

Upper Illinois River Valley Development Authority
Record Retention Policy
Policy # 2004-01-01
Passed 10-19-04

Section 1.1 - Background

The Internal Revenue Code provides the general rule for the proper retention of records for federal tax purposes. The Income Tax Regulations general rule is that any person subject to income tax, or any person required to file a return of information with respect to income, must keep such books and records, including inventories, as are sufficient to establish the amount of gross income, deductions, credits, or other matters required to be shown by that person in any return of such tax or information. Taxpayers should maintain sufficient records to support their tax deductions, credits and exclusions. In the case of a tax-exempt bond transaction, the primary taxpayers are the beneficial holders of the bonds. These records will generally be found in the bond transcript and the books and records of the issuer, the conduit borrower, and other participants to the transaction.

Section 1.2 – Type of Records

Records to be retained will include: Basic records relating to the bond transaction (including the trust indenture, loan agreements, and bond counsel opinion); Documentation evidencing expenditure of bond proceeds; Documentation evidencing use of bond-financed property by public and private sources (i.e., copies of management contracts and research agreements); Documentation evidencing all sources of payment or security for the bonds; and Documentation pertaining to any investment of bond proceeds.

Section 1.3 - Format of Records:

Records shall be kept in a manner that ensures their completeness. This can be accomplished through the maintenance of hard copies, electronic format or microfiche of either images their hardcopy (paper) books and records, or transfers their computerized books and records, to an electronic storage media. Such a system may also include reasonable data compression or formatting technologies

The requirements for an electronic storage system of taxpayer records must ensure an accurate and complete transfer of the hardcopy books and records to the electronic storage system and contain a retrieval system that indexes, stores, preserves, retrieves, and reproduces all transferred information. The system must include reasonable controls and quality assurance programs that (a) ensure the integrity, accuracy, and reliability of the system; (b) prevent and detect the unauthorized creation of, addition to, alteration of, deletion of, or deterioration of electronically stored books and records; (c) institute regular inspections and evaluations; and (d) reproduce hardcopies of electronically stored books and records that exhibit a high degree of legibility and readability. The information maintained in the system must be cross-referenced with the taxpayer's books and records in a manner that provides an audit trail to the source document(s).

Small Issue Industrial Development Bonds Documentation must evidence compliance with the \$10,000,000 limitation on the aggregate face amount of the issue. Documentation must also evidence that no test-period beneficiary has been allocated more than \$40,000,000 in bond proceeds.

Section 1.4 - Length of Record Retention

Records should be retained for so long as the contents thereof are material in the administration of any internal revenue law or until the bonds are redeemed. As long as the bondholders are excluding from gross income the interest received on account of their ownership of the tax-exempt bonds, certain bond records will be material. The material records should generally be kept for as long as the bonds are outstanding, plus 3 years after the final redemption date of the bonds.

Section 2.1 – Operating Records

The Authority should maintain indefinitely the annual reports of the Authority, the Annual financial statements, the minutes of each meeting, current insurance documents, grant agreements and the records of member appointments.

The operating records of the Authority will include, specific applicant files, application materials, correspondence, records of meetings, bank accounts, expense reports, vouchers, and grant records.

The Operating Records should be kept for a period of seven (7) years, unless the Authority is party to litigation, then until three years has passed following the conclusion of the litigation.

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