

Linda Fong

From: David Cepeda <dcepeda@rg-legal.com>
Sent: Thursday, February 23, 2012 2:57 PM
To: 'Linda Fong'
Cc: 'Chuy Ramirez'
Subject: RE: Transfer of Surplus in Debt Service Fund
Attachments: DOC022312-005.pdf

Ms. Fong:

Please see the attached letter from Mr. Ramirez.

From: Linda Fong [mailto:linda.fong@auditor.co.hidalgo.tx.us]
Sent: Friday, February 17, 2012 4:37 PM
To: Jesus Ramirez
Cc: David Cepeda
Subject: Transfer of Surplus in Debt Service Fund

Good Afternoon Chuy,

Is it permissible to transfer the surplus in a debt service fund for COs and/or Refunding Bonds for which all principal and interest has been paid in full to other debt service funds of outstanding COs and/or Refunding Bonds? If you have previously opined on this matter, I would greatly appreciate a copy of the opinion. If not, could you give me your thoughts on this matter. I requested an opinion from Atlas & Hall but they referred me to bond counsel.

Thank you for your time and attention to this matter. If you have any questions please call me at 318-2511 ext. 4668.

Linda Fong
First Assistant Auditor
Hidalgo County Auditor's Office

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Jesus Ramirez

*Jose R. Guerrero
Robert Schell*

February 23, 2012

Ms. Linda Fong
First Assistant Auditor
County Auditor's Office
Hidalgo County

Ms. Fong:

Generally, the answer is yes. The only cautions typically applicable are these:

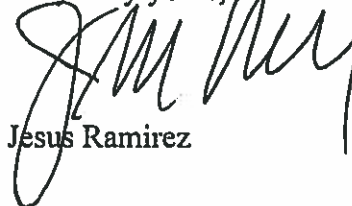
1. Make sure none of the money that you are transferring constitutes bond sales proceeds (sometimes we deposit accrued interest to the I & S fund. But under our documents, that money is out FIFO to pay interest within no later than one year from issuance. So, you typically will not have this problem.

2. The other caution is record-keeping. As you know, you have the 5 year arbitrage review. You want to make certain that you formally record that certain monies in the I & S Fund are no longer allocable to Series X, but are no allocable to Series Y. Since you advise that the bonds have been paid off, then the disallocation has already occurred by virtue of the final defeasance of that series.

3. Overabundance of caution: assure yourself that the monies constitute entirely local taxes, penalties and interest.

Let me know if I can be of further service.

Very truly yours,



Jesus Ramirez