long as those bonds remain outstanding, plus three years. For this purpose, the bonds include refunding bonds that refund the original bonds and thereby refinance the property that was financed by the original bonds.

The records to be maintained are to include:

- (a) the official Transcript of Proceedings for the original issuance of the bonds;
- (b) records showing how the bond proceeds were invested, as described in 3(a) above;
- (c) records showing how the bond proceeds were spent, as described in 3(b) above, including purchase contracts, construction contracts, progress payment requests, invoices, cancelled checks, payment of bond issuance costs, and records of “allocations” of bond proceeds to make reimbursement for project expenditures made before the bonds were actually issued;
- (d) information, records and calculations showing that, with respect to each bond issue, the District was eligible for the “small issuer” exception or one of the spending exceptions to the arbitrage rebate requirement or, if not, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS, as described in 3(c), (d) and (e) above; and
- (e) records showing that special use arrangements, if any, affecting bond-financed property made by the District with nongovernmental persons, if any, are consistent with applicable restrictions on private business use of property financed with proceeds of tax-exempt bonds and restrictions on the use of proceeds of tax-exempt bonds to make or finance loans to any person other than a state or local government unit, as described in 4 above.

The basic purpose of the foregoing record retention procedure for the District’s tax-exempt bonds is to enable the District to readily demonstrate to the IRS upon an audit of any tax-exempt bond issue that the District has fully complied with all federal tax requirements that must be satisfied after the issue date of the bonds so that those bonds continue to be eligible for tax exemption under the Code.

6. Identification and Remediation of Potential Violations of Federal Tax Requirements for Tax-Exempt Bonds.

- (a) So long as any of the District’s tax-exempt bond issues remain outstanding, the Business Manager should periodically consult with the users of the District’s bond-financed property to review and determine whether current use arrangements involving that property continue to comply with applicable federal tax requirements as described in these Compliance Procedures. This may be accomplished, for example, by periodically meeting with users, providing questionnaires to users about current use arrangements, or adopting other protocols reasonably calculated to ensure compliance with applicable federal tax requirements on a

continuing basis. This periodic review may be scheduled, for example, at or before the times that the District is required to file with the Municipal Securities Rulemaking Board the annual financial information and operating data pursuant to the District's undertaking to provide continuing disclosure with respect to outstanding bonds.

(b) If at any time during the life of an issue of tax-exempt bonds, the District discovers that a violation of federal tax requirements applicable to that issue may have occurred, the Business Manager will consult with bond counsel to determine whether any such violation actually has occurred and, if so, take prompt action to accomplish an available remedial action under applicable IRS regulations or to enter into a closing agreement with the IRS under the Voluntary Closing Agreement Program described under Notice 2008-31 or other future published guidance.

7. Education Procedure With Respect to Federal Tax Requirements for Tax-Exempt Bonds. It is the procedure of the District that the Business Manager and his or her staff, as well as the principal operating officials of those departments of the District for which property is financed with proceeds of tax-exempt bonds should be provided with education and training on federal tax requirements applicable to tax-exempt bonds. The District recognizes that such education and training is vital as a means of helping to ensure that the District remains in compliance with those federal tax requirements in respect of its bonds. The District therefore will enable and encourage, to the extent the District can afford to do so, those personnel to attend and participate in educational and training programs offered by, among others, the Washington Association of School Administrators, Washington State School Directors Association, and the Washington Association of School Business Officials with regard to the federal tax requirements applicable to tax-exempt bonds.

8. Responsibility for Continuing Disclosure Undertaking. Under the provisions of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), underwriters are required to obtain an agreement for ongoing continuing disclosure in connection with the public offering of municipal securities. Unless the District is exempt from compliance with Rule 15c2-12 as a result of certain permitted exemptions, the District's responsibility to provide ongoing continuing disclosure to the municipal securities markets is set forth in the bond resolution or in a separate continuing disclosure agreement for each publicly sold issue of bonds (the "Continuing Disclosure Undertaking"). Each Continuing Disclosure Undertaking requires the District to provide to the municipal securities markets certain annual financial information and notices of certain listed events. The Business Manager shall monitor compliance by the District with each Continuing Disclosure Undertaking, shall maintain a file that includes a copy of each Continuing Disclosure Undertaking entered into by the District, shall ensure that the information required to be disclosed is disclosed in a timely fashion and shall cause any failure to make disclosure to be remedied in a timely fashion.

Legal reference: Resolutions of the Board, adopted and to be adopted, authorizing the issuance of tax-exempt bonds; Sections 103, 141, 148, 149, 150 and 265 of the Internal Revenue Code of 1986; Securities and Exchange Commission Rule 15c2-12; and Chapters 28A.335, 28A.530, 39.36, 39.46, 39.50 and 39.53 RCW.

Washougal School District
Date: 08.12

Construction Financing

Bonds: Disclosure Procedure For Publicly Offered Bonds

1. Purpose. As an issuer of municipal securities (“Bonds”), Washougal School District No. 112-6, Clark and Skamania Counties, Washington (the “District”) is subject to the antifraud provisions of the Securities Act of 1933 and the Securities and Exchange Act of 1934, as well as the antifraud provisions of the Securities Act of Washington (chapter 21.70 RCW). These acts impose various obligations on the District, including requiring disclosure of material information regarding its publicly-offered Bonds to allow investors to make informed decisions. Documents prepared in connection with the marketing of the District’s Bonds cannot contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements not misleading. This procedure is designed to assist the District in its compliance with securities laws and promote best practices regarding disclosure.

The District has three major disclosure obligations when it publicly offers Bonds: (1) to prepare an official statement for all public offerings of its Bonds that is delivered to the underwriter(s) for distribution to potential and actual purchasers and that sets forth the terms of the Bonds and information regarding the District; (2) to provide ongoing disclosure required by the District’s undertakings made pursuant to paragraph (b)(5) of Securities and Exchange Commission (“SEC”) Rule 15c2-12 (“Rule 15c2-12”); and (3) if and when the District provides information that can reasonably be expected to be relied on by the market, to ensure that the information is not inaccurate or misleading.

2. Official Statements. The District prepares a preliminary and final official statement for each publicly-offered series of Bonds.

(a) *Procedure and Timeline for Preparing Official Statements.* In advance of each series of publicly-offered Bonds, the District’s Secretary to the Board of Directors, or such other officer of the District who may in the future perform the duties of that office, if any (the “Secretary”) will select the financing team, including underwriter(s) (for negotiated offerings only), bond counsel and financial advisor. The District’s underwriter (or other member of the financing team selected by the Secretary) drafts the preliminary and final official statements on behalf of the District. The underwriter or financial advisor will prepare a schedule for each series of Bonds, including dates for distributing drafts of the preliminary and final official statements. The Secretary will coordinate among District staff and consultants (including, but not limited to, bond counsel) the review of the District’s preliminary and final official statements, and should assign or cause to be assigned to staff and consultants review of those portions of the preliminary and final official statements regarding which staff and consultants have particular knowledge (*e.g.*, bond counsel’s review of portions of the preliminary and final official statements that describe the federal income tax treatment of interest on Bonds). Prior to “deeming final” any preliminary official statement, the District may be required to participate in a “due diligence” call with the underwriter(s), financial advisor and bond counsel. The objective of the due diligence call is to verify that the preliminary official statement prepared in connection with the public offering of Bonds provides a complete and accurate description of Bonds and the District. The underwriter(s) are expected to provide a questionnaire to the District and bond counsel that is designed to confirm and/or obtain information that will be used in the preliminary official statement.

(b) *“Deeming Final” the Preliminary Official Statement.* The Secretary or such other District official, if any, designated by the Board of Directors (the “Board”) shall: (i) review and “deem final” (within the meaning of Rule 15c2-12), if necessary and upon such official’s satisfaction, any preliminary official statement prepared in connection with all of the District’s publicly offered Bonds; (ii) authorize the “deemed final” preliminary official statement to be distributed prior to the date any underwriter or purchaser bids for, purchases, offers or sells such Bonds; and (iii) acknowledge in writing any action taken pursuant to clauses (i) and (ii) of this paragraph.

(c) *Final Official Statement.* The Secretary (or such other District official, if any, designated by the Board) shall review and approve on behalf of the District a final official statement with respect to any of the District’s publicly offered Bonds, substantially in the form of the “deemed final” preliminary official statement for that series of Bonds and supplemented or amended as the Secretary (or such other District official, if any, designated by the Board) deems necessary, desirable, or appropriate. The Secretary is authorized to execute each such official statement and the District is authorized to deliver or cause to be delivered that official statement to the underwriter in the manner required by Rule 15c2-12, the Municipal Securities Rulemaking Board (“MSRB”), any notice of competitive sale, if applicable, and the applicable bond purchase agreement.

(d) *Training.* The District is expected to provide periodic training opportunities to finance staff who participate in the District’s Bond offerings regarding disclosure obligations and best practices. Such training sessions will include education regarding the District’s disclosure obligations under applicable securities laws and responsibilities and potential liabilities regarding such obligations.

(e) *Document Retention.* The District’s Business Services Director (the “Business Director”) shall retain for a period of at least five years printed copies of each preliminary and final official statement and any written certifications or opinions relating to disclosure matters. The Business Director is not required to retain drafts of any disclosure materials.

3. Ongoing Disclosure. Each time the District issues publicly-offered Bonds, the District likely will enter into a written undertaking to provide continuing disclosure for the benefit of the holders and beneficial owners of the Bonds as required by Rule 15c2-12. The undertakings require the District, not later than nine months after the end of each fiscal year, to provide to the MSRB an annual report consisting of the District’s unaudited financial statements (and audited financial statements when available) and specified historical financial and operating data. In each undertaking, the District also agrees to provide or cause to be provided, in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB notice of the occurrence of the “Listed Events,” as defined in the undertaking.

The Business Director is responsible for complying with each undertaking, including to file the annual financial information within the specified time and to provide timely notice of any Listed Event. In addition, the Business Director (or his/her designee) shall be registered with the MSRB’s Electronic Municipal Market Access (“EMMA”) and shall be familiar with the applicable filing requirements and procedures. The duty to comply with the undertakings will be included in the job description for the Business Director. The Business Director shall keep a record of each undertaking and a copy of each filing pursuant to the undertakings. Any material failure to comply with an undertaking generally must be disclosed in future District’s official

statements for a period of five years after the failure occurs. The Business Director is expected to sign up with EMMA for email reminders.

4. Speaking to the Market. The SEC has stated that, when a municipal issuer of outstanding securities provides “information to the public that is reasonably expected to reach investors and the trading market, those disclosures are subject to the antifraud provisions” the information cannot be misleading or contain incorrect information. A statement made outside of the context of a public offering of Bonds possibly could violate the antifraud rules if the statement: (a) is a misrepresentation; (b) is made publicly; (c) is material; (d) involves a security traded on an efficient market; and (e) would induce a reasonable investor, relying on the statement, to misjudge the value of the security. Examples of information that might be relied on by investors in the District’s outstanding Bonds include ongoing disclosure filings, unaudited and audited financial statements, investor presentations, and financial information posted on the District’s website.

Legal reference: Resolutions of the Board, adopted and to be adopted, authorizing the issuance of bonds; Securities Act of 1933; Securities and Exchange Act of 1934; Chapter 21.70 RCW; and SEC 15c2-12.

Washougal School District
Date: 08.16