McCALL
PARKHURST & HORTON

To: President and members of the Board of Trustees
Mr. Matt Underwood; Superintendent of Schools
Deborah Hummel; Executive Director for Finance and Operations/CFO

From: Jeff Gulbas; McCall, Parkhurst & Horton L.L.P.
Bond Counsel to Stephenville ISD

Date: May 31, 2018

Re: Reimbursement of costs from a future issuance of bonds

The reimbursement rules under the Internal Revenue Code apply to expenditures made by a governmental unit, with the governmental unit expressing the present intention to reimburse itself at a future date with the proceeds of a tax-exempt bond issue. The rules refer to the date of payment of the original expenditure, and require that the reimbursement "*allocation*" (i.e., documented in the District's records) occur not later than 18 months after the later of (i) the date on which the original expenditure is paid or (ii) the date on which the property is placed in service or abandoned; provided, however, that the reimbursement allocation must be made within 3 years after the date the original expenditure is paid. A proper reimbursement allocation results in the bond proceeds being treated as spent for the governmental purpose of the original expenditures even though the actual bond proceeds are used to replenish the funds originally used to pay the expenditures. The reimbursement rules apply to both capital expenditures and expenditures for equipment.

The rules require that the issuer of the tax-exempt obligations express a present intent to reimburse itself for the expenditure within 60 days of the date the expenditure is made. This intent typically is evidenced by the governing body of the issuer adopting a "reimbursement resolution", a form of which accompanies this memorandum.

As we discussed, adoption of the resolution will allow the district maximum flexibility in the event the District spends funds currently available and later wishes to replace such funds with proceeds of the upcoming bond issue.

600 Congress Ave., Suite 1800
Austin, Texas 78701
T 512.478.3805
F 512.472.0871

717 North Harwood, Suite 900
Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

700 N. St. Mary's Street, Suite 1525
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984

www.mphlegal.com