

Mun-Ease News

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Release 14.60 is Now Available

This newsletter describes the features of our new 14.60 release. The release is available to all of our current customers at no charge. Our customers can download the release or receive it on a CD that we will mail to them.

Prescient Software will contact all of the recipients of this newsletter in August to make sure that we have comprehensive and up-to-date e-mail addresses. In the future, we plan to e-mail our newsletters instead of using the U. S. mail. Quite honestly, we didn't use e-mail in the past because we didn't want to be accused of spamming our customers.

New Flow-of-Funds Feature in the Sizing Module

We added a new "flow-of-funds" feature to the Sizing module. When sizing a bond issue that includes a debt service reserve (DSR) fund and a draw schedule that is net-funded, the user can choose to apply DSR interest earnings first to the construction fund. After the last construction draw, interest earnings from the DSR fund will be redirected to the debt service fund. This option allows the user to reduce the size of the initial deposit into the construction fund. Note that if the bond issue is also sized with a net-funded capitalized interest fund, then the initial deposit to that fund will increase marginally because the DSR interest is routed to the

construction fund instead of the debt service fund.

This feature is in addition to options available for the DSR fund in previous versions of Mun-Ease. Previously, the user could choose to (a) disburse interest earnings directly to the debt service fund or (b) let interest earnings accumulate in the DSR fund.

New Cash Defeasance Features

Mun-Ease now has a capability to generate individual and combined debt service schedules for bonds that have been called in a cash defeasance.

Background: When a user requests Mun-Ease to generate an individual or combined debt service schedule, Mun-Ease displays a window to allow the user to choose how called maturities are to be handled. Mun-Ease allows the user to view debt service (a) up to the defeasance date, (b) through the defeasance date, (c) through the call date, or (d) to the original maturity date (ignoring the calls). In most cases, the user will choose option "A" (up to the defeasance date) because the escrow account in an advance refunding assumes the legal responsibility for the payment of debt service on or after the date of refunding, (i. e., the defeasance date).

However, a cash defeasance is different from an advance refunding. In a cash defeasance, the issuer calls the bonds with his own cash. Thus the user would need to view the debt service through the defeasance date. To facilitate this need, Mun-Ease now provides a new field that allows the user to designate a

called maturity as a cash defeasance (*file | fixed rate bonds | call/defeasance dates* menu option). When the user chooses to generate a debt service schedule up to the defeasance date, Mun-Ease will follow that rule unless the cash defeasance flag is set to "Y." For those maturities, debt service is displayed through the defeasance date instead of up to the defeasance date.

Newly Updated 8038 Tax Forms

Mun-Ease generates completed arbitrage tax forms (8038, 8038-G, 8038-GC, 8038-T, 8038-CP, 8038-B, and 8038-R). When generating a tax form, Mun-Ease automatically inserts the issuer contact information and the results of our calculations into the requested form. The user has the option to override this information if needed.

In June, the IRS changed the 8038, 8038-T, and 8038-R tax forms. All of these forms now contain a section where contact information is input for paid preparers. Additionally the 8038 tax form contains a "miscellaneous" section where the issuer is to provide information on GICs, hedges, and compliance procedures. The 8038 tax form is now three pages in length. With this release, we have updated all of these forms to reflect the recent changes made by the IRS.

Other Changes in the Arbitrage Module

We updated the Arbitrage module to include the calculation of computation credits for 2011. Mun-Ease automatically computes the amount of the computation credit when you press the F11 function while in the Rebate Transaction Grid. We also provide a yearly history of allowable amounts for computation credits since they were indexed for inflation in 2007. These

amounts are displayed on the summary page of the Rebate Transactions Grid.

We added an option to print the *investment portfolio* reports (#29, a,b) for a selected date range. The report is generated through the *arbitrage | investment view | edit/add/delete* menu option.

New Features in the Stand-Alone Reporting Module

We have one very important objective with regard to the reporting features within the Stand-Alone Reporting module of Mun-Ease: That goal is to provide a full set of reports that can be exported from Mun-Ease directly into an issuer's Comprehensive Annual Financial Report (CAFR) or Comprehensive Annual Debt Report (CADR) with no customizations or formatting changes.

This release contains several new reports that help us meet our goal. Before describing these reports, we'll discuss some other new features that help us generate CAFR/CADR reports.

1. We have added new lookup codes that can describe various attributes of a bond issue or note. These codes include:
 - (a) an activity code (governmental, business, conduit), (b) a fiscal dated year code, (c) a purpose code, (d) a letter-of-credit (LOC) provider code (e) a tax code (taxable, tax-exempt, AMT, non-AMT), (f) a long-term/short-term debt code.
2. We have added new features to maintain information about letters of credit - LOC providers, effective dates, expiration dates, stated amounts, and committed amounts.

3. We added new fields related to the bond rating agency - insured and underlying bond ratings, and the bond insurer (if applicable).

4. We have added new report selection options to Mun-Ease. When selecting bond issues to be included in a report, the user can select bonds using any of the standard SQL operators (EQL, NEQ, GTR, LSS, GEQ, LEQ, and/or "Starts With" operators. The "Starts With" operator allows the user to select bonds based on a subset of a code value. For example, assume a city has allocated debt service to individual libraries within the city. Each library has an allocation code of LIB001, LIB002, LIB003, etc. If a user desires to view a report of allocated debt service for all libraries, he would use the "Starts With" operator and choose the "LIB" sub-string.

These features have enabled us to add four new reports that can be included in an issuer's CAFR/CADR. They are: (a) *summary of letters of credit* (#83e), (b) *current ratings summary* (#83d), *summary of outstanding debt* (#83e,f). You can view examples of these reports by choosing the *help | what's new* menu option within Mun-Ease.

We have also made some other changes to the Stand-Alone Reporting module:

- o We have also added a new *combined debt service schedule* (#04i) to the Stand-Alone Reporting module. This version displays a separate column for BAB subsidies.
- o We added a new column to the *combined debt service* reports #4c and #4a. The new column shows principal additions. Previous versions of the report showed only the principal payments (reductions).
- o We changed the *millage impact* reports so that the user can input

negative growth rates for property tax assessed values. Previous versions required the user to enter a positive growth rate.

New Features in the Allocations Module

We added new *available-to-call* reports (95c,d) to the Allocations module. These reports are similar to the reports of the same name in the Stand-Alone Reporting module.

We added new *refunding history* reports (#116,b) to the Allocations module. These reports show a comparison of allocations in the refunding issue and the refunded bond issue(s).

We added a new *data entry proof* report (#31c) to the Allocations module. This report displays allocations sorted in an order similar to that used for data entry. The report is generated along with the *variance* report (#31b). We added new summary totals to the *allocations variance* report.

We modified the *allocations variance* report (#31b) to show call information (call date, call price, defeasance date, and the refunding bond ID) if the maturity has been called.

We corrected the routines to generate a combined debt service on an accrual basis report in the Allocations module. In previous versions, the report displayed the allocation coding block in the default format rather than the format defined by the user.

We added fiscal year totals for outstanding indebtedness in the #67 reports in the allocation module.

We modified the loan pool invoicing routines so that the user can input the invoice payment cycle date.

New Features in the Base Module

We added a new feature to lock the price/yield calculations for a fixed rate bond issue. *Background:* When entering a fixed rate bond issue, the user has the choice of entering a price and computing a yield or entering a yield and computing a price. After performing the calculations, users often tab through the maturity grid and inadvertently change a calculation. This new feature allows the user to lock the calculations in the maturity grid once the data entry process has been completed to minimize the chance of accidentally changing the calculations. The grid can be unlocked at any time.

We added a new *debt service schedule* report (#24i) for fixed rate bonds to the Base module. It is similar to report #24c except that it also displays the CUSIP number whenever a principal payment is made. We also added a new *debt service schedule* report (#01r) for variable rate bonds to the Base module. It is similar to report #01e except that it also displays the CUSIP number whenever a principal payment is made.

We added a new *detailed debt service schedule* (#3e) that displays debt service by CUSIP number and coupon payment date. This report can be provided to DTC to verify the payment amounts for each coupon payment date.

We added a new version of the *periodic resets* report (#94b). Previously the report displayed the periodic resets for the calculation of one variable rate debt service payment. The new version shows all periodic resets for a variable rate bond issue.

We modified the interface for inputting variable rate transactions from a spreadsheet. The new interface adds a column for a 16-character Tranche field. The Tranche field can be used to group

commercial paper rollovers and to identify periodic fees within a bond issue.

We added new features for the data entry of commercial paper rollovers. The new features will assign default values to fields after the first rollover has been entered.

We enhanced the error messages that Mun-Ease displays when a user has entered incorrect options for performing price / yield calculations in the maturity grid. The new error message provides additional information for diagnosing the problem.

We modified the routines to import SLGS rates in a comma-delimited format from the Bureau of Public Debt website. The routines were modified because the URL address changed and the comma-delimited format changed for SLG certificates (SLGS maturing in 12 or few months).

Miscellaneous Change – We have added a new option to the installation script for Mun-Ease. We now provide an option for the user to install the report specifications and personal files in either the “All User”/”Public” subfolder or in the <user name> subfolder where <user name> is the Windows sign-on. The previous version of the 14.0 installation script provided only the latter option.

Mun-Ease Fall Classes

We are scheduling two Mun-Ease classes in the fall of 2011. They are:

Anaheim, CA Class, Sept. 19-21, 2011

New Horizons Computer Learning
Center of Anaheim, CA | 1900 S. State
College Blvd. Suite 100, Anaheim, CA
92806 **Sign-Up Deadline** - August 29,
2011

Orlando, FL Class, Oct. 17-19, 2011

New Horizons Computer Learning
Center of Orlando, FL | 1221 Lee Road
Orlando, FL, 32810 **Sign-Up Deadline**
– September 26, 2011

Mun-Ease classes are comprehensive in nature; covering all aspects of debt management in the public sector. The classes are conducted by having the student solve real-life problems using Mun-Ease on a computer provided by the computer lab that we have hired. Our classes are 2 1/2 days in length and cost \$995. We limit each class to 12 students to ensure a productive learning experience. Our classes will be conducted using the SQL Server version of Mun-Ease.

The Classes page of the Mun-Ease site contains additional information including: (a) class syllabus, (b) directions to the class locations and

suggested hotels, (c) a downloadable class registration form in PDF format, and (d) additional hotel information. You can register for a class by mailing or faxing (949-248-5789) the attached registration form to Prescient Software. You can also e-mail us at *classes@mun-ease.com*. The registration form can be downloaded from:

<http://www.mun-ease.com/class.html>

Sales & Use Taxes

Lately, the subject of sales / use taxes has been discussed widely in the news media. Because we have a physical presence only in California and in no other state, we collect sales tax only on customers who have a place of business in California. All other customers are responsible for paying applicable use taxes in their own state.

Generally sales/use taxes are only payable on the sale of tangible personal property. Thus some customers have requested that we provide all software and user documentation in a downloadable format so that the transaction is not taxed. We can (and have) provided that option to customers.

Another sales/use tax issue relates to our annual maintenance & support (M&S) fee. The question arises as to the percentage of that fee that is allocated to software updates (which are taxable) as opposed to support (which is not taxable). Each state has its own rules. For example, California has ruled that 50% of the annual M&S fee is taxable while in Minnesota the percentage is 20%. If the user chooses not to receive updates in a physical form, then none of M&S fee is taxable.