

## TAXING AND BORROWING

Code DC Revised 12/12

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Purpose: To establish the basic structure for the board's authority to tax and borrow funds for the maintenance and operation of the school district.

### Annual tax levy

Each school district's taxing authority is established by state law. In Spartanburg County, that authority is vested in Spartanburg County School District Four.

### Borrowing

The board is permitted, by law, to borrow money in anticipation of collection of taxes. The purpose of such borrowing is to secure funds for district operations. The board must approve the issuance of tax anticipation notes.

### Sale of bonds

In order to obtain funds for capital improvements, the board may, from time to time, issue bonds. The limit of district bonded indebtedness is subject to the provisions of Article X of the South Carolina Constitution and all Federal laws.

In order for the district to sell bonds in excess of the limitation, the community must vote for a referendum allowing such sale.

## TAX-ADVANTAGED BOND COMPLIANCE POLICIES

- A. Investment and Expenditure of Bond Proceeds. The District's system of internal controls and accounting shall be capable of tracking the investment and expenditure of proceeds of Tax-Advantaged Bonds and other amounts subject to special requirements, and the allocation of such proceeds and other amounts to Issuer facilities. Appropriate coding shall be developed to identify facilities (or portions thereof) financed or refinanced by Tax-Advantaged Bonds. Such procedures shall ensure that such proceeds are expended only for the purposes authorized by the ordinance and, as applicable, referendum, pursuant to which such bonds were issued and in compliance with the Arbitrage and Tax Compliance Certificate relating to the Tax-Advantaged Bonds or other instruction of Bond Counsel.
- B. Bond-Financed Facilities - The District will track the use of facilities (or portions thereof) financed or refinanced by Tax-Advantaged Bonds in the private trades or businesses of non-governmental persons. Arrangements for the sale, disposition, lease, management or other use of substantial portions (more than 1%) of facilities financed or refinanced by Tax-Advantaged Bonds with a term of (i) less than 200 days will be subject to prior review and approval by the Chief Financial Officer of the District, and (ii) equal to or greater than 200 days will be subject to prior review and approval by the Chief Financial Officer of the District and Bond Counsel. The Chief Financial Officer of the District will track the aggregate annual private use (if any) of facilities provided by Tax-Advantaged Bonds.

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- C. Periodic Review - The District will periodically review compliance with the requirements of the federal and South Carolina law necessary to preserve the tax advantages of such Tax-Advantaged Bonds. Such reviews should include final allocations of proceeds not later than 18 months after completion of bond-financed facilities and annual reviews to ensure private business use of bond financed facilities does not exceed allowable levels. Such annual review should be conducted in connection with the preparation of the District's audited financial statements.
- D. Potential Non-Compliance – Should the Superintendent, upon any annual review or otherwise, discover non-compliance with any requirements of federal or South Carolina law necessary to preserve the tax advantages of such Tax-Advantaged Bonds, such Procedures shall include steps to be taken, in concert with Bond Counsel, to remedy any such non-compliance.
- E. Retention of Professionals: Rebate Analyst – The District shall engage such professionals or consultants as are necessary, in the judgment of the Chief Financial Officer, to ensure that the requirements of federal and South Carolina law necessary to preserve the tax advantages of such Tax-Advantaged Bonds are timely met, including, without limitation, the requirement to compute and pay rebatable arbitrage to the United States government or to confirm an exception thereto. The Superintendent shall ensure that all information reports or other returns or filings with the United States Department of Treasury or Internal Revenue Service timely shall be filed on behalf of the District.
- F. Purchase of Investments – All investments of the proceeds of Tax-Advantaged Bonds shall be purchased at Fair Market Value, as defined in the federal tax laws, and shall comply with the requirements of federal tax law relating to yield restriction as advised by Bond Counsel.
- G. Credit Enhancement Transactions – The Chief Financial Officer of the District shall consult with Bond Counsel prior to engaging in any post-issuance credit enhancement transactions (i.e. bond insurance or letters of credit) or hedging transactions (i.e., interest rate swaps) relating to any Tax-Advantaged Bonds.
- H. Subsidy Payments – The Chief Financial Officer of the District shall implement proper procedures to ensure that any federal subsidy payable in respect of any direct-pay tax credit bonds is timely transmitted to the appropriate account of the District including the timely filing of any required return or other documentation.
- I. Post-Issuance Modifications – The Chief Financial Officer of the District shall consult with Bond Counsel prior to any modification of the interest rate, maturity date, or other material terms of any outstanding Tax-Advantaged Bonds.
- J. Records Retention – The District will retain records sufficient to demonstrate compliance with the requirements of federal and South Carolina law necessary to preserve the tax advantages of such Tax-Advantaged Bonds for the period required by law, presently understood to be the life of the debt obligations or any succeeding refunding obligations plus 3 years.

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