OFFICIAL STATEMENT DATED MARCH 19, 2018

US Capital Advisors

Rating: Standard & Poor's: "AA/Stable Outlook"

NEW ISSUE - Book-Entry-Only **(See "OTHER INFORMATION–Rating" and "BOND INSURANCE" herein)**

In the opinion of Bond Counsel, interest on the Notes will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

$15,090,000
LITTLE CYPRESS-MAURICEVILLE
CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
(Orange County, Texas)
MAINTENANCE TAX NOTES
SERIES 2018

Dated Date: April 1, 2018 **Due: as shown on the inside cover page hereof**

The Little Cypress-Mauriceville Consolidated Independent School District Maintenance Tax Notes, Series 2018 (the "Notes") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") including particularly Section 45.108, Texas Education Code, as amended, and a resolution adopted by the Board of Trustees of the Little Cypress-Mauriceville Consolidated Independent School District (the "District") authorizing the issuance of the Notes (the "Resolution"). The Notes are direct obligations of the District, payable from the District's maintenance and operations tax, a limited annual ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the District, as provided in Resolution. See "TAX RATE LIMITATIONS" herein.

The Notes are dated April 1, 2018 (the "Dated Date"). Interest on the Notes will accrue from the date of delivery to the Initial Purchaser, as defined herein (the "Delivery Date") and will be payable on August 1 and February 1 of each year until maturity or prior redemption, commencing August 1, 2018. Principal of the Notes will be payable by the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Notes for payment. See "THE NOTES—Description" herein.

The definitive Notes will be initially registered and delivered to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in denominations of $5,000 of principal or integral multiples thereof. **No physical delivery of the Notes will be made to the beneficial owners thereof.** Principal, premium, if any, and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amount so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "THE NOTES–Book-Entry-Only System" herein.

The scheduled payment of principal of and interest on the Notes when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Notes by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY® MUNICIPAL

Proceeds from the sale of the Notes will be used to: (i) rehab, equip and repair existing school properties and (ii) pay the costs of issuing the Notes. See "THE NOTES—Sources and Uses of Funds" herein.

The Notes maturing on February 1, 2021 through February 1, 2029, are subject to optional redemption in whole or in part on February 1, 2020, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. The Notes maturing on or after February 1, 2031, are subject to optional redemption in whole or in part on February 1, 2023 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See "THE NOTES—Optional Redemption" herein. The Notes maturing on February 1, 2031, the "Term Notes" are additionally subject to mandatory sinking fund redemption prior to maturity. See "THE NOTES-Mandatory Sinking Fund Redemption" herein.

SEE MATURITY SCHEDULE ON THE INSIDE COVER PAGE

The Notes are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and will be subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by Creighton, Fox, Johnson & Mills, PLLC, Beaumont, Texas, Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" attached hereto).

It is expected that the Notes will be available for delivery through the facilities of DTC on or about April 10, 2018.

MATURITY SCHEDULE

LITTLE CYPRESS-MAURICEVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
(Orange County, Texas)

$15,090,000 MAINTENANCE TAX NOTES, SERIES 2018

Maturity		Principal Amount	Interest Rate	Initial Reoffering Yield [b]	CUSIP No [c]	Maturity		Principal Amount	Interest Rate	Initial Reoffering Yield [b]	CUSIP No [c]
2/1/2019		$ 490,000	3.000%	1.500%	537071 US9	2/1/2026	[a][d]	$ 1,060,000	3.000%	2.600%	537071 UZ3
2/1/2020		515,000	3.000%	1.700%	537071 UT7	2/1/2027	[a][d]	1,100,000	3.000%	2.700%	537071 VA7
2/1/2021	[a][d]	535,000	3.000%	1.850%	537071 UU4	2/1/2028	[a][d]	1,145,000	3.000%	3.000%	537071 VB5
2/1/2022	[a][d]	560,000	3.000%	2.000%	537071 UV2	2/1/2029	[a][d]	1,195,000	3.000%	3.100%	537071 VC3
2/1/2023	[a][d]	580,000	3.000%	2.150%	537071 UW0	*****		*****	*****	*****	*****
2/1/2024	[a][d]	600,000	3.000%	2.300%	537071 UX8	2/1/2032	[a][e]	1,335,000	3.125%	3.400%	537071 VF6
2/1/2025	[a][d]	630,000	3.000%	2.450%	537071 UY6	2/1/2033	[a][e]	1,390,000	3.250%	3.450%	537071 VG4
						2/1/2034	[a][e]	1,445,000	3.250%	3.500%	537071 VH2

$2,510,000 5.000% Term Note Due February 1, 2031[a] to Yield[b][e] 2.800% CUSIP No.[c] 537071VE9

(Interest to accrue from the Delivery Date)

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[a] The Notes maturing on February 1, 2021 through February 1, 2029, are subject to optional redemption in whole or in part on February 1, 2020, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. The Notes maturing on or after February 1, 2031, are subject to optional redemption in whole or in part on February 1, 2023 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. The Notes maturing on February 1, 2031, the "Term Notes" are additionally subject to mandatory sinking fund redemption prior to maturity. See "THE NOTES-Mandatory Sinking Fund Redemption" herein.

[b] The initial yields at which Notes are priced are established by and are the sole responsibility of the Initial Purchaser.

[c] CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Notes. None of the District, the Financial Advisor, or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

[d] Priced to February 1, 2020.

[e] Priced to February 1, 2023.

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

Board of Trustees

Name	**Title**	**Years of Service**	**Term Expires May**	**Occupation**
Tammy Rountree	President	5	2018	Orthodontic Assistant
Marlene Courmier	Vice President	6	2020	Retired
Randy McIlwain	Secretary	6	2020	AT&T Manager
Kevin Abernathy	Member	1	2020	Plant/Refinery
Aubrey Milstead	Member	3	2018	Mechanical Engineer
Rex Peveto	Member	8	2019	Attorney
Ray Rogers	Member	3	2019	Construction Business Unit Mgr.

Administrators

Name	**Title**	**Years of Service**
Pauline Hargrove	Superintendent	44
Greg Perry	Assistant Superintendent	31

Consultants and Advisors

Certified Public Accountant .... Wathen, DeShong & Juncker, LLP
Beaumont, Texas

Bond Counsel .... Creighton, Fox, Johnson & Mills, PLLC,
Beaumont, Texas

Financial Advisor .... USCA Municipal Advisors, LLC
Houston, Texas

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Initial Purchaser. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE NOTES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE INITIAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The agreements of the District and others related to the Notes are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Notes is to be construed as constituting an agreement with the Purchaser of the Notes. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix D - Specimen Municipal Bond Insurance Policy".

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Notes to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

The District .... The Little Cypress-Mauriceville Consolidated Independent School District (the "District") operates as an independent school district under the laws of the State of Texas (the "State"). The District is located in Orange County, Texas. See "THE DISTRICT" herein.

The Notes........................ The Notes are being issued in the principal amounts and mature on the dates set forth on the inside cover page hereof. The Notes bear interest from the date of delivery, at the rates per annum set forth on the inside cover hereof, which interest is payable each August 1 and February 1, commencing August 1, 2018, until maturity or prior redemption. See "THE NOTES—Description" herein.

Authority for Issuance .. The Notes are being issued pursuant to a resolution passed by the Board of Trustees of the District, the Constitution and general laws of the State, including particularly Section 45.108, Texas Education Code, as amended. See "THE NOTES-Authority for Issuance" herein.

Use of Proceeds............ Proceeds from the sale of the Notes will be used to: (i) rehab, equip and repair existing school properties and (ii) pay the costs of issuing the Notes. See "THE NOTES—Sources and Uses of Funds" and "—Use of Proceeds" herein.

Security for Notes .... The Notes are direct obligations of the District payable as to principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District, within the limits prescribed by law, against all taxable property located within the District. See "THE NOTES – Security and Source of Payment," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT SCHOOL FINANCE SYSTEM," and "TAX RATE LIMITATIONS" herein.

Redemption .... The Notes maturing on February 1, 2021 through February 1, 2029, are subject to optional redemption in whole or in part on February 1, 2020, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. The Notes maturing on or after February 1, 2031, are subject to optional redemption in whole or in part on February 1, 2023 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See "THE NOTES—Optional Redemption" herein. The Notes maturing on February 1, 2031, the "Term Notes" are additionally subject to mandatory sinking fund redemption prior to maturity. See "THE NOTES-Mandatory Sinking Fund Redemption" herein.

Tax Exemption............... In the opinion of Bond Counsel, interest on the Notes will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

Rating .... Standard & Poor's Global Ratings ("S&P") has assigned its municipal bond rating of "AA/Stable Outlook" to the Notes. See "OTHER INFORMATION-Rating and "BOND INSURANCE" herein.

Book-Entry-Only System .... The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. The Notes will be issued in principal denominations of $5,000 or any integral multiple thereof. No physical delivery of the Notes will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "THE NOTES-Book-Entry-Only System" herein.

Payment Record ....The District has never defaulted in the payment of its tax-supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year End	Estimated Population (a)	Taxable Assessed Valuation (b)	Per Capita Assessed Valuation	Ad Valorem Tax Supported Debt	Per Capita Tax Supported Debt	Ratio Tax Debt to Assessed Valuation	Tax Year
2014	17,082	$ 924,533,432	$ 54,123	$ 61,785,000	$ 3,617	6.683%	2013
2015	17,163	905,730,423	52,772	59,895,000	3,490	6.613%	2014
2016	17,415	886,180,699	50,886	65,240,000	3,746	7.362%	2015
2017	17,227	898,582,948	52,161	64,870,000	3,766	7.219%	2016
2018	16,990	981,529,645	57,771	77,650,000 (c)	4,570	7.911%	2017

(a) Source: Municipal Advisory Council of Texas.

(b) Source: Orange County Appraisal district. Net of exemptions.

(c) Includes the Notes.

General Fund Consolidated Statement Summary

	2017	2016	2015	2014	2013
Beginning Balance	$ 8,775,220	$ 10,081,584	$ 10,829,073	$ 10,782,083	$ 11,352,996
Adjustments to Fund Balance	-	-	-	-	-
Total Revenue	26,319,136	26,878,891	25,746,284	25,620,590	24,639,918
Total Expenses	26,839,789	26,769,775	26,481,253	25,681,988	25,210,831
Net Other Resources (Uses)	(1,330,427)	(1,415,480)	(12,520)	108,388	-
Ending Balance	$ 6,924,140	$ 8,775,220	$ 10,081,584	$ 10,829,073	$ 10,782,083

For Additional Information Regarding the District Contact:

Dr. Pauline Hargrove
Superintendent
Little Cypress-Mauriceville Consolidated Independent School District
6586 FM 1130
Orange, Texas 77632
Phone: 409-883-2232
Fax: 409-883-3509

Greg Perry
Assist. Superintendent/Business Manager
Little Cypress-Mauriceville Consolidated Independent School District
6586 FM 1130
Orange, Texas 77632
Phone: 409-883-2232
Fax: 409-883-3509

Lewis A. Wilks
USCA Municipal Advisors, LLC
4444 Westheimer, Suite G500
Houston, Texas 77027
Phone: 713-366-0592

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LITTLE CYPRESS-MAURICEVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
(Orange County, Texas)

$15,090,000
MAINTENANCE TAX NOTES
SERIES 2018

INTRODUCTION

This Official Statement, including the Appendices hereto, provides certain information regarding the issuance of the Little Cypress-Mauriceville Consolidated Independent School District Maintenance Tax Notes, Series 2018 (the "Notes"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution (the "Resolution") adopted by the Board of Trustees (the "Board of Trustees") of the Little Cypress-Mauriceville Consolidated Independent School District (the "District") authorizing the issuance of the Notes.

There follows in this Official Statement descriptions of the Notes and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Financial Advisor, USCA Municipal Advisors, LLC, Houston, Texas, by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Notes will be deposited with the Municipal Securities Rulemaking Board at www.emma.msrb.org. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

THE NOTES

Description

The following is a description of some of the terms and conditions of the Notes, which description is qualified in its entirety by the Resolution which may be obtained upon request to the District.

The Notes are dated April 1, 2018 (the "Dated Date"). The Notes mature on February 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest on the Notes will accrue from the date of delivery to the Initial Purchaser (the "Delivery Date") and will be payable each August 1 and February 1, commencing August 1, 2018, until maturity or earlier redemption. Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The definitive Notes will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Notes will be made to the beneficial owners thereof**. Principal of, premium, if any, and accrued interest on the Notes be payable by the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "THE NOTES-Book-Entry-Only System" herein.

Authority for Issuance

The Notes are issued pursuant to authority conferred by the Constitution and laws of the State of Texas, including particularly Section 45.108, Texas Education Code and the Resolution.

Security and Source of Payment

The Notes will be payable from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes, within the limits prescribed by law, against all taxable property located within the District. See "TAX RATE LIMITATIONS" for an explanation of the limits on such tax.

Use of Proceeds

Proceeds from the sale of the Notes will be used to: (i) rehab, equip and repair existing school properties and (ii) pay the costs of issuing the Notes. See "THE NOTES—Sources and Uses of Funds" herein.

Optional Redemption

The Notes maturing on February 1, 2021 through February 1, 2029, are subject to optional redemption in whole or in part on February 1, 2020, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. The Notes maturing on or after February 1, 2031, are subject to optional redemption in whole or in part on February 1, 2023 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. If a Note (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Note (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption

The Notes maturing February 1, 2031 (the "Term Notes") are subject to mandatory sinking fund redemption prior to maturity in part at random, by lot or other customary method selected by the Paying Agent/Registrar, at par plus accrued interest to the redemption date, in amounts sufficient to redeem the Term Notes on February 1 in the years and principal amounts shown on the following schedule:

	Redemption Date	Principal Amount	
2031 Term Notes	2/1/2030	$1,230,000	
	2/1/2031	1,280,000	(Maturity)

The principal amount of the Term Notes required to be redeemed pursuant to the operation of such mandatory sinking fund shall be reduced by the principal amount of any Term Notes which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been purchased by the District and delivered to the Paying Agent/Registrar for cancellation or (ii) redeemed pursuant to the optional redemption provision described below and not theretofore credited against a mandatory sinking fund requirement.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Notes, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Notes to be redeemed, in whole or in part at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE NOTES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT ANY NOTE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH NOTE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Notes, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Notes, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Notes have not been redeemed.

DTC Notices

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Notes, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Notes only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Notes called for redemption or any other action premised on any such notice. Redemption of portions of the Notes by the District will reduce the outstanding principal amount of such Notes held by DTC. In such an event, DTC may implement, through its Book-Entry-Only System, a redemption of such Notes held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement redemption of such Notes from the beneficial owners. Any such selection of Notes to be redeemed will not be governed by the Resolution and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Notes or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Notes for redemption. See "THE NOTES–Book-Entry Only System" herein.

Defeasance

The Resolution provides for the defeasance of the Notes in any manner permitted by law. Accordingly, defeasance would include when payment of the principal amount and interest on the Notes to their due date (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or a trust company or commercial bank authorized to serve as Escrow Agent, (a) cash in an amount sufficient to make such payment or (b) pursuant to an escrow or trust agreement, cash and/or (1) direct, non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm of note less than "AAA" or its equivalent, and (3) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm of note less than "AAA" or its equivalent, the principal and interest on which will, when or redeemable at the option of the holder, without further investment or reinvestment or either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other money, if any, held in such escrow, will be sufficient to provide for the timely payment of the principal and interest on the Notes to their due date. Upon such deposit as described above, such Notes shall no longer be regarded to be outstanding for purposes of applying any limitation on indebtedness or for purposes of taxation.

Upon such deposit as described above, the Notes shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Notes have been made, as described above, all rights of the District to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; provided, however, that the right to call the Notes for redemption is not extinguished, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Notes for redemption, (ii) gives notice of the reservation of that right to the owners of the Notes immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Notes. Because the Resolution does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as defeasance securities or those for any other defeasance security will be maintained at any particular rating category.

Book-Entry-Only System

This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Notes are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Initial Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payment of debt service on the Notes, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Notes, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect

Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption notices shall be sent to DTC. If less than all of the Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Redemption proceeds, principal, and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered. Discontinuance by the District of use of the system of book-entry transfers through DTC may require compliance with DTC operational arrangements.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of the system of book-entry transfers by the District may require the consent of Participants under DTC's operational arrangements. In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District, the Financial Advisor nor the Initial Purchaser take responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement.

In reading this Official Statement it should be understood that while the Notes are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times while any Notes are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Notes. Upon any change in the Paying Agent/Registrar for the Notes, the District agrees promptly to cause a written notice thereof to be sent to each registered owner of the Notes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, the Notes may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated payment office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Notes may be assigned by the execution of an assignment form on the Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar, in lieu of the Note or Notes being transferred or exchanged, at the designated payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Notes to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal for any one maturity and for a like aggregate principal amount as the Note or Notes surrendered for exchange or transfer. See “THE NOTES-Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Notes.

Record Date for Interest Payment

The record date (“Record Date”) for the interest payable on the Notes on any interest payment date means the close of business on the 15th day of the month next preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, that continues for 30 days or more thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each holder of a Note appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Noteholders’ Remedies

The Resolution does not establish specific events of default with respect to the Notes. Under Texas law, there is no right to the acceleration of maturity of the Notes upon the failure of the District to observe any covenant under the Resolution. Such registered owner’s only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem maintenance tax, within the limits prescribed by law, sufficient to pay principal of and interest on the Notes as the Notes become due. The enforcement of such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basic.

The Resolution does not provide for the appointment of a trustee to represent the interest of Noteholders upon any failure of the District to perform in accordance with the terms of the Resolution or upon any other condition. The opinion of Bond Counsel will note that the rights of Noteholders are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally and may be limited by general principles of equity which permit the exercise of judicial discretion.

The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Note or Resolution covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Notes.

The District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Notes are qualified with respect to the customary rights of debtors relative to their creditors by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

Sources and Uses of Funds

Proceeds from the sale of the Notes will be applied in the amounts shown below.

Sources of Funds	
Par Amount of Notes	$15,090,000.00
Net Premium	193,593.60
Total	$15,283,593.60
Uses of Funds	
Deposit to Project Fund	$15,000,000.00
Costs of Issuance	117,500.00
Initial Purchaser's Discount [(1)]	165,146.72
Deposit to Debt Service Fund (Additional Proceeds)	946.88
Total	$15,283,593.60

(1) Includes bond insurance premium.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

On seven occasions in the last thirty years, the Texas Supreme Court (the "Court") has issued decisions assessing the constitutionality of the Texas public school finance system (the "Finance System"). The litigation has primarily focused on whether the Finance System, as amended by the Texas Legislature (the "Legislature") from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the Legislature to "establish and make suitable provision for the support and maintenance of an efficient system of public free schools," or (ii) imposed a statewide ad valorem tax in violation of article VIII, section 1-e of the Texas Constitution because the statutory limit on property taxes levied by school districts for maintenance and operation purposes had allegedly denied school districts meaningful discretion in setting their tax rates. In response to the Court's previous decisions, the Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, Morath, et.al v. The Texas Taxpayer & Student Fairness Coal 490 S.W. 3d 826 (Tex. 2016) ("Morath"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

> Lawmakers decide if laws pass, and judges decide if those laws pass muster. But our lenient standard of review in this policy-laden area counsels modesty. The judicial role is not to second-guess whether our system is optimal, but whether it is constitutional. Our Byzantine school funding "system" is undeniably imperfect, with immense room for improvement. But it satisfies minimum constitutional requirements.

Possible Effects of Changes in Law on District Bonds and Notes

The Court's decision in Morath upheld the constitutionality of the Finance System but noted that the Financing System was "undeniably imperfect." While not compelled by the Morath decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in Edgewood Independent School District v. Meno, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality "would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

Although, as a matter of law, the Notes, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Notes, specifically, the District's obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Notes would be adversely affected by any such legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the Finance System as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 41 through 46 of the Texas Education Code, as amended.

Funding for school districts in the State is provided primarily from State and local sources. State funding for all school districts is provided through a set of funding formulas comprising the "Foundation School Program", as well as two facilities funding programs. Generally, the Finance System is designed to promote wealth equalization among school districts by balancing State and local sources of funds available to school districts. In particular, because districts with relatively high levels of property wealth per student can raise more local funding, such districts receive less State aid, and in some cases, are required to disburse local funds to equalize their overall funding relative to other school districts. Conversely, because districts with relatively low levels of property wealth per student have limited access to local funding, the Finance System is designed to provide more State funding to such districts. Thus, as a school district's property wealth per student increases, State funding to the school district is reduced. As a school district's property wealth per student declines, the Finance System is designed to increase that district's State funding. The Finance System provides a similar equalization system for facilities funding wherein districts with the same tax rate for debt service raise the same amount of combined State and local funding. Facilities funding for debt incurred in prior years is expected to continue in future years; however, State funding for new school facilities has not been consistently appropriated by the Texas Legislature, as further described below.

Local funding is derived from collections of ad valorem taxes levied on property located within each district's boundaries. School districts are authorized to levy two types of property taxes: a limited M&O tax to pay current expenses and an unlimited interest and sinking fund ("I&S") tax to pay debt service on bonds. Generally, under current law, M&O tax rates are subject to a statutory maximum rate of $1.17 per $100 of taxable value for most school districts (although a few districts can exceed the $1.17 limit as a result of authorization approved in the 1960s). Current law also requires school districts to demonstrate their ability to pay debt service on outstanding indebtedness through the levy of an ad valorem tax at a rate of not to exceed $0.50 per $100 of taxable property at the time bonds are issued. Once bonds are issued, however, districts may levy a tax to pay debt service on such bonds unlimited as to rate or amount (see "AD VALOREM TAX PROCEDURES - Tax Rate Limitations" herein). As noted above, because property values vary widely among school districts, the amount of local funding generated by the same tax rate is also subject to wide variation among school districts.

Local Funding for School Districts

The primary source of local funding for school districts is collections from ad valorem taxes levied against taxable property located in each school district. Prior to reform legislation that became effective during the 2006-2007 fiscal year (the "Reform Legislation"), the maximum M&O tax rate for most school districts was generally limited to $1.50 per $100 of taxable value. At the time the Reform Legislation was enacted, the majority of school districts were levying an M&O tax rate of $1.50 per $100 of taxable value. The Reform Legislation required each school district to "compress" its tax rate by an amount equal to the "State Compression Percentage". The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For the 2018-19 State fiscal biennium, the State Compression Percentage has been set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at $1.00 per $100 of taxable value. School districts are permitted, however, to generate additional local funds by raising their M&O tax rate by up to $0.04 above the compressed tax rate without voter approval (for most districts, up to $1.04 per $100 of taxable value). In addition, if the voters approve a tax rate increase through a local referendum, districts may, in general, increase their M&O tax rate up to a maximum M&O tax rate of $1.17 per $100 of taxable value and receive State equalization funds for such taxing effort (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate" herein). Elections authorizing the levy of M&O taxes held in certain school districts under older laws, however, may subject M&O tax rates in such districts to other limitations (See "AD VALOREM TAX PROCEDURES - Tax Rate Limitations" herein).

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). The Basic Allotment is calculated for each school district using various weights and adjustments based on the number of students in average daily attendance and also varies depending on each district's compressed tax rate. This Basic Allotment formula determines most of the allotments making up a district's basic level of funding, referred to as "Tier One" of the Foundation School Program. The basic level of funding is then "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed level of funding for each cent of local tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates above $1.00 per $100 of taxable value). The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. In 2017, the 85th Texas Legislature appropriated funds in the amount of $1,378,500,000 for the 2018-19 State fiscal biennium for the EDA, IFA, and NIFA.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Texas Legislature. Since future-year IFA awards were not funded by the Texas Legislature for the 2018-19 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service on new bonds issued by districts to construct, acquire and improve facilities must be funded solely from local I&S taxes.

Tier One allotments are intended to provide all districts a basic level of education necessary to meet applicable legal standards. Tier Two allotments are intended to guarantee each school district that is not subject to the wealth transfer provisions described below an opportunity to supplement that basic program at a level of its own choice; however, Tier Two allotments may not be used for the payment of debt service or capital outlay.

As described above, the cost of the basic program is based on an allotment per student known as the "Basic Allotment". For the 2018-19 State fiscal biennium, the Basic Allotment is $5,140 for each student in average daily attendance. The Basic Allotment is then adjusted for all districts by several different weights to account for inherent differences between school districts. These weights consist of (i) a cost adjustment factor intended to address varying economic conditions that affect teacher hiring known as the "cost of education index", (ii) district-size adjustments for small and mid-size districts, and (iii) an adjustment for the sparsity of the district's student population. The cost of education index, district-size and population sparsity adjustments, as applied to the Basic Allotment, create what is referred to as the "Adjusted Allotment". The Adjusted Allotment is used to compute a "regular program allotment", as well as various other allotments associated with educating students with other specified educational needs.

Tier Two supplements the basic funding of Tier One and provides two levels of enrichment with different guaranteed yields (i.e., guaranteed levels of funding by the State) depending on the district's local tax effort. The first six cents of tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates ranging from $1.00 to $1.06 per $100 of taxable value) will, for most districts, generate the a guaranteed yield of $99.41 and $106.28 per cent per weighted student in average daily attendance ("WADA") in the 2017-18 and 2018-19 State fiscal years, respectively. The second level of Tier Two is generated by tax effort that exceeds the district's compressed tax rate plus six cents (for most districts eligible for this level of funding, M&O tax rates ranging from $1.06 to $1.17 per $100 of taxable value) and has a guaranteed yield per cent per WADA of $31.95 for the 2018-19 State fiscal biennium. Property-wealthy school districts that have an M&O tax rate that exceeds the district's compressed tax rate plus six cents are subject to recapture above this tax rate level at the equivalent wealth per student of $319,500 (see "Wealth Transfer Provisions" below).

Previously, a district with a compressed tax rate below $1.00 per $100 of taxable value (known as a "fractionally funded district") received a Basic Allotment which was reduced proportionately to the degree that the district's compressed tax rate fell short of $1.00. Beginning in the 2017-2018 fiscal year, the compressed tax rate of a fractionally funded district now includes the portion of such district's current M&O tax rate in excess of the first six cents above the district's compressed tax rate until the district's compressed tax rate is equal to the state maximum compressed tax rate of $1.00. Thus, for fractionally funded districts, each eligible one cent of M&O tax levy above the district's compressed tax rate plus six cents will have a guaranteed yield based on Tier One funding instead of the Tier Two yield, thereby reducing the penalty against the Basic Allotment.

In addition to the operations funding components of the Foundation School Program discussed above, the Foundation School Program provides a facilities funding component consisting of the Instructional Facilities Allotment (IFA) program and the Existing Debt Allotment (EDA) program. These programs assist school districts in funding facilities by, generally, equalizing a district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The guaranteed yield per cent of local tax effort per student in ADA has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where the State Legislature allocates appropriated funds for new IFA awards, a school district must apply to the Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with IFA state assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. The 85th State Legislature did not appropriate any funds for new IFA awards for the 2018-2019 State fiscal biennium; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded. State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") was the same as the IFA Guaranteed Yield ($35 per cent of local tax effort per student in ADA). The 85th Texas Legislature changed the EDA Yield to the lesser of (i) $40 or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of $60 million more than the EDA to which districts would have been entitled to if the EDA Yield were $35. The yield for the 2017-2018 fiscal year is approximately $37. The portion of a district's local debt service rate that qualifies for EDA assistance is limited to the first 29 cents of debt service tax (or a greater amount for any year provided by appropriation by the Texas Legislature). In general, a district's bonds are eligible for EDA assistance if (i) the district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the district receives IFA funding.

A district may also qualify for a NIFA allotment, which provides assistance to districts for operational expenses associated with opening new instructional facilities. The 85th Texas Legislature appropriated funds in the amount of $23,750,000 for each of the 2017-18 and 2018-19 State fiscal years for NIFA allotments.

2006 Legislation

Since the enactment of the Reform Legislation in 2006, most school districts in the State have operated with a "target" funding level per student ("Target Revenue") that is based upon the "hold harmless" principles embodied in the Reform Legislation. This system of Target Revenue was superimposed on the Foundation School Program and made existing funding formulas substantially less important for most school districts. The Reform Legislation was intended to lower M&O tax rates in order to give school districts "meaningful discretion" in setting their M&O tax rates, while holding school districts harmless by providing them with the same level of overall funding they received prior to the enactment of the Reform Legislation. To make up for this shortfall, the Reform Legislation authorized Additional State Aid for Tax Reduction ("ASATR") for each school district in an amount equal to the difference between the amount that each district would receive under the Foundation School Program and the amount of each district's Target Revenue funding level. However, in subsequent legislative sessions, the Texas Legislature has gradually reduced the reliance on ASATR by increasing the funding formulas, and beginning with the 2017-18 school year, the statutes authorizing ASATR are repealed (eliminating revenue targets and ASATR funding).

2017 Legislation

The 85th Texas Legislature, including the regular session which concluded on May 29, 2017 and the special session which concluded on August 15, 2017, did not enact substantive changes to the Finance System. However, certain bills during the regular session and House Bill 21, which was passed during the special session and signed by the Governor on August 16, 2017, revised certain aspects of the formulas used to determine school district entitlements under the Finance System. In addition to amounts previously discussed, the 85th Texas Legislature additionally appropriated funds to (i) establish a Financial Hardship Transition Program, which provides grants ("Hardship Grants") to those districts which were heavily reliant on ASATR funding, and (ii) provide an Adjustment for Rapid Decline in Taxable Value of Property ("DPV Decline Adjustment") for districts which experienced a decline in their tax base of more than four percent for tax years 2015 and 2016. A district may receive either a Hardship Grant or a DPV Decline Adjustment, but cannot receive both. In a case where a district would have been eligible to receive funding under both programs, the district will receive the greater of the two amounts.

Wealth Transfer Provisions

Some districts have sufficient property wealth per student in WADA ("wealth per student") to generate their statutory level of funding through collections of local property taxes alone. Districts whose wealth per student generates local property tax collections in excess of their statutory level of funding are referred to as "Chapter 41" districts because they are subject to the wealth equalization provisions contained in Chapter 41 of the Texas Education Code. Chapter 41 districts may receive State funds for certain competitive grants and a few programs that remain outside the Foundation School Program. Otherwise, Chapter 41 districts are not eligible to receive State funding. Furthermore, Chapter 41 districts must exercise certain options in order to reduce their wealth level to equalized wealth levels of funding, as determined by formulas set forth in the Reform Legislation. For most Chapter 41 districts, this equalization process entails paying the portion of the district's local taxes collected in excess of the equalized wealth levels of funding to the State (for redistribution to other school districts) or directly to other school districts with a wealth per student that does not generate local funds sufficient to meet the statutory level of funding, a process known as "recapture".

The equalized wealth levels that subject Chapter 41 districts to recapture for the 2018-2019 State fiscal biennium are set at (i) $514,000 per student in WADA with respect to that portion of a district's M&O tax effort that does not exceed its compressed tax rate (for most districts, the first $1.00 per $100 of taxable value) and (ii) $319,500 per WADA with respect to that portion of a district's M&O tax effort that is beyond its compressed rate plus \$.06 (for most districts, M&O taxes levied above \$1.06 per \$100 in taxable value). So long as the State's equalization program under Chapter 42 of the Texas Education Code is funded to provide tax revenue equivalent to that raised by the Austin Independent School District on the first six pennies of tax effort that exceed the compressed tax rate, then M&O taxes levied above \$1.00 but at or below \$1.06 per \$100 of taxable value ("Golden Pennies") are not subject to the wealth equalization provisions of Chapter 41. Because funding at the Austin Independent School District level is currently being provided to school districts under Chapter 42 of the Texas Education Code, no recapture is currently associated with the Golden Pennies. Chapter 41 districts with a wealth per student above the lower equalized wealth level but below the higher equalized wealth level must equalize their wealth only with respect to the portion of their M&O tax rate, if any, in excess of \$1.06 per \$100 of taxable value. Under Chapter 41, a district has five options to reduce its wealth per student so that it does not exceed the equalized wealth levels: (1) a district may consolidate by agreement with one or more districts to form a consolidated district; all property and debt of the consolidating districts vest in the consolidated district; (2) a district may detach property from its territory for annexation by a property-poor district; (3) a district may purchase attendance credits from the State; (4) a district may contract to educate nonresident students from a property-poor district by sending money directly to one or more property-poor districts; or (5) a district may consolidate by agreement with one or more districts to form a consolidated taxing district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 41 district may also exercise any combination of these remedies. Options (3), (4) and (5) require prior approval by the Chapter 41 district's voters.

A district may not adopt a tax rate until its effective wealth per student is at or below the equalized wealth level. If a district fails to exercise a permitted option, the Commissioner must reduce the district's property wealth per student to the equalized wealth level by detaching certain types of property from the district and annexing the property to a property-poor district or, if necessary, consolidate the district with a property-poor district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring district's existing debt. The Commissioner has not been required to detach property in the absence of a district failing to select another wealth-equalization option.

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE LITTLE CYPRESS-MAURICEVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

The District's wealth per student for the 2017-18 school year is \$224,456 which is less than the equalized wealth value. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options.

A district's wealth per student must be tested for each future school year and, if it exceeds the maximum permitted level, must be reduced by exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted level in future school years, it will be required each such year to exercise one or more of the wealth reduction options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Notes) could be assumed by the district to which the property is annexed, in which case timely payment of the Notes could become dependent in part on the financial performance of the annexing district.

AD VALOREM TAX PROCEDURES

Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code, as amended (the "Tax Code"), provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Orange County Appraisal District (the "Appraisal District") is responsible for appraising property within the District, generally, as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board, (the "Appraisal Review Board"), the members of which are appointed by the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real and certain tangible personal property with a tax situs in the District is subject to taxation by the District. Principal categories of exempt property (including certain exemptions which are subject to local option by the Board of Trustees) include property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the District has agreed to abate ad valorem taxes; so-called "freeport property" including property detained in the District for up to 175 days for purpose of assembly or other processing; certain household goods, family supplies and personal effects; farm products owned by the producers; certain real property and tangible personal property owned by a non- profit community business organization or a charitable organization. Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and windpowered energy devices; most individually owned automobiles; \$10,000 exemption to residential homesteads of disabled persons or persons ages 65 or over; an exemption from \$5,000 to a maximum of \$12,000 for real or personal property of disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; \$25,000 in market value for all residential homesteads (see "Residential Homestead Exemption" below); and certain classes of intangible property. In addition State law mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs. Furthermore, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until the surviving spouse remarries. In addition, a partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Effective January 1, 2018, this exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Effective January 1, 2018, the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

A city or a county may create a tax increment reinvestment zone ("TIF") within the city or county, as applicable, with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including school districts, may agree with the city or county to contribute all or part of future ad valorem taxes levied and collected against the "incremental value" (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF, and such taxes levied and collected for and on behalf of the TIF are not available for general use by such contributing taxing units. Effective September 1, 2001, school districts may not enter into tax abatement agreements under the general statute that permits cities and counties to initiate tax abatement agreements. Under current law, the Comptroller of Public Accounts is to determine taxable value of property within each school district in the State (which taxable value figure is used in calculating a district's wealth per student) and in making such determination the taxable value is to exclude (i) the total dollar amount of any captured appraised value of property located in a reinvestment zone on August 31, 1999, that generates taxes paid into a tax increment fund and is eligible for tax increment financing under a reinvestment zone financing plan approved before September 1, 1999, and (ii) the total dollar value of taxable property covered by a tax abatement agreement entered into prior to June 1, 1993. Notwithstanding the foregoing, in 2001 the Legislature enacted legislation known as the Texas Economic Development Act, which provides incentives for certain school districts to grant tax abatements on certain eligible property to encourage economic development in their tax base and provides additional State funding for each year of such tax abatement in the amount of the tax credit provided to the taxpayer by the district.

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990, may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal.

Article VIII, section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property. See "Table 1 – Valuation Exemptions and Tax Supported Debt" and "District Application of Tax Code" for a schedule of exemptions allowed by the District.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal. The Appraisal District's chief appraiser determines the method to be used (except that State law requires a residence homestead to be valued on the basis of its value as such regardless of whether it has another more valuable use). Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Tax Code are based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) 110% of the appraised value of the resident homestead for the preceding tax year plus the market value of all new improvements to the property.

The Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes for previous years based on the new value, including three years for agricultural use and five years for agricultural open-space land and timberland prior to the loss of the designation.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. The District, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraisal values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal rolls.

Residential Homestead Exemption

The Texas Constitution permits the exemption of certain percentages of the market value of residential homesteads from ad valorem taxation. The Constitution authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the market value of all residential homesteads from ad valorem taxation, and permits an additional optional homestead exemption for taxpayers 65 years of age or older and disabled persons.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal an order of the Appraisal Review Board by filing a petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code.

Public Hearing and Rollback Tax Rate

In setting its annual tax rate, the governing body of a school district generally cannot adopt a tax rate exceeding the district's "rollback tax rate" without approval by a majority of the voters voting at an election approving the higher rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures and (2) a rate for debt service. The rollback tax rate for a school district is the lesser of (A) the sum of (1) the product of the district's "State Compression Percentage" for that year multiplied by $1.50, (2) the rate of $0.04, (3) any rate increase above the rollback tax rate in prior years that were approved by voters, and (4) the district's current debt rate, or the sum of (1) the district's effective maintenance and operations tax rate, (2) the product of the district's State Compression Percentage for that year multiplied by $0.06; and (3) the district's current debt rate (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM-Local Funding for School Districts" for a description of the "State Compression Percentage"). If for the preceding tax year a district adopted an M&O tax rate that was less than its effective M&O tax rate for that preceding tax year, the district's rollback tax for the current year is calculated as if the district had adopted an M&O tax rate for the preceding tax year equal to its effective M&O tax rate for that preceding tax year.

The "effective maintenance and operations tax rate" for a school district is the tax rate that, applied to the current tax values, would provide local maintenance and operating funds, when added to State funds to be distributed to the district pursuant to Chapter 42 of the Texas Education Code for the school year beginning in the current tax year, in the same amount as would have been available to the district in the preceding year if the funding elements of wealth equalization and State funding for the current year had been in effect for the preceding year.

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the district if the district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c) and (d) and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the district delivers substantially all of its tax bills. A district may adopt its budget after adopting a tax rate for the tax year in which the fiscal year covered by the budget begins if the district elects to adopt its tax rate before receiving the certified appraisal roll. A district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

Tax Freeze

Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM-Overview" herein). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such function to another governmental entity. By September 30 or the 60th day after the District receives the appraisal roll, whichever is later, the rate of taxation must be set by the Board of Trustees of the District based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and generally become delinquent after January 31 of the following year. A delinquent tax incurs a penalty from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrued interest at the rate of one percent (1%) per month. If the tax is not paid by the following November 1, an additional penalty of up to twenty percent (20%) may under certain circumstances be imposed by the District. The Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. The District has no lien for unpaid taxes on personal property but does have a lien for unpaid taxes upon real property, which lien is discharged upon payment. On January 1 of each year, such tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property taxes takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to taxpayers who are 65 years of age or older, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights, or by bankruptcy proceedings which restrict the collection of taxpayer debts.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Penalties and Interest

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	32[a]	6	38

[a] Includes delinquent tax attorney fee.

After July, the cumulative penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee may be added to the total tax, penalty and interest charge.

District Application of Tax Code

The District does not grant an exemption to the market value of the residence homestead of persons 65 years of age or older, or disabled veterans over the state-mandated exemption. The District has granted an additional exemption of 15% of the market value of residence homesteads.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt. The District does not tax nonbusiness personal property. The District does not permit split payments and discounts are not allowed. The District does tax freeport property. The District has not adopted a tax abatement policy and has no current tax abatements. The District does tax goods in transit.

TAX RATE LIMITATIONS

A school district is authorized to levy an M&O tax subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on December 6, 1969 pursuant to Article 2784e-1, Texas Revised Civil Statues Annotated, as amended ("Article 2784e-1"). Article 2784e-1 limits the District's annual M&O tax rate based upon a comparison between the District's outstanding bonded indebtedness and the District's taxable assessed value per $100 of assessed valuation. Article 2784e-1 provides for a reduction of $0.10 for each one percent (1%) or major fraction thereof increase in bonded indebtedness beyond seven percent (7%) of assessed valuation of property in the District. This limitation is capped when the District's bonded indebtedness is ten percent (10%) (or greater) of the District's assessed valuation which would result in an annual M&O tax rate not to exceed $1.20. Lastly, the Texas Attorney General in reviewing the District's transcript of proceedings will allow the District to reduce the amount of its outstanding bonded indebtedness by the amount of funds (on a percentage basis) that the District receives in State assistance for the repayment of this bonded indebtedness. (For example, if the District anticipates that it will pay 75% of its bonded indebtedness from State assistance, for the purposes of Article 2784e-1, the Texas Attorney General will assume that only 25% of the District's bonded indebtedness is outstanding and payable from local ad valorem taxes). The bonded indebtedness of the District after the issuance of the Notes will be approximately 8.115% of the District's current taxable assessed valuation of property. See "APPENDIX A - Table 1 Valuation, Exemptions and tax Supported Debt" attached hereto.

The maximum tax rate per $100 of assessed valuation that may be adopted by the District may not exceed the lesser of (A) $1.50, or such lower rate as described in the preceding paragraph, and (B) the sum of (1) the rate of $0.17, and (2) the product of the "state compression percentage" multiplied by $1.50. For fiscal year 2015-16, the Commissioner has determined to maintain the State compression percentage at 66.67%. For a more detailed description of the state compression percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM-Overview." Furthermore, a school district cannot annually increase its tax rate in excess of the district's "rollback tax rate" without submitting such tax rate to a referendum election and a majority of the voters voting at such election approving the adopted rate. See "AD VALOREM TAX PROCEDURES-Public Hearing and Rollback Tax Rate" herein.

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of a proposition submitted to the voters under Section 45.003(b)(1), Texas Education Code, as amended, which provides a tax unlimited as to rate or amount for the support school district bonded indebtedness (see "THE NOTES–Security and Source of Payment" herein).

Chapter 45 of the Texas Education Code, as amended, requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay debt service on a proposed issue of bonds, together with debt service on other outstanding "new debt" of the district, from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued. In demonstrating the ability to pay debt service at a rate of $0.50, a district may take into account State allotments to the district which effectively reduces the district's local share of debt service. Once the prospective ability to pay such tax has been shown and the bonds are issued, a district may levy an unlimited tax to pay debt service. Taxes levied to pay debt service on bonds approved by district voters at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds) are not subject to the foregoing threshold tax rate test. In addition, taxes levied to pay refunding bonds issued pursuant to Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), are not subject to the $0.50 tax rate test; however, taxes levied to pay debt service on such bonds are included in the calculation of the $0.50 tax rate test as applied to subsequent issues of "new debt." However, if a district uses projected future taxable values to meet the $0.50 threshold tax rate test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Attorney General must find that the district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the $0.50 threshold tax rate test from a tax rate of $0.45 per $100 of valuation. The District has not used projected property values to satisfy this threshold test.

The Notes are payable from the District's M&O Taxes, levied and collected within the limits prescribed by law, and are not secured by an unlimited ad valorem tax. Therefore, issuance of the Notes is not subject to evidence of compliance with the limitations described above that pertain to unlimited tax bonds. However, Chapter 45.108 of the Texas Education Code, as amended, requires that a district incurring indebtedness pursuant to the authority granted thereunder limit such indebtedness to not more than 75% of the previous year's income (which includes M&O tax collections, as well as Tier One basic allotments). In addition, prior to the issuance of such indebtedness, the Texas Attorney General requires that the District demonstrate the prospective ability to pay maximum annual debt service on all outstanding indebtedness secured by M&O taxes, after taking into consideration the proposed new indebtedness, from its M&O tax collections prior to the Attorney General's approval of the proposed indebtedness. The District will demonstrate compliance with these requirements in connection with its issuance of the Notes.

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits.

In addition to the TRS retirement plan, the District provides health care coverage for its employees. For a discussion of the TRS retirement plan and the District's medical benefit plan, see the audited financial statements of the District that are attached hereto as APPENDIX B.

As a result of its participation in the TRS and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by Texas law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better the terms and conditions of employment of school employees. Some districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

THE DISTRICT

The District, an independent school district and political subdivision of the State of Texas is located in Orange County, Texas. Orange County, along with other governmental entities, have authority to levy ad valorem taxes. See "APPENDIX A - Table 6, Estimated Overlapping Debt."

For additional information regarding the District, see also "APPENDIX A – INFORMATION REGARDING THE DISTRICT" attached hereto.

Administration

The Board of Trustees is the governing body of the District and consists of seven members, who serve three-year terms without salary. The District is under the administrative supervision of the Superintendent of Schools, who is employed by the Board of Trustees.

District School Operations

The District owns and operates a high school, a junior high school, an intermediate school, a middle school and two elementary schools. The following table provides information regarding student enrollment in the District.

	For the Year Ending August 31				
	2018[(a)]	2017	2016	2015	2014
Student Enrollment	3,153	3,355	3,369	3,342	3,300
Average Daily Attendance	2,952	3,153	3,188	3,142	3,127
Cost Per Student	$11,691	$10,258	$10,217	$10,133	$9,678

[(a)] Projected.

Financial Policies

Special Revenue Funds – accounts for recourses restricted to, or designated for, specific purposes by the District or a grantor. Most Federal and some State financial assistance are accounted for in the Special Revenue Funds.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Internal Service Funds – accounts for the District's self-funded Worker's Compensation Insurance Fund. Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an Internal Service Fund.

Agency Funds – accounts for resources held by the District for others in a custodial capacity. The District's Agency Funds consist of various school activity funds.

Private Purpose Trust Funds - is used to account for donations for scholarship monies. These are donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District.

Impact of Recent Hurricane

On August 26, 2017, Hurricane Harvey (the "Hurricane") struck the region. The Hurricane with its high winds, historic rain fall and flooding has resulted in significant property damage throughout southeast Texas and within the boundaries of the District.

On August 25, 2017, the President of the United States issued a major disaster declaration, which was amended on August 27, 2017 to include Orange County, where the District is located. The major disaster declaration made federal assistance available for debris removal and emergency protective measures, including direct federal assistance, under the Public Assistance program. The District expects to seek reimbursement from the Federal Emergency Management Agency.

The District sustained considerable damage from flooding to four of the six campuses, with some additional flooding to two ancillary facilities. The damage to the District facilities has been determined to be quite substantial – estimated to be around $45 million. It is estimated that the Federal Emergency Management Association (FEMA) is supposed to reimburse the District for 90 percent of the cost of the remediation and other eligible disaster-related expenses leaving about $4.5 million to be funded by the District. The District plans to fund this difference from proceeds of the sale of the Notes.

The District does not expect the Hurricane to impact its ability to pay debt service on its outstanding obligations.

INVESTMENTS

The District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Trustees. Both State law and the District's investment policies are subject to change.

Legal Investments

Under Texas law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted, at least annually, by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. Texas law also permits the District to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA").

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, marketability of each investment, (4) diversification of the portfolio, and (5) yield.

Under Texas law, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning and ending market value of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Trustees.

Additional Provisions

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments

As of January 31, 2018, the District had approximately $13,661,188 invested with LoneStar, $1,884,920 invested in Texas Class, $455,335 invested in TexPool and $751,619 invested in First Financial Bank. The market value of such investments is approximately 100% of their book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

TAX MATTERS

Tax Exemption

Delivery of the Notes is subject to the opinion of Creighton, Fox, Johnson & Mills, PLLC, Beaumont, Texas, Bond Counsel, that interest on the Notes will be (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not includable in the alternative minimum taxable income of individuals or, except as described below, corporations. The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Notes. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Notes in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

Interest on the Notes owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed. The Tax Cuts and Jobs Act, signed into law on December 22, 2017, repeals the alternative minimum tax on corporations for taxable years beginning after December 31, 2017.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the District with certain covenants contained in the Resolution and has relied on representations by the District with respect to matters solely within the knowledge of the District, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Note proceeds and any facilities financed therewith, the source of repayment of the Notes, the investment of Note proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Note proceeds and certain other amounts be paid periodically to the United States and that the District file an information report with the Internal Revenue Service. If the District should fail to comply with the covenants in the Resolution or if its representations relating to the Notes that are contained in the Resolution should be determined to be inaccurate or incomplete, interest on the Notes could become taxable from the date of delivery of the Notes, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Notes.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Notes is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the owners of the Notes may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Notes, the District may have different or conflicting interests from the owners of the Notes. Public awareness of any future audit of the Notes could adversely affect the value and liquidity of the Notes during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Notes, received or accrued during the year.

Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations, such as the Notes, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Notes.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Notes. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount Notes

Some of the Notes may be offered at an initial offering price which is less than the stated redemption price payable at maturity of such Notes. If a substantial amount of any maturity of the Notes is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Notes of that maturity (a "Discount Note") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Note and (b) the initial offering price to the public of such Discount Note. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Note and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Note continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Note under the caption "Tax Exemption" generally applies to original issue discount deemed to be earned on a Discount Note while held by an owner who has purchased such Note at the initial offering price in the initial public offering of the Notes and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Note prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Note in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Note continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Note will be treated for federal income tax purposes as interest on a Note, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase a Discount Note must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Note may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Note. See "Tax Exemption" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Note or of the District. The portion of the principal of a Discount Note representing original issue discount is payable upon the maturity or earlier redemption of such Note to the registered owner of the Discount Note at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Note is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Notes by an owner that did not purchase such Notes in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Notes should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Notes and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Notes.

Tax Accounting Treatment of Original Issue Premium Notes

Some of the Notes may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Notes. If a substantial amount of any maturity of the Notes is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Notes of such maturity (a "Premium Note") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Note in the hands of an initial purchaser who purchases such Note in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Note by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Note by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium with respect to a Premium Note. The amount of bond premium on a Premium Note which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Note) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Note based on the initial purchaser's original basis in such Note.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Notes that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Notes of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Notes should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Notes.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Notes. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement in Appendix A, Tables 1 through 5 and Tables 7 through 10, and Appendix B. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide such financial statements on an unaudited basis within the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year-end is the last day of August. Accordingly, the District must provide updated information by the last day of February in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Notes: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of trustee, if material. The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Notes at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Notes may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Notes in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Notes consent or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Notes. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports," an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

Compliance with Prior Undertakings

The District failed to file a notice of certain rating changes on its debt and filed a related notice on October 29, 2014 of such occurrence. Necessary actions have been taken to ensure that future rating changes will be filed in accordance with the Rule. Otherwise, during the past five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

OTHER INFORMATION

Rating

Standard & Poor's Global Ratings ("S&P") has assigned its municipal rating of "AA/Stable" to the Notes based upon the issuance of the Policy by Assured Guaranty Municipal Corp. at the time of delivery of the Notes. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if in the judgment of the company circumstances so warrant. Any such downward revision or withdrawal by such rating may have an adverse effect on the market price of the Notes. See "BOND INSURANCE" herein.

Registration and Qualification of Notes for Sale

No registration statement relating to the Notes has been filed with the Securities and Exchange Commission under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Notes have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Notes under the securities laws of any other jurisdiction in which the Notes may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration and qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

The Notes as Legal Investments in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Notes (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Notes are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. With respect to investment in the Notes by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires the Notes to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. (See "OTHER INFORMATION-Rating" above). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for State banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Notes for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Notes for such purposes. The District has made no review of laws in other states to determine whether the Notes are legal investments for various institutions in those states.

Legal Matters

The delivery of the Notes is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Notes are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, within the limit prescribed by law, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, which will deliver its opinion to the effect that the Notes are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Notes is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid to Bond Counsel is contingent upon the sale and delivery of the Notes.

Bond Counsel represents purchasers of school district bonds from time to time in matters unrelated to the issuance of the Notes, but Bond Counsel has been engaged by and only represents the District in the issuance of the Notes. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Notes in the Official Statement to verify that such description conforms to the provisions of the Resolution.

The various legal opinions to be delivered concurrently with the delivery of the Notes express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Financial Advisor

USCA Municipal Advisors, LLC ("USCA" or the "Financial Advisor"), a subsidiary of U.S. Capital Advisors, LLC, is employed as Financial Advisor to the District in connection with the issuance of the Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. USCA, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Notes, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

USCA has reviewed the information in this Official Statement in accordance with its responsibilities to the District and, as applicable, to investors under federal securities laws as applied to the facts and circumstances of this transaction, but USCA does not guarantee the accuracy or completeness of such information.

Sale of Notes

After requesting competitive bids for the Notes, the District has accepted a bid tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Notes at the rates shown on the inside cover page of this Official Statement at a price of $15,118,446.88. No assurance can be given that any trading market will be developed for the Notes after their initial sale by the District. The District has no control over the prices at which the Notes will initially be re-offered to the public.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Notes, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Notes (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Notes when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 23, 2018, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2017, S&P issued a research update report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM

At December 31, 2017:

- The policyholders' surplus of AGM was approximately $2,254 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,108 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately $1,657 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Notes shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

BOND INSURANCE RISKS

In the event of default of the payment of principal or interest with respect to the Notes when all or some becomes due, any owner of the Note shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Notes by the District which is recovered from the Note owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the bond insurer without their consent, so long as the bond insurer performs its obligations under the applicable Policy. In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Notes are payable solely from the ad valorem taxes under the Order. In the event the bond insurer becomes obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price of the Notes or the marketability (liquidity) for the Notes.

In the event bond insurance is purchased, the long-term rating on the Notes will be dependent in part on the financial strength of the bond insurer and its claims paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the Notes insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Notes or the marketability (liquidity) for the Notes. See "OTHER INFORMATION - Rating" herein for a description of the ratings.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer the remedies may be limited by applicable bankruptcy law. Neither the District nor the Financial Advisor have made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

MISCELLANEOUS

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on such forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Closing Certification

At the time of payment for and delivery of the Notes, the Initial Purchaser will be furnished a certificate, executed by a proper officer acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements, and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Notes or which would affect the provisions made for their payment or security or in any manner question the validity of the Notes.

Approval of Official Statement

In the Resolution, the Board of Trustees approved the form and content of this Official Statement, and any addenda, supplement or amendment hereto, and authorized its use in the reoffering of the Notes by the Initial Purchaser.

LITTLE CYPRESS-MAURICEVILLE CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT

/s/ Tammy Rountree
President, Board of Trustees

ATTEST:

/s/ Randy McIlwain
Secretary, Board of Trustees

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APPENDIX A

INFORMATION REGARDING THE DISTRICT

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TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2017 Certified Taxable Valuation	$	981,529,645 [(a)]
(100% of Estimated Market Value)		
Outstanding Debt (February 2, 2018)	$	64,560,000
Plus The Notes		15,090,000
Total Direct Debt	$	79,650,000 [(b)]
As a % of Assessed Valuation		8.115%

[(a)] Source: Orange County Appraisal District.

[(b)] Includes the Notes.

TABLE 2 - ASSESSED VALUATION BY CATEGORY

	Tax Year 2017	Tax Year 2016	Tax Year 2015	Tax Year 2014	Tax Year 2013
Real Property	$ 1,212,395,514	$ 1,190,252,618	$ 1,111,060,373	$ 1,111,626,137	$ 1,094,443,975
Personal Property	154,667,936	135,817,922	169,759,871	143,360,167	146,286,776
Gross Value	$ 1,367,063,450	$ 1,326,070,540	$ 1,280,820,244	$ 1,254,986,304	$ 1,240,730,751
Less Adjustments [(b)]	385,533,805	378,562,506	362,998,011	304,635,173	281,211,507
Net Taxable Value	$ 981,529,645 [(c)]	$ 947,508,034 [(c)]	$ 917,822,233 [(c)]	$ 950,351,131 [(c)]	$ 959,519,244 [(c)]

[(a)] Values may differ from those shown elsewhere in the documents due to subsequent additions, deletions, and adjustments to the tax rolls.

[(b)] Includes exemptions and productivity loss.

[(c)] Includes Frozen Values of $121,317,890 for 2017, $107,860,721 for 2016, $98,255,072 for 2015, $108,815,136 for 2014 and $105,696,814 for 2013.

TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY; TAX RATE DISTRIBUTION

Fiscal Year End	Tax Year	Taxable Assessed Valuation	Tax Rate	Tax Levy	Percent Collected Current	Percent Collected Total [(a)]
2014	2013	$ 924,533,432 [(b)]	$ 1.1652	$ 10,772,756	96.54%	98.77%
2015	2014	905,730,423 [(b)]	1.4100	12,770,799	96.50%	98.71%
2016	2015	886,180,699 [(b)]	1.4300	12,672,384	95.04%	96.89%
2017	2016	898,582,948 [(b)]	1.4300	12,859,021	96.73%	98.88%
2018	2017	981,529,645 [(c)]	1.4300	13,304,818	(In Process of Collection)	

[(a)] Excludes penalties and interest.

[(b)] Source: The District's audited financial statements.

[(c)] Source: Orange County Appraisal District.

Tax Rate Distribution

	2017	2016	2015	2014	2013
Maintenance	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400
Debt Service	0.3900	0.3900	0.3900	0.3700	0.1252
Total	$ 1.4300	$ 1.4300	$ 1.4300	$ 1.4100	$ 1.1652

TABLE 4 - TEN LARGEST TAX PAYERS

Name	2017 Net Taxable Assessed Valuation	% of Total 2017 [a] Assessed Valuation
Inland-Orange	$ 183,213,060	18.666%
Orion Engineered Carbons	20,669,210	2.106%
Entergy Texas Inc.	14,428,850	1.470%
ITW Stretch Packaging Systems	9,098,570	0.927%
TIN Inc.	8,276,590	0.843%
Summer Hill Management LLC	5,000,000	0.509%
Bayou Bridge Pipeline LLC	4,631,510	0.472%
Kansas City Southern Railway	4,579,505	0.467%
Golden Pass Pipeline LLC	4,211,590	0.429%
Enbridge Pipelines LP	4,042,230	0.412%
	$ 258,151,115	26.301%

[a] Source: Orange County Appraisal District.

TABLE 5 - TAX ADEQUACY

Unlimited Tax Bonds	
Average Annual Debt Service Requirements	$ 3,585,720
$ 0.3234 per $100 AV against the 2017 Net Taxable AV, at 95% collection, produces	$ 3,585,873 [a]
Maximum Annual Debt Service Requirements (2020)	$ 4,196,330
$ 0.3889 per $100 AV against the 2017 Net Taxable AV, at 95% collection, produces	$ 4,196,629 [a]
Limited Tax Debt	
Average Annual Debt Service Requirements	$ 1,383,595
$ 0.1484 per $100 AV against the 2017 Net Taxable AV, at 95% collection, produces	$ 1,383,760 [b]
Maximum Annual Debt Service Requirements (2029)	$ 1,472,281
$ 0.1579 per $100 AV against the 2017 Net Taxable AV, at 95% collection, produces	$ 1,472,344 [b]

[a] Includes the estimated Tier Three State Aid (EDA/IFA) of $570,319.

[b] Includes the Notes.

TABLE 6 - ESTIMATED OVERLAPPING DEBT

The following summary of estimated ad valorem tax bonds of taxing entities in the District was compiled from a variety of sources listed below. No representation is made with respect to the accuracy or completion of the information obtain from sources other than the District. Furthermore, certain entities listed below my have issued substantial amounts of bonds since the dates shown in this table and may have capital improvement programs requiring the issuance of a substantial amounts of additional bonds. Sources include: The Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas and the Orange County Appraisal District.

Taxing Jurisdiction	Total Debt [a]	Estimated % Overlapping	Overlapping Debt
Orange County	$ 5,130,000	14.97%	$ 767,961
City of Orange	18,225,000	44.51%	8,111,948
Estimated Overlapping Debt			$ 8,879,909
The District	$ 79,650,000 [b]	100.00%	79,650,000
Total Estimated & Overlapping Debt			$ 88,529,909

[a] Gross Debt.

[b] Includes the Notes.

TABLE 7 - TAX DEBT SERVICE REQUIREMENTS

Unlimited Tax Bonds

FYE	Outstanding Debt Service
2018	$ 4,185,755
2019	4,188,430
2020	4,196,330
2021	4,116,405
2022	4,121,155
2023	4,138,042
2024	4,145,167
2025	4,157,092
2026	4,150,730
2027	4,165,260
2028	4,153,650
2029	4,150,987
2030	3,241,425
2031	3,250,688
2032	3,247,488
2033	3,050,425
2034	3,056,819
2035	3,058,131
2036	3,051,819
2037	3,057,244
2038	3,057,113
2039	3,057,238
2040	3,056,863
2041	3,057,838
2042	3,059,613
2043	3,057,013
	$ 93,228,717

Average Annual Debt Service Requirements	$ 3,585,720
Maximum Annual Debt Service Requirements (2020)	$ 4,196,330

Limited Tax Debt

FYE	Outstanding Debt Service	The Notes Principal	The Notes Interest	The Notes Total	Total Debt Service
2018	$ 397,600	$ -	$ 157,761	$ 157,761	$ 555,361
2019	398,100	490,000	504,306	994,306	1,392,406
2020	395,100	515,000	489,231	1,004,231	1,399,331
2021	396,600	535,000	473,481	1,008,481	1,405,081
2022	394,375	560,000	457,056	1,017,056	1,411,431
2023	393,575	580,000	439,956	1,019,956	1,413,531
2024	397,400	600,000	422,256	1,022,256	1,419,656
2025	395,850	630,000	403,806	1,033,806	1,429,656
2026	-	1,060,000	378,456	1,438,456	1,438,456
2027	-	1,100,000	346,056	1,446,056	1,446,056
2028	-	1,145,000	312,381	1,457,381	1,457,381
2029	-	1,195,000	277,281	1,472,281	1,472,281
2030	-	1,230,000	228,606	1,458,606	1,458,606
2031	-	1,280,000	165,856	1,445,856	1,445,856
2032	-	1,335,000	112,997	1,447,997	1,447,997
2033	-	1,390,000	69,550	1,459,550	1,459,550
2034	-	1,445,000	23,481	1,468,481	1,468,481
	$ 3,168,600	$ 15,090,000	$ 5,262,520	$ 20,352,520	$ 23,521,120

Average Annual Debt Service Requirements	$ 1,383,595
Maximum Annual Debt Service Requirements (2029)	$ 1,472,281

TABLE 8 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Date Authorized	Purpose	Amount Authorized	Heretofore Issued	The New Money Bonds [(a)]	Authorized but Unissued

The District does not have any authorized but unissued debt outstanding.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, FYE 2018			$	4,185,755
Debt Service Fund, FYE 2017	$	1,644,642		
Estimated Tier Three State Aid (EDA)		502,511 [(a)]		
Estimated Instructional Facilities Allotment (IFA)		67,808 [(a)]		
Additional State Aid for Homestead Exemption (ASAHE) for Facilities		19,894		
Interest and Sinking Fund Tax Levy @ 95% collection		3,636,567		5,871,422
Estimated Debt Service Fund Balance, FYE 2018			$	1,685,667

[(a)] Source: Texas Education Agency Summary of Finances dated February 9, 2018.

TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY [(a)]

FOR FISCAL YEAR END	2017	2016	2015	2014	2013
REVENUES					
Local and Intermediate Sources	$ 9,974,221	$ 9,586,096	$ 9,987,618	$ 10,155,815	$ 10,039,455
State Program Revenues	15,942,639	16,875,744	15,365,872	15,034,798	14,204,713
Federal Program Revenues	402,276	417,051	392,794	429,977	395,750
Total Revenues	$ 26,319,136	$ 26,878,891	$ 25,746,284	$ 25,620,590	$ 24,639,918
EXPENDITURES					
Instruction	$ 14,189,585	$ 14,233,849	$ 14,147,526	$ 14,089,475	$ 13,421,791
Instructional Resources & Media Service	1,017,332	1,073,875	1,036,375	1,041,754	971,887
Curriculum & Staff Development	40,978	32,773	28,583	38,557	50,182
Instructional Leadership	832,893	822,071	759,276	727,542	778,529
School Leadership	1,724,725	1,844,941	1,723,699	1,687,518	1,613,888
Guidance, Counseling & Evaluation Service	1,125,748	1,024,894	1,051,743	1,019,435	943,700
Health Services	367,122	363,499	383,371	372,132	362,655
Student (Pupil) Transportation	1,352,256	1,432,243	1,371,986	1,246,704	1,357,461
Food Services	725	8,887	-	-	-
Cocurricular/Extracurricular Activities	1,037,254	884,437	872,041	840,048	890,123
General Administration	975,532	926,269	921,521	854,598	958,523
Plant Maintenance and Operations	3,422,072	3,290,584	3,507,783	3,062,360	3,128,746
Security and Monitoring Services	17,956	20,633	20,998	21,254	21,386
Data Processing Services	140,200	235,680	96,611	31,011	89,647
Community Service	2,770	-	4,491	-	-
Debt Service					
Principal on Long-Term Debt	300,000	295,000	290,000	295,000	316,409
Interest on Long-Term Debt	93,700	99,650	105,500	98,233	149,670
Bond Issuance Costs and Fees	500	500	500	93,340	-
Facilities Acquisition & Construction	-	-	-	-	-
Payments to Fiscal Agent/SSA	6,265	5,749	6,480	12,675	7,162
Other Intergovernmental Charges	192,176	174,241	152,769	150,352	149,072
Total Expenditures	$ 26,839,789	$ 26,769,775	$ 26,481,253	$ 25,681,988	$ 25,210,831
Excess (Deficiency) Rev. Over Exp.	$ (520,653)	$ 109,116	$ (734,969)	$ (61,398)	$ (570,913)
Operating Transfers In	-	-	-	3,720,000	-
Operating Transfers Out	(1,330,427)	(1,415,480)	(12,520)	-	-
Other Resources	-	-	-	-	-
Other (Uses)	-	-	-	(3,796,394)	-
Excess (Deficiency) of Rev. and Other Resources Over Exp. and Other Uses	(1,851,080)	(1,306,364)	(747,489)	(137,792)	(570,913)
Extraordinary Item - Resource	-	-	-	180,535	-
Extraordinary Item - Use	-	-	-	4,247	-
Fund Balance - (Beginning)	$ 8,775,220	$ 10,081,584	$ 10,829,073	$ 10,782,083	$ 11,352,996
Prior Period Adjustment					
Fund Balance - (Ending)	$ 6,924,140	$ 8,775,220	$ 10,081,584	$ 10,829,073	$ 10,782,083

[(a)] Source: District's audited financial reports.

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APPENDIX B

EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIAL REPORT FOR YEAR ENDED AUGUST 31, 2017

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LITTLE CYPRESS-MAURICEVILLE
CONSOLIDATED INDEPENDENT
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

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LITTLE CYPRESS-MAURICEVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

TABLE OF CONTENTS

CERTIFICATE OF BOARD

Little Cypress-Mauriceville Consolidated Independent School District	Orange	181-908
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2017, at a meeting of the Board of Trustees of such school district on the 11th day of December, 2017.

Randy McIlwain	Tammy Rountree
Signature of Board Secretary	Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (Attach list as necessary.)

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA, CFE, CFF

Wathen, DeShong & Juncker, L.L.P.
Certified Public Accountants

Troy W. Domingue, CPA
Stanley "Chip" Majors, Jr., CPA.CITP, CGMA
Jane P. Burns, CPA, CDFA

November 29, 2017

INDEPENDENT AUDITOR'S REPORT

UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Board of Trustees
Little Cypress-Mauriceville Consolidated Independent School District
6586 FM 1130
Orange, Texas 77632

Members of the Board:

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Little Cypress-Mauriceville Consolidated Independent School District as of and for the year ended August 31, 2017 and the related notes to the financial statements, which collectively comprise the Little Cypress-Mauriceville Consolidated Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

4140 Gladys Avenue, Suite 101 • Beaumont, TX 77706-3648 • Phone (409) 838-1605 • Fax (409) 838-3316

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Little Cypress-Mauriceville Consolidated Independent School District as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 through 11, the budgetary comparison information on page 50, and the Schedules of the District's Proportionate Share of the Net Pension Liability and the District Contributions related to the Teacher Retirement System of Texas on pages 51 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information on pages 5 through 11 and pages 51 and 52 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information on page 50 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Little Cypress-Mauriceville Consolidated Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. In addition, the TEA required schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the TEA required schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the TEA required schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November 29, 2017, on our consideration of Little Cypress-Mauriceville Consolidated Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Little Cypress-Mauriceville Consolidated Independent School District's internal control over financial reporting and compliance.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Little Cypress-Mauriceville Consolidated Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

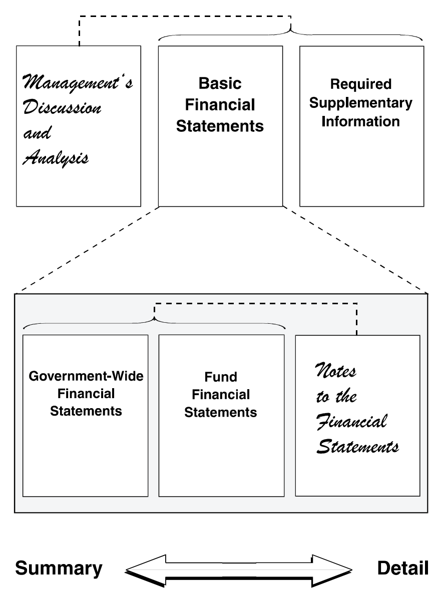
- The District's total combined net position was $10,532,083 at August 31, 2017.
- During the year, the District's expenses were $201,502 less than the $34,250,470 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was $34,048,968.
- The general fund reported a fund balance this year of $6,924,140.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as self-funded insurance.
  - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong.

Figure A-1
Required Components of
Little Cypress-Mauriceville Consolidated
Independent School District's Annual
Financial Report



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

		Fund Statements		
Type of Statements	**Government-wide**	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire District's government (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private business: self-insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures & changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary fund net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities both financial and capital, short-term and long-term	All assets and liabilities both short-term and long-term, the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the year, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base, changes in the District's student population, the makeup of the student population in regards to funding for special programs, and non-funded federal and state mandates.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
    - We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities – such as the District's Self Funded Workers' Compensation Fund.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

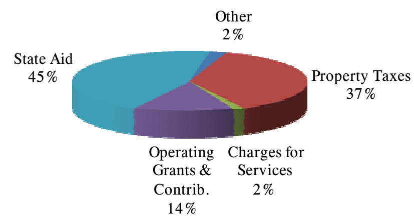
Net position. The District's *combined* net position was $10,532,083 at August 31, 2017. (See Table A-1).

Table A-1
The District's Net Position

	Governmental Activities		Percentage Change
	2017	2016	
Current and Other Assets	$ 20,206,095	$ 33,310,811	-39.3%
Capital and Non-Current Assets	65,990,788	53,541,884	23.3%
Total Assets	86,196,883	86,852,695	-0.8%
Deferred Outflow of Resources	3,394,440	3,705,596	-8.4%
Current Liabilities	8,223,302	9,269,108	-11.3%
Long Term Liabilities	70,493,409	70,543,968	-0.1%
Total Liabilities	78,716,711	79,813,076	-1.4%
Deferred Inflow of Resources	342,529	414,637	-17.4%
Net Position:			
Invested in Capital Assets	3,401,897	1,114,563	205.2%
Restricted for Debt Service	1,875,915	1,604,040	16.9%
Unrestricted	5,254,271	7,611,975	-31.0%
Total Net Position	$ 10,532,083	$ 10,330,578	2.0%

Changes in net position. The District's total revenues were $34,250,470. A significant portion, 37%, of the District's revenue comes from taxes. (See Figure A-3). 45% comes from state aid – formula grants, while only 2% relates to charges for services.

Figure A-3 Sources of Revenue for Fiscal Year 2017



The total cost of all programs and services was $34,048,968; 70.7% of these costs are for instructional and student services.

Governmental Activities

Property tax rates remained at $1.43 per $100 valuation. The total taxes levied increased by $177,352 due to an increase in appraised values.

Average daily attendance decreased by 34 students from 2016 to 2017.

Table A-2
Changes in the District's Net Position

	Governmental Activities		Total % Change
	2017	2016	
Revenues:			
Program Revenues			
Charges for Services	$ 497,896	$ 596,031	-16.5%
Operating Grants and Contributions	4,769,716	5,565,698	-14.3%
General Revenues			
Property Taxes	12,766,171	12,378,828	3.1%
Investment Earnings	181,479	150,207	20.8%
State Aid - formula	15,432,239	15,916,074	-3.0%
Other	602,969	515,055	17.1%
Total Revenues	34,250,470	35,121,893	
Expenses:			
Instruction and instruction related services	18,900,139	19,186,829	-1.5%
Instructional leadership/school administration	2,689,421	2,867,411	-6.2%
Guidance, social work, health, transportation	2,786,241	2,844,514	-2.0%
Food services	1,297,203	1,378,521	-5.9%
Extracurricular activities	1,090,394	1,011,383	7.8%
General Administration	1,045,918	1,012,290	3.3%
Plant maintenance and security	3,593,231	3,496,496	2.8%
Data processing services	158,038	117,172	34.9%
Community services	3,745	-	n/a
Debt Service	2,279,934	2,270,081	0.4%
Shared Services Arrangements	12,528	9,277	35.0%
Other Intergovernmental Charges	192,176	174,241	10.3%
Total Expenses	34,048,968	34,368,215	
Change in Net Position	201,502	753,678	73.3%
Beginning Net Position	10,330,581	9,576,903	7.9%
Ending Net Position	$ 10,532,083	$ 10,330,581	

Table A-3 presents cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was $34,048,968.
- The amount that our taxpayers paid for these activities through property taxes was $12,766,171.
- Some of the cost was paid by those who directly benefited from the programs $497,896, or
- By grants and contributions $4,769,716.

Table A-3
Net Cost of Selected District Functions

	Total cost of Services		%	Net Cost of Services		%
	2017	2016	Change	2017	2016	Change
Instruction	$ 17,678,714	$ 17,887,328	-1.2%	$ 14,737,226	$ 14,513,056	1.5%
School Leadership	1,814,730	1,970,435	-7.9%	1,706,572	1,806,797	-5.5%
Student Transportation	1,214,851	1,355,388	-10.4%	719,556	756,459	-4.9%
Food Services	1,297,203	1,378,521	-5.9%	209,876	172,515	21.7%
Extracurricular Activitie	1,090,394	1,011,383	7.8%	960,959	866,065	11.0%
General Administration	1,045,918	1,012,290	3.3%	994,714	949,543	4.8%
Plant Maintenance and Operations	3,573,909	3,474,497	2.9%	3,417,723	3,271,388	4.5%
Interest on Long-term Debt	2,169,409	2,066,732	5.0%	2,169,409	2,066,732	5.0%
Bond Issuance Cost and Fees	110,525	203,349	-45.6%	110,525	203,349	-45.6%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $34,037,656 a decrease of 0.72% from the preceding year. This overall decrease consisted of an increase of 3.28% in local funds, a decrease of 2.67% in state funds, and a 7.19% decrease in federal funds.

General Fund Budgetary Highlights

- Over the course of the year, the District revised its budget several times. Actual expenditures were $1,709,127 below final budget amounts. The most significant positive variance occurred in Instruction. Actual revenues were $599,532 below budgeted amounts due primarily to state revenue budget to actual comparisons.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had invested $98.2 million in capital assets, including land, equipment, buildings and vehicles. (See Table A-4). This amount represents a net increase (including additions and adjustments) of $11,494,543 or 13.3% percent above last year.

Table A-4
District's Capital Assets

	Governmental Activities		%
	2017	2016	Change
Land	$ 556,445	$ 577,428	-3.6%
Construction in Progress	38,863,474	40,806,331	-4.8%
Buildings and Improvements	48,379,122	35,332,575	36.9%
Furniture and equipment	10,397,504	9,985,668	4.1%
Totals at Historical Cost	98,196,545	86,702,002	13.3%
Total Accumulated Depreciatic	(32,205,757)	(33,160,118)	-2.9%
Net Capital Assets	$ 65,990,788	$ 53,541,884	23.3%

Long-Term Debt

At the end of the fiscal year, the District had $73.0 million in long-term debt outstanding as shown in Table A-5. The District's bonds presently carry a Standard & Poors Investor Services rating of "AAA" with a Permanent School Fund guarantee and "A+" with no assistance.

Table A-5
District's Long-Term Debt

	Governmental Activities		%
	2017	2016	Change
Bonds payable	$ 64,870,000	$ 65,240,000	-0.6%
Premium -			
Refunding & building bor	2,118,670	1,948,038	8.8%
Compensated absences payab	81,538	94,298	-13.5%
Pension related debt	5,943,135	5,574,238	6.6%
Total long-term debt	$ 73,013,343	$ 72,856,574	

More detailed information about the District's debt is presented in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Hurricane Harvey, and later Tropical Storm Harvey, did damage to the Texas Gulf Coast from August 25, 2017 to August 30, 2017. Major flooding and minor wind damage occurred in our school district in the early morning hours of August 30, 2017. The Board of Trustees had approved the 2017-2018 budget and set the 2017 tax rate on the evening of August 28, 2017. Significant damage due to flooding occurred at four of the district's six campuses and two ancillary office areas. The District had $1 million in flood insurance coverage and expects to collect the full $1 million. Cost estimates for repairs are still unknown but are expected to be several million dollars. The District is seeking public assistance from FEMA to help with the repair costs.

The District's taxable values used for the 2018 budget preparation were $981 million which is an increase of $38.6 million or 4.1% from 2017. The District has set a tax rate of $1.43, which is the same tax rate as the previous year.

The District is expecting overall revenue to increase by about $480,000 or 1.4% in 2017-18. This slight increase is due mainly to increased property values.

The District's enrollment continues to be a concern; and even more so since the storm. The District was closed for 17 school days following the storm which happened to be the first 17 days of the school year. Therefore, the first day of school for the 2017-18 did not occur until September 20, 2017. On that day, there were 3,018 students in attendance to establish the original enrollment for the year. This is a reduction of 341 students or about 10% from the last day of school in 2016-17. Enrollment is steadily increasing with each day. By the third day of classes, an additional 52 students had returned.

Overall budgeted expenditures are $36.8 million, an increase of 2.8% over the prior year. All District employees received a pay increase based on 3% of the group average.

If the estimates of the general fund budget are realized, the District expects to use $2.5 million of the fund balance in general fund by the close of 2017-18.

The District's taxpayers approved a $56 million bond issue in May 2013 that is being used for facility improvements. Prior to the storm, construction was completed on two campuses, and was within a month of being complete on two more campuses. However, the storm caused major damage on three of those campuses; so much of the bond work was ruined. Bond construction is continuing on the high school campus that only received minor damage in the storm. The District does not anticipate any problems in being able to make bond payments because of the storm.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Department.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
STATEMENT OF NET POSITION
AUGUST 31, 2017

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 418,270
1120	Current Investments	16,143,322
1220	Property Taxes Receivable (Delinquent)	1,326,993
1230	Allowance for Uncollectible Taxes	(199,049)
1240	Due from Other Governments	2,438,123
1290	Other Receivables, net	40,000
1300	Inventories	16,373
1410	Prepayments	22,063
	Capital Assets:	
1510	Land	556,445
1520	Buildings, Net	22,604,392
1530	Furniture and Equipment, Net	3,966,477
1580	Construction in Progress	38,863,474
1000	Total Assets	86,196,883
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	160,485
1705	Deferred Outflow Related to TRS	3,233,955
1700	Total Deferred Outflows of Resources	3,394,440
	LIABILITIES	
2110	Accounts Payable	2,164,943
2160	Accrued Wages Payable	1,309,209
2180	Due to Other Governments	5,259
2200	Accrued Expenses	7,103
2300	Unearned Revenue	30,977
2400	Payable from Restricted Assets	2,185,877
	Noncurrent Liabilities	
2501	Due Within One Year	2,519,934
2502	Due in More Than One Year	64,550,274
2540	Net Pension Liability (District's Share)	5,943,135
2000	Total Liabilities	78,716,711
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS	342,529
2600	Total Deferred Inflows of Resources	342,529
	NET POSITION	
3200	Net Investment in Capital Assets	3,401,897
3850	Restricted for Debt Service	1,875,915
3900	Unrestricted	5,254,271
3000	Total Net Position	$ 10,532,083

The notes to the financial statements are an integral part of this statement.

EXHIBIT B-1

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	3	4	6
			Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 17,678,714	$ -	$ 2,941,488	$ (14,737,226)
12	Instructional Resources and Media Services	1,124,144	-	87,616	(1,036,528)
13	Curriculum and Staff Development	97,281	-	56,303	(40,978)
21	Instructional Leadership	874,691	-	57,162	(817,529)
23	School Leadership	1,814,730	-	108,158	(1,706,572)
31	Guidance, Counseling and Evaluation Services	1,187,042	-	63,162	(1,123,880)
33	Health Services	384,348	-	27,011	(357,337)
34	Student (Pupil) Transportation	1,214,851	49,176	446,119	(719,556)
35	Food Services	1,297,203	350,051	737,276	(209,876)
36	Extracurricular Activities	1,090,394	95,392	34,043	(960,959)
41	General Administration	1,045,918	2,047	49,157	(994,714)
51	Facilities Maintenance and Operations	3,573,909	1,230	154,956	(3,417,723)
52	Security and Monitoring Services	19,322	-	-	(19,322)
53	Data Processing Services	158,038	-	-	(158,038)
61	Community Services	3,745	-	1,002	(2,743)
72	Debt Service - Interest on Long Term Debt	2,169,409	-	-	(2,169,409)
73	Debt Service - Bond Issuance Cost and Fees	110,525	-	-	(110,525)
93	Payments related to Shared Services Arrangements	12,528	-	6,263	(6,265)
99	Other Intergovernmental Charges	192,176	-	-	(192,176)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 34,048,968	$ 497,896	$ 4,769,716	(28,781,356)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	9,283,487
DT	Property Taxes, Levied for Debt Service	3,482,684
SF	State Aid - Formula Grants	14,593,497
GC	Grants and Contributions not Restricted	838,742
IE	Investment Earnings	181,479
MI	Miscellaneous Local and Intermediate Revenue	602,969
TR	Total General Revenues	28,982,858
CN	Change in Net Position	201,502
NB	Net Position - Beginning	10,330,581
NE	Net Position--Ending	$ 10,532,083

The notes to the financial statements are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 457,383	$ 1,257	$ 2,838
1120	Investments - Current	6,044,018	1,416,978	8,419,898
1220	Property Taxes - Delinquent	1,054,907	272,086	-
1230	Allowance for Uncollectible Taxes (Credit)	(158,236)	(40,813)	-
1240	Receivables from Other Governments	2,008,656	226,407	-
1260	Due from Other Funds	441	-	-
1290	Other Receivables	40,000	-	-
1300	Inventories	16,373	-	-
1000	Total Assets	$ 9,463,542	$ 1,875,915	$ 8,422,736
	LIABILITIES			
2110	Accounts Payable	$ 306,714	$ -	$ 1,837,079
2160	Accrued Wages Payable	1,226,815	-	-
2170	Due to Other Funds	99,593	-	-
2180	Due to Other Governments	5,259	-	-
2300	Unearned Revenues	4,350	-	-
2400	Payable from Restricted Assets	-	-	2,185,877
2000	Total Liabilities	1,642,731	-	4,022,956
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	896,671	231,273	-
2600	Total Deferred Inflows of Resources	896,671	231,273	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	16,373	-	-
	Restricted Fund Balance:			
3470	Capital Acquisition and Contractural Obligation	-	-	4,399,780
3480	Retirement of Long-Term Debt	-	1,644,642	-
	Committed Fund Balance:			
3510	Construction	2,627,309	-	-
3545	Other Committed Fund Balance	3,000,000	-	-
3600	Unassigned Fund Balance	1,280,458	-	-
3000	Total Fund Balances	6,924,140	1,644,642	4,399,780
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 9,463,542	$ 1,875,915	$ 8,422,736

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
$ (50,869)	$ 410,609
74,829	15,955,723
-	1,326,993
-	(199,049)
203,060	2,438,123
29,780	30,221
-	40,000
-	16,373
$ 256,800	$ 20,018,993
$ 21,150	$ 2,164,943
82,394	1,309,209
441	100,034
-	5,259
26,627	30,977
-	2,185,877
130,612	5,796,299
-	1,127,944
-	1,127,944
-	16,373
-	4,399,780
-	1,644,642
-	2,627,309
126,188	3,126,188
-	1,280,458
126,188	13,094,750
$ 256,800	$ 20,018,993

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LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2017

	Total Fund Balances - Governmental Funds	$	13,094,750
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.		65,990,788
2	Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,127,944
3	Bonds are not due and payable in the current period and, therefore, are not reported in the funds.		(64,870,000)
4	Prepaid expenditures which were expended in the funds are included in the statement of net assets.		22,063
5	Deferred charge on refunding reported as other souces in the funds.		160,485
6	Other long-term liabilities which are not due and payable in the current period and, therefore, are not reported in the funds.		(2,200,208)
7	The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.		257,970
8	Included in the line items related to debt is the recognition of the District's proportionate share of a net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $3,233,955, a deferred resource inflow in the amount of $342,529 and a net pension liability in the amount of $5,943,135. This resulted in a decrease in net position.		(3,051,709)
19	**Net Position of Governmental Activities**	$	10,532,083

The notes to the financial statements are an integral part of this statement.

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 9,974,221	$ 3,513,983	$ 102,321
5800	State Program Revenues	15,942,639	844,242	-
5900	Federal Program Revenues	402,276	-	-
5020	Total Revenues	26,319,136	4,358,225	102,321
	EXPENDITURES:			
	Current:			
0011	Instruction	14,189,585	-	-
0012	Instructional Resources and Media Services	1,017,332	-	-
0013	Curriculum and Instructional Staff Development	40,978	-	-
0021	Instructional Leadership	832,893	-	-
0023	School Leadership	1,724,725	-	-
0031	Guidance, Counseling and Evaluation Services	1,125,748	-	-
0033	Health Services	367,122	-	-
0034	Student (Pupil) Transportation	1,352,256	-	-
0035	Food Services	725	-	-
0036	Extracurricular Activities	1,037,254	-	-
0041	General Administration	975,532	-	-
0051	Facilities Maintenance and Operations	3,422,072	-	-
0052	Security and Monitoring Services	17,956	-	-
0053	Data Processing Services	140,200	-	-
0061	Community Services	2,770	-	-
	Debt Service:			
0071	Principal on Long Term Debt	300,000	1,935,000	-
0072	Interest on Long Term Debt	93,700	2,187,024	-
0073	Bond Issuance Cost and Fees	500	110,025	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	-	-	13,683,905
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	6,265	-	-
0099	Other Intergovernmental Charges	192,176	-	-
6030	Total Expenditures	26,839,789	4,232,049	13,683,905
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(520,653)	126,176	(13,581,584)
	OTHER FINANCING SOURCES (USES):			
7911	Capital Related Debt Issued (Regular Bonds)	-	915,000	1,895,000
7915	Transfers In	-	-	1,220,647
7916	Premium or Discount on Issuance of Bonds	-	190,002	105,000
8911	Transfers Out (Use)	(1,330,427)	-	-
8949	Other (Uses)	-	(994,439)	-
7080	Total Other Financing Sources (Uses)	(1,330,427)	110,563	3,220,647
1200	Net Change in Fund Balances	(1,851,080)	236,739	(10,360,937)
0100	Fund Balance - September 1 (Beginning)	8,775,220	1,407,903	14,760,717
3000	Fund Balance - August 31 (Ending)	$ 6,924,140	$ 1,644,642	$ 4,399,780

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
$ 514,705	$ 14,105,230
150,635	16,937,516
2,592,634	2,994,910
3,257,974	34,037,656
2,052,547	16,242,132
19,496	1,036,828
56,303	97,281
7,907	840,800
1,095	1,725,820
655	1,126,403
-	367,122
1,393	1,353,649
1,170,275	1,171,000
-	1,037,254
-	975,532
25,951	3,448,023
-	17,956
-	140,200
848	3,618
-	2,235,000
-	2,280,724
-	110,525
-	13,683,905
6,263	12,528
-	192,176
3,342,733	48,098,476
(84,759)	(14,060,820)
-	2,810,000
109,780	1,330,427
-	295,002
-	(1,330,427)
-	(994,439)
109,780	2,110,563
25,021	(11,950,257)
101,167	25,045,007
$ 126,188	$ 13,094,750

EXHIBIT C-4

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Total Net Change in Fund Balances - Governmental Funds		$ (11,950,257)
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation.		12,448,904
Capital Outlays	$14,162,894	
Depreciation expense	(1,596,959)	
Loss on Dispositions	(117,031)	
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		60,316
Prior year delinquent taxes collected in the year ended August 31, 2017	$(268,801)	
Current year uncollected levy net of allowance for uncollectible portion	329,117	
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction has no effect on net assets.		2,235,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(134,248)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Conversely, certain items reported as expenditures in the governmental funds are considered assets in the governmental-wide statements.		13,486
Compensated absences	$12,760	
Deferred expenditures	726	
The net operating gain of the Internal Service Fund is reported with governmental activities.		37,630
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase by $515,339. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling $553,564. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $606,104. The net result is a decrease in the change in net position.		(644,329)
Bond proceeds net of refunding are reported as other financing sources in the governmental funds. This transaction has no effect on net assets.		(1,865,000)
Proceeds of new bonds	($2,810,000)	
Retirement of old bonds	945,000	
Change in Net Position of Governmental Activities		$ 201,502

The notes to the financial statements are an integral part of this statement.

INTERNAL SERVICE FUND FINANCIAL STATEMENTS

EXHIBIT D-1

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2017

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 7,661
Investments - Current	187,599
Due from Other Funds	69,813
Total Assets	265,073
LIABILITIES	
Current Liabilities:	
Accrued Expenses	7,103
Total Liabilities	7,103
NET POSITION	
Unrestricted Net Position	257,970
Total Net Position	$ 257,970

The notes to the financial statements are an integral part of this statement.

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Governmental Activities - Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	$ 71,712
Total Operating Revenues	71,712
OPERATING EXPENSES:	
Professional and Contracted Services	28,934
Other Operating Costs	5,148
Total Operating Expenses	34,082
Operating Income	37,630
Total Net Position - September 1 (Beginning)	220,340
Total Net Position - August 31 (Ending)	$ 257,970

The notes to the financial statements are an integral part of this statement.

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:	
Cash Collections	$ 73,054
Cash Payments for Service Providers and Claims	(56,011)
Net Cash Provided by Operating Activities	17,043
Cash Flows from Investing Activities:	
Purchase of Investment Securities	(12,989)
Net Increase in Cash and Cash Equivalents	4,054
Cash and Cash Equivalents at Beginning of Year	3,607
Cash and Cash Equivalents at End of Year	$ 7,661
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income:	$ 37,630
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	1,342
Increase (decrease) in Accrued Expenses	(21,929)
Net Cash Provided by Operating Activities	$ 17,043

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENTS

EXHIBIT E-1

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	$ 4,364	$ 127,109
Investments - Current	3,250	156,879
Total Assets	7,614	$ 283,988
LIABILITIES		
Due to Student Groups	-	$ 283,988
Total Liabilities	-	$ 283,988
NET POSITION		
Unrestricted Net Position	7,614	
Total Net Position	$ 7,614	

The notes to the financial statements are an integral part of this statement.

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	$ 2,030
Total Additions	2,030
DEDUCTIONS:	
Professional and Contracted Services	2,500
Total Deductions	2,500
Change in Net Position	(470)
Total Net Position - September 1 (Beginning)	8,084
Total Net Position - August 31 (Ending)	$ 7,614

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Little Cypress-Mauriceville Consolidated Independent School District (the "District") is a public educational entity operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 56, and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14 "The Financial Reporting Entity" and there are no component units included within this reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges for services such as food service or extracurricular activities and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, internal service funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The ***General Fund*** is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board to implement its responsibilities.

The ***Debt Service Fund*** accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The ***Capital Projects Fund*** is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction along with the related capital expenditures.

Additionally, the government reports the following other fund types:

Internal Service Fund – The District utilizes an Internal Service Fund to account for its self-funded workers' compensation program.

The District provides for incurred but not reported costs for self-funded workers' compensation claims through the establishment of an undiscounted liability account and unrestricted net position. The undiscounted liability totaled $7,103 at year-end and unrestricted net position as of August 31, 2017 was $257,970.

The General Fund is contingently liable for any liabilities of this fund. See Note 2 (E) for additional discussion of the District's self-funded program.

Fiduciary Funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments not reported in other fiduciary fund types. The District's private-purpose trust funds represent scholarship funds being held in trust for students.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

In accordance with the FASRG, the District has adopted and installed an accounting system, which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FASRG. Mandatory codes are utilized in the form provided in that section.

D. ASSETS, LIABILITIES, AND NET POSITION

1. *Cash and cash equivalents*

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. *Property taxes*

Property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 15% of the outstanding property taxes at August 31, 2017.

3. *Inventories*

The consumption method is used to account for inventories of school supplies. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. General Fund reported inventories are offset by a nonspendable fund balance indicating that they are unavailable as current expendable financial resources. The purchase method is used to account for inventories of food products, athletic equipment and maintenance supplies. Under this method, these items are recorded as expenditures when purchased or received.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

4. *Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	30
Building improvements	30
Equipment	5-18
Buses	10
Vehicles	10

5. *Compensated absences*

District professional and paraprofessional employees earn 12 to 14 sick leave days each year. Auxiliary personnel earn 8 to 10 leave days per year. Local sick leave is cumulative with no maximum accumulation limit. Auxiliary personnel working 250 days during the year receive a maximum of 10 days of vacation per year. After 10 years of service, vacation days increase to 15 days per year. These days are non-cumulative. Expenditures are recognized by the District in the period utilized.

The District pays employees who retire from the District with the Texas Teacher Retirement System an amount determined annually by the Board for each accumulated local and state leave day earned since being employed with the District. This program represents the only potential non-payroll cost to the District. This estimated liability is recorded in the Government-Wide Statement of Net Position and in the General Long-Term Debt Account Group. The liability is estimated to be $81,538 at August 31, 2017.

6. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position (Exhibit A-1) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has two items that qualify for reporting in this category. They are contributions made to the pension plan in the 2017 fiscal year and the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position (Exhibit A-1) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items; the first arises only under a modified accrual basis of accounting that qualifies for the reporting in this category. Accordingly, the item unavailable revenue – property taxes, is reported only in the governmental funds balance sheet (Exhibit C-1). This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The second is the deferrals of pension expense that result from the implementation of GASB Statement 68.

8. *Fund equity*

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

- *Committed fund balance* – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

- *Assigned fund balance* – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

- *Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. At August 31, 2017, the Little Cypress-Mauriceville CISD General Fund reported $2,627,309 as committed to construction or improvements and $3,000,000 as committed to property insurance deductibles and emergency disaster funds. At August 31, 2017, the District Special Revenue Funds reported $17,948 as committed to instructional material allotment and $108,240 as committed to campus level activities.

9. *Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

10. *Fund Balance Flow Assumptions*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. *Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

12. *Pensions*

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FASRG module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Special Revenue Fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board. Such amendments are before the fact and are reflected in the official minutes of the Board.

B. REQUIRED INDIVIDUAL FUND DISCLOSURES

For the year ended August 31, 2017, no General Fund, Debt Service Fund or Food Service Special Revenue functional expenditure categories exceeded budget and there were no fund balances in a deficit position.

C. DATA CONTROL CODES

Data control codes refer to the account code structure prescribed by the Texas Education Agency, Financial Accountability System Resource Guide.

D. HEALTH CARE

Effective September 1, 2002, the District enrolled in the State sponsored TRS Active Care health insurance program. The District contributes to the State sponsored program $290 per month per employee. The Texas Education Agency reimburses the District for $75 of this amount. Employees, at their option, contribute for dependent coverage through payroll withholdings.

The District does not provide any post-retirement health benefits to its employees.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

E. SELF-FUNDED WORKERS' COMPENSATION

Effective September 1, 1996, the District has a limited risk management program for workers' compensation. The estimated liability for open claims is reported in an Internal Service fund at August 31, 2017 and is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked is the undiscounted estimate of the actuary. Changes in the balances of claims liabilities during the most recent two years are as follows:

	2017	2016
Claims liabilities (including incurred but not reported), beginning of year	$ 29,032	$ 39,436
Incurred claims	5,148	18,785
Claims paid	(27,077)	(29,189)
Claims liabilities (including incurred but not reported), End of year	$ 7,103	$ 29,032

F. RISK MANAGEMENT AND PARTICIPATION IN RISK POOLS

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Most of these risks are protected by insurance. There were no significant reductions in coverage in the past fiscal year, and there were no settlements or significant losses exceeding insurance coverage or state and federal reimbursement awards for each of the past three fiscal years.

The District participates in the following risk pools:

During the year ended August 31, 2017, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2017, the Fund anticipates that Little Cypress-Mauriceville CISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

F. RISK MANAGEMENT AND PARTICIPATION IN RISK POOLS (CONTINUED)

During the year ended August 31, 2017, Little Cypress-Mauriceville Consolidated Independent School District participated in the Property Casualty Alliance of Texas's (PCAT) Property Casualty Program with coverage in:

Auto Liability	Educator's Legal Liability
Auto Physical Damage	Equipment Breakdown
Crime	Employee Benefits Liability
Cyber One	General Liability
Data Compromise	Inland Marine
	Property

Little Cypress-Mauriceville CISD meets its statutory property casualty obligations through participation in the Property Casualty Alliance of Texas (the Fund). The Fund was created pursuant to the provisions of the Interlocal Cooperation Act, Chapter 791, Title 7 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides property and casualty coverage and services to its members.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any covered claim in excess of the Fund's self-insured retentions. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of February 28, 2017, the Fund carried a discounted reserve of $4,497,945 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended February 28, 2017, the Fund anticipated no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on the last day of February. The audit is approved by the Fund's Board of Trustees by July of the same year. The Fund's audited financial statements as of February 28, 2017, are available for inspection at the Fund's administrative offices.

NOTE 3. BUDGETARY LEGAL COMPLIANCE

The Official Budget was prepared for adoption for the General Fund, Food Service Fund and Debt Service Fund prior to August 20, 2016 and was adopted by the Board on August 29, 2016. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the Board unless the intent is to cross fund or function or increase the overall budget allocations. Control of appropriations by the Board is maintained within Fund Groups at the function code level.

The Budget is formally adopted by the Board at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the TEA through the Public Education Information Management System.

Should any change in the approved budget be required, budget amendment requests are presented to the Board for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year, the budget was properly amended in accordance with the above procedures.

NOTE 4. DEPOSITS AND INVESTMENTS

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

1. Cash Deposits: At August 31, 2017, the carrying amount of the District's cash, savings and time deposits was $546,302. The bank balance was $580,517. During 2016-2017, the District's combined deposits were fully insured by federal depository insurance and securities pledged to the District and held by the depository's agent in the District's name.

2. Investments: The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for certificates of deposit.

   The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

   The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts and (10) commercial paper.

3. Deposit and Investment Risks:

   Interest rate risk. In accordance with its investing policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to one year or less.

   Credit risk. For fiscal year 2017, the District invested in TexPool, Lone Star Investment Pool and Texas CLASS. TexPool is duly chartered and administered by the State Comptroller's Office. As of August 31, 2017, the District's investments in TexPool were rated AAA by Standard & Poor's Investors Service. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC formerly the Texas Association of School Boards Financial Services. The District's investments in Lone Star Investment Pool were rated AAA by Standard & Poor's Investors Service. Texas CLASS is duly chartered and administered by Public Trust Advisors, LLC. The District's investments in Texas CLASS were rated AAA by Standard & Poor's Investors Service.

   Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

3. Deposit and Investment Risks: (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2017, District deposits at the local depository were insured and collateralized with securities held by the depository's agent and in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the fact that investments are insured or registered, or the investments are held by the District or its agent in the District's name.

The District's investments at August 31, 2017 are shown below.

Investment or Investment Type	Maturity	Governmental Funds Fair Value	Internal Service Fund Fair Value	Private Purpose Trust Fund Fair Value	Agency Fund Fair Value
Lone Star Investment Pool	N/A	$ 13,628,258	$ 187,599	$ 3,250	$ 156,879
TexPool	N/A	453,212	-	-	-
Texas CLASS	N/A	1,874,253	-	-	-
		$ 15,955,723	$ 187,599	$ 3,250	$ 156,879

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Fair values of TexPool are based on quoted market prices of the underlying assets as provided by the Fund Sponsor, The State of Texas. Fair values of Lone Star Investment Pool are based on quoted market prices of the underlying assets as provided by the Fund Sponsor, First Public, LLC. Fair values of Texas CLASS are based on quoted market prices of the underlying assets as provided by the Fund Sponsor, Public Trust Advisors, LLC. These investments are reported by the District at cost which approximates fair value. Governmental Accounting Standards Board Statement (GASB) No. 79, "Certain External Investment Pools and Pool Participants" allows the reporting of these investments at cost due to short-term maturities.

NOTE 5. PROPERTY TAXES

Property taxes are considered available when collected within the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The net assessed value of the property tax roll on August 1, 2016, upon which the levy for the 2016-2017 fiscal year was based, was $898,582,948. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2017, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.04000 and $0.39000 per $100 valuation, respectively, for a total of $1.43000 per $100 valuation.

Current tax collections for the year ended August 31, 2017 were 97% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2017, property taxes receivable, net of estimated uncollectible taxes of $158,236 and $40,813, totaled $896,671 and $231,273 for the General and Debt Service Funds, respectively.

NOTE 6. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2017, are summarized below. Federal grants shown below are passed primarily through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Local Governments	State Entitlements and Awards	Federal Awards	Total
General	$ 11,471	$ 1,997,185	$ -	$ 2,008,656
Special Revenue	-	-	203,060	203,060
Debt Service	1,993	224,414	-	226,407
Total	$ 13,464	$ 2,221,599	$ 203,060	$ 2,438,123

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2017, was as follows:

	Balance September 1, 2016	Additions	Deletions and Transfers	Balance August 31, 2017
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 577,428	$ -	$ (20,983)	$ 556,445
Construction in progress	40,806,331	13,683,904	(15,626,761)	38,863,474
Total capital assets, not being depreciate	41,383,759	13,683,904	(15,647,744)	39,419,919
Capital assets, being depreciated				
Buildings and Improvements	35,332,575	15,590,636	(2,544,089)	48,379,122
Furniture and Equipment	9,985,668	515,115	(103,279)	10,397,504
Total capital assets being depreciated	45,318,243	16,105,751	(2,647,368)	58,776,626
Less accumulated depreciation for:				
Buildings and Improvements	(27,252,171)	(987,167)	2,464,608	(25,774,730)
Furniture and Equipment	(5,907,947)	(609,792)	86,712	(6,431,027)
Total accumulated depreciation	(33,160,118)	(1,596,959)	2,551,320	(32,205,757)
Total capital assets being depreciated, ne	12,158,125	14,508,792	(96,048)	26,570,869
Governmental activities capital assets, ne	$ 53,541,884	$ 28,192,696	$(15,743,792)	$ 65,990,788

NOTE 7. CAPITAL ASSETS (CONTINUED)

Governmental activities:

11	Instruction	$ 905,631
12	Library & Media	56,158
21	Instructional Development	6,724
23	Campus Administration	27,073
31	Counselor	12,297
33	Health Services	5,950
34	Transportation	117,268
35	Food Services	98,519
36	Athletics & Co-curricular	150,201
41	General Administration	46,526
51	Maintenance	99,245
52	Security & Monitoring Services	1,366
53	Data Processing	70,001
	Total depreciation expense-governmental activities	$ 1,596,959

Construction Commitments

The District has active construction projects following the passage of a $56 million bond referendum on May 11, 2013. The projects include new construction, renovation, and equipping of school facilities.

Project	Commitment	Spent To Date	Assigned to Capital Assets	Remaining Commitment
Little Cypress-Mauriceville High School	$ 26,862,625	$ 22,807,189	$ -	$ 4,055,436
Little Cypress Junior High	14,184,037	14,184,037	14,184,037	-
Mauriceville Elementary/Mauriceville Middle	14,189,852	13,827,761	-	362,091
Little Cypress Elementary/Little Cypress Intermediate	556,669	556,669	556,669	-
Architect Fees - All Projects	3,094,013	3,078,454	849,930	15,559
Computer Equipment	36,125	36,125	36,125	-
Portable Building Lease, Miscellaneous	9,137	9,137	-	-
Totals	$ 58,932,458	54,499,372	$ 15,626,761	$ 4,433,086
Excluded from Construction in Progress		(9,137)		
Assigned to Capital Assets		(15,626,761)		
Total Construction in Progress		$ 38,863,474		

NOTE 8. PENSION PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description. The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2016.

Total Pension Liability	$ 171,797,150,487
Less: Plan Fiduciary Net Position	(134,008,637,473)
Net Pension Liability	$ 37,788,513,014
Net Position as percentage of Total Pension Liability	78.00%

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions. Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action.

NOTE 8. PENSION PLANS (CONTINUED)

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employee contribution rates are set in state statue, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Little Cypress-Mauriceville Consolidated ISD 2017 Employer Contributions	$ 515,339
Little Cypress-Mauriceville Consolidated ISD 2017 Member Contributions	$ 1,505,517
Little Cypress-Mauriceville Consolidated ISD 2016 NECE On-Behalf Contributions	$ 1,108,586

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During the new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

NOTE 8. PENSION PLANS (CONTINUED)

DEFINED BENEFIT PENSION PLAN (CONTINUED)
Actuarial Assumptions. The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four-year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

NOTE 8. PENSION PLANS (CONTINUED)

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Allocation and Long-Term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectations	0.0%	0.0%	2.2%
Alpha	0.0%	0.0%	1.0%
Total	100.0%		8.7%

** The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than or 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
LCM's proportionate share of the net pension liability:	$ 9,197,971	$ 5,943,135	$ 3,182,376

NOTE 8. PENSION PLANS (CONTINUED)

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension. At August 31, 2017, Little Cypress-Mauriceville Consolidated Independent School District reported a liability of $5,943,135 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	$ 5,943,135
State's proportionate share that is associated with the district	13,158,745
Total	$ 19,101,880

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's portion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.0157274% which was a decrease of 0.0000419% from its proportion measured as of August 31, 2015.

Change Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2017, the District recognized pension expense of $1,365,564 and revenue of $1,365,564 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 93,187	$ 177,459
Changes in actuarial assumptions	181,136	164,736
Difference between projected and actual investment earnings	503,252	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,941,041	334
	2,718,616	342,529
Contributions paid to TRS subsequent to the measurement	515,339	-
	$ 3,233,955	$ 342,529

NOTE 8. PENSION PLANS (CONTINUED)

DEFINED BENEFIT PENSION PLAN (CONTINUED)

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense
2018	$ 432,986
2019	432,986
2020	753,985
2021	408,317
2022	299,741
Thereafter	48,072

DEFINED CONTRIBUTION PLAN

The District has established a noncontributory defined contribution plan, the Little Cypress-Mauriceville Special Pay Plan. The Plan is established under Section 403(b) of the Internal Revenue Code and the plan administrator is Mid America Administrative & Retirement Solutions, Inc. Contributions are based on eligible accumulated leave and totaled $11,493 for the fiscal year ended August 31, 2017.

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. The Little Cypress-Mauriceville Consolidated Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web-site at www.trs.state.ts.us, under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN (CONTINUED)

Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2017 – 2015.

	Contribution Rates					
	Active Member		State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	$ 127,088	1.00%	$ 195,522	0.55%	$ 107,536
2016	0.65%	126,004	1.00%	193,851	0.55%	106,618
2015	0.65%	124,521	1.00%	191,570	0.55%	105,363

***Medicare Part D On-Behalf* Payments**. The Medicare Prescription Drug Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments for Little Cypress-Mauriceville Consolidated Independent School District for the years August 31, 2017, 2016 and 2015 were $57,853, $74,801, and $77,728, respectively.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement for a portion of the cost of health care benefits to retirees between the ages of 55 – 64 and their covered dependents. TRS-Care did not participate in this program for the year ended August 31, 2017.

During the fiscal year ended August 31, 2017, the District paid $19,260 for previously retired public school employees for whom the District had a TRS-Care Premium payment responsibility.

NOTE 10. LONG-TERM LIABILITIES

The District's long-term liabilities consist of general obligation bonds, maintenance tax notes (refunded by limited tax bonds) issued to provide funds for the construction of major capital facilities, compensated absences payable, and net pension liability. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The current requirements for bond and note principal and interest expenditures are accounted for in the Debt Service Fund. The current requirements for compensated absences payable are accounted for in the General Fund. Maintenance tax notes and limited tax bonds are secured by and payable from a pledge of ad valorem taxes in the General Fund. The net pension liability is discussed in Note 8 and is funded annually through the funds impacted by the related payroll expenditures.

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2017, was as follows:

Series	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2009 Refunding Series	3.00-						
bonds	4.45%	$ 4,575,000	$ 3,100,000	$ -	$ (1,205,000)	$ 1,895,000	$ 265,000
premium			43,693	-	(16,687)	27,006	2,251
2013 Unlimited Tax School	2.25-						
building bonds	4.25%	9,500,000	9,000,000	-	(185,000)	8,815,000	190,000
premium			194,580	-	(7,206)	187,374	7,206
2014 Unlimited Tax School	3.00-						
building bonds	5.00%	36,710,000	35,285,000	-	(765,000)	34,520,000	805,000
premium			831,688	-	(30,803)	800,885	30,803
2014A Unlimited Tax	2.00-						
refunding bonds	3.00%	6,330,000	5,535,000	-	(375,000)	5,160,000	390,000
premium			217,724	-	(16,748)	200,976	16,748
2014B Limited Tax	2.00-						
refunding bonds	4.00%	3,720,000	3,095,000	-	(300,000)	2,795,000	310,000
premium			135,400	-	(15,045)	120,355	15,045
2016 UL Tax School building	2.00-						
& refunding bonds	3.50%	9,305,000	9,225,000	-	(335,000)	8,890,000	350,000
premium			524,953	-	(19,443)	505,510	19,443
2017 UL Tax School building	3.00-						
& refunding bonds	4.00%	2,810,000	-	2,810,000	(15,000)	2,795,000	100,000
premium			-	295,002	(18,438)	276,564	18,438
Total debt payable			67,188,038	3,105,002	(3,304,370)	66,988,670	2,519,934
Compensated absences payable			94,298	-	(12,760)	81,538	-
Net pension liability			5,574,238	868,595	(499,698)	5,943,135	-
Total governmental activities long-term liabilities			$ 72,856,574	$ 3,973,597	$ (3,816,828)	$ 73,013,343	$ 2,519,934

Annual debt service requirements to maturity for general obligation bonds and refunding bonds are as follows:

Year Ended August 31	Bond Principal	Bond Interest
2018	$ 2,310,000	$ 2,273,355
2019	2,400,000	2,186,530
2020	2,490,000	2,101,430
2021	2,500,000	2,013,005
2022	2,590,000	1,925,530
2023 - 2027	13,675,000	8,264,116
2028 - 2032	11,900,000	6,144,237
2033 - 2037	10,950,000	4,324,438
2038 - 2042	13,115,000	2,173,663
2043	2,940,000	117,013
	$ 64,870,000	$ 31,523,317

As of August 31, 2017, the District did not have any authorized but unissued bonds.

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

In June 2017, the District issued $2,810,000 of unlimited tax school building and refunding bonds (Series 2017). The proceeds of the refunding bonds were used to prefund an August, 2018 call option. This action retired $945,000 of previously issued District bonds in order to lower its overall debt service requirements. The reacquisition price exceeded the net carrying value of the old debt by $49,439. This balance is being amortized over the life of the new issue. The refunding resulted in an economic gain of $79,507.

NOTE 11. LEASE OBLIGATIONS

A. Operating Leases

Little Cypress-Mauriceville Consolidated Independent School District is obligated under operating (noncapitalized) leases for equipment. For the year ended August 31, 2017, lease expenditures of $104,172 were made from the General Fund. The following is a schedule of minimum lease payments under non-cancelable operating leases as of August 31, 2017.

Year Ended August 31	General Fund
2018	$ 76,229
2019	75,681
2020	68,828
2021	43,483
2022	8,824
	$ 273,045

NOTE 12. LITIGATION AND CONTINGENCIES

At various times, the District is the defendant in legal actions related to public education. The District's insurer accepts defense of these cases. The District defends such cases vigorously and feels that financial exposure is limited to any related uninsured litigation expense.

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2017 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 13. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources generated in governmental funds consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Captial Projects Fund	Total
Property Taxes	$ 9,258,306	$ -	$ 3,447,550	$ -	$ 12,705,856
Food Sales	-	351,185	-	-	351,185
Investment Income	72,735	1,045	23,528	84,171	181,479
Penalties, interest and other tax related income	273,163	-	42,905	-	316,068
Co-curricular student activities	97,439	-	-	-	97,439
Other	272,578	162,475	-	18,150	453,203
Total	$ 9,974,221	$ 514,705	$ 3,513,983	$ 102,321	$ 14,105,230

NOTE 14. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Total
Food Service Advance Sales	$ -	$ 26,627	$ 26,627
Seasonal Ticket Sales	4,350	-	4,350
Total Unearned Revenue	$ 4,350	$ 26,627	$ 30,977

NOTE 15. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2017 consisted of the following individual fund receivables and payables.

Fund	Receivable	Payable
General Fund		
Special Revenue Fund	$ 441	$ 29,780
Internal Service Fund	-	69,813
Special Revenue Fund		
General Fund	29,780	441
Internal Service Fund		
General Fund	69,813	-
Total	$ 100,034	$ 100,034

NOTE 16. TROPICAL STORM HARVEY

On August 30, 2017, the Little Cypress-Mauriceville CISD and its taxpayer base were negatively impacted by the winds and record rainfall of Tropical Storm Harvey. The District remains operational and has the liquid assets to address ongoing required repairs and replacements on a timely basis. District damage is covered by $1,000,000 of commercial insurance. Management anticipates reimbursement for a portion of the cost of repairs from the Federal Emergency Management Agency (FEMA). Management anticipates the net repair costs and revenue reductions will be significant. The impact on the financial position of the District going forward is contingent on the amount of Federal financial assistance received.

REQUIRED SUPPLEMENTARY INFORMATION

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.

EXHIBIT G-1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 9,876,141	$ 9,960,116	$ 9,974,221	$ 14,105
5800	State Program Revenues	16,533,831	16,537,023	15,942,639	(594,384)
5900	Federal Program Revenues	419,634	421,529	402,276	(19,253)
5020	Total Revenues	26,829,606	26,918,668	26,319,136	(599,532)
	EXPENDITURES:				
	Current:				
0011	Instruction	15,237,120	14,906,661	14,189,585	717,076
0012	Instructional Resources and Media Services	1,117,614	1,110,679	1,017,332	93,347
0013	Curriculum and Instructional Staff Development	42,089	53,249	40,978	12,271
0021	Instructional Leadership	872,503	888,254	832,893	55,361
0023	School Leadership	1,774,442	1,778,246	1,724,725	53,521
0031	Guidance, Counseling and Evaluation Services	1,177,079	1,185,574	1,125,748	59,826
0033	Health Services	391,354	392,354	367,122	25,232
0034	Student (Pupil) Transportation	1,633,312	1,683,996	1,352,256	331,740
0035	Food Services	770	725	725	-
0036	Extracurricular Activities	1,014,336	1,153,262	1,037,254	116,008
0041	General Administration	1,034,127	1,047,209	975,532	71,677
0051	Facilities Maintenance and Operations	3,463,702	3,540,365	3,422,072	118,293
0052	Security and Monitoring Services	36,200	39,394	17,956	21,438
0053	Data Processing Services	196,900	163,483	140,200	23,283
0061	Community Services	5,003	3,500	2,770	730
	Debt Service:				
0071	Principal on Long Term Debt	300,000	300,000	300,000	-
0072	Interest on Long Term Debt	93,700	93,700	93,700	-
0073	Bond Issuance Cost and Fees	3,000	3,000	500	2,500
	Capital Outlay:				
0081	Facilities Acquisition and Construction	1,000	1,000	-	1,000
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	11,000	7,265	6,265	1,000
0099	Other Intergovernmental Charges	197,000	197,000	192,176	4,824
6030	Total Expenditures	28,602,251	28,548,916	26,839,789	1,709,127
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,772,645)	(1,630,248)	(520,653)	1,109,595
	OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	(129,335)	(1,349,982)	(1,330,427)	19,555
1200	Net Change in Fund Balances	(1,901,980)	(2,980,230)	(1,851,080)	1,129,150
0100	Fund Balance - September 1 (Beginning)	8,775,220	8,775,220	8,775,220	-
3000	Fund Balance - August 31 (Ending)	$ 6,873,240	$ 5,794,990	$ 6,924,140	$ 1,129,150

EXHIBIT G-2

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR THE YEAR ENDED AUGUST 31, 2017

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0157274%	0.0157693%	0.0071663%
District's Proportionate Share of Net Pension Liability (Asset)	$ 5,943,135	$ 5,574,238	$ 1,914,218
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	13,158,745	13,273,929	11,661,310
Total	$ 19,101,880	$ 18,848,167	$ 13,575,528
District's Covered-Employee Payroll	$ 19,385,066	$ 19,157,049	$ 18,636,237
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	30.66%	29.10%	10.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

EXHIBIT G-3

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2017

	2017	2016	2015
Contractually Required Contribution	$ 515,339	$ 553,564	$ 466,937
Contribution in Relation to the Contractually Required Contribution	(515,339)	(553,564)	(466,937)
Contribution Deficiency (Excess)	$ -0-	$ -0-	$ -0-
District's Covered-Employee Payroll	$ 19,552,164	$ 19,385,066	$ 19,157,049
Contributions as a Percentage of Covered-Employee Payroll	2.64%	2.86%	2.44%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

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REQUIRED TEA SCHEDULES

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2008 and prior years	Various	Various	$ Various
2009	1.040050	0.108180	768,682,603
2010	1.040050	0.106620	874,594,173
2011	1.040050	0.117160	889,312,398
2012	1.040000	0.115670	898,098,505
2013	1.040000	0.118350	908,349,204
2014	1.040000	0.125210	924,533,432
2015	1.040000	0.370000	905,730,423
2016	1.040000	0.390000	886,180,699
2017 (School year under audit)	1.040000	0.390000	898,582,948
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
$ 175,490	$ -	$ 20,171	$ 1,747	$ (15,332)	$ 138,240
33,001	-	4,621	481	(465)	27,434
47,344	-	6,914	709	(539)	39,182
60,007	-	6,275	707	(4,746)	48,279
78,131	-	11,899	1,323	(819)	64,090
97,268	-	12,008	1,366	(1,535)	82,359
136,192	-	25,789	3,105	(527)	106,771
246,772	-	45,478	16,180	(827)	184,287
381,825	-	85,256	31,971	(15,443)	249,155
-	12,849,736	9,039,895	3,389,961	(32,684)	387,196
$ 1,256,030	$ 12,849,736	$ 9,258,306	$ 3,447,550	$ (72,917)	$ 1,326,993

EXHIBIT J-2

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 502,200	$ 502,200	$ 352,043	$ (150,157)
5800	State Program Revenues	33,000	33,000	30,226	(2,774)
5900	Federal Program Revenues	759,000	759,000	704,177	(54,823)
5020	Total Revenues	1,294,200	1,294,200	1,086,446	(207,754)
	EXPENDITURES:				
0035	Food Services	1,393,535	1,393,535	1,170,275	223,260
0051	Facilities Maintenance and Operations	30,000	30,000	25,951	4,049
6030	Total Expenditures	1,423,535	1,423,535	1,196,226	227,309
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(129,335)	(129,335)	(109,780)	19,555
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	129,335	129,335	109,780	(19,555)
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

EXHIBIT J-3

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 3,469,503	$ 3,469,503	$ 3,513,983	$ 44,480
5800	State Program Revenues	515,605	542,194	844,242	302,048
5020	Total Revenues	3,985,108	4,011,697	4,358,225	346,528
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long Term Debt	1,920,000	1,935,000	1,935,000	-
0072	Interest on Long Term Debt	2,194,755	2,206,344	2,187,024	19,320
0073	Bond Issuance Cost and Fees	12,000	112,626	110,025	2,601
6030	Total Expenditures	4,126,755	4,253,970	4,232,049	21,921
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(141,647)	(242,273)	126,176	368,449
	OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	915,000	915,000	-
7916	Premium or Discount on Issuance of Bonds	-	180,065	190,002	9,937
8949	Other (Uses)	-	(994,439)	(994,439)	-
7080	Total Other Financing Sources (Uses)	-	100,626	110,563	9,937
1200	Net Change in Fund Balances	(141,647)	(141,647)	236,739	378,386
0100	Fund Balance - September 1 (Beginning)	1,407,903	1,407,903	1,407,903	-
3000	Fund Balance - August 31 (Ending)	$ 1,266,256	$ 1,266,256	$ 1,644,642	$ 378,386

FEDERAL AWARDS SECTION

Wathen, DeShong & Juncker, L.L.P.
Certified Public Accountants

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA, CFE, CFF

Troy W. Domingue, CPA
Stanley "Chip" Majors, Jr., CPA.CITP, CGMA
Jane P. Burns, CPA, CDFA

November 29, 2017

INDEPENDENT AUDITOR'S REPORT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Little Cypress-Mauriceville Consolidated Independent School District
6586 FM 1130
Orange, Texas 77632

Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Little Cypress-Mauriceville Consolidated Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of Little Cypress-Mauriceville Consolidated Independent School District, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Little Cypress-Mauriceville Consolidated Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Little Cypress-Mauriceville Consolidated Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Little Cypress-Mauriceville Consolidated Independent School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

4140 Gladys Avenue, Suite 101 • Beaumont, TX 77706-3648 • Phone (409) 838-1605 • Fax (409) 838-3316
Members of the American Institute of Certified Public Accountants

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Little Cypress-Mauriceville Consolidated Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Little Cypress-Mauriceville Consolidated Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

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Stanley "Chip" Majors, Jr., CPA.CITP, CGMA
Jane P. Burns, CPA, CDFA

November 29, 2017

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Little Cypress-Mauriceville Consolidated Independent School District
6586 FM 1130
Orange, Texas 77632

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Little Cypress-Mauriceville Consolidated Independent School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Little Cypress-Mauriceville Consolidated Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Little Cypress-Mauriceville Consolidated Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination of Little Cypress-Mauriceville Consolidated Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Little Cypress-Mauriceville Consolidated Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report of Internal Control Over Compliance

The management of Little Cypress-Mauriceville Consolidated Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Little Cypress-Mauriceville Consolidated Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

LITTLE CYPRESS-MAURICEVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? ______ yes __✓__ no
- Significant deficiency identified? ______ yes __✓__ none reported

Noncompliance material to financial statements noted? ______ yes __✓__ no

Federal Awards

Internal control over major programs:

- Material weakness identified? ______ yes __✓__ no
- Significant deficiency identified? ______ yes __✓__ none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance ______ yes ____✓ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee? __✓__ yes ______ no

LITTLE CYPRESS-MAURICEVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2017
(CONTINUED)

Section II – Financial Statement Findings

--NONE NOTED—

Section III – Federal Award Findings and Questioned Costs

--NONE NOTED--

LITTLE CYPRESS-MAURICEVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

STATUS OF PRIOR YEAR'S FINDINGS
YEAR ENDED AUGUST 31, 2017

--NONE NOTED--

LITTLE CYPRESS-MAURICEVILLE C.I.S.D.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101181908	$ 418,281
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101181908	27,651
ESEA, Title I, Part A, Priority&Focus School Grant	84.010A	17610112181908000	20,693
Total CFDA Number 84.010A			466,625
*IDEA - Part B, Title VI, Formula	84.027A	17660001181908660O	722,866
*IDEA - Part B, Title VI, Formula	84.027A	18660001181908660O	14,961
*IDEA - Part B, Title VI, Disc Residential	84.027A	176600121819086677	500,333
*IDEA - Part B, Title VI, High Cost Risk Pool	84.027A	176600061819086680	67,757
Total CFDA Number 84.027A			1,305,917
Total Special Education Cluster (IDEA)			1,316,732
Career and Technical - Basic Grant	84.048A	17420006181908	37,055
*IDEA - Part B, Title VI, Preschool	84.173A	176610011819086610	10,622
*IDEA - Part B, Title VI, Preschool	84.173A	186610011819086610	193
Total CFDA Number 84.173A			10,815
Total Special Education Cluster (IDEA)			1,316,732
ESEA, Title II, Part A, Improving Teach Quality	84.367A	17694501181908	116,332
Total Passed Through State Department of Education			$ 1,936,744
TOTAL U.S. DEPARTMENT OF EDUCATION			$ 1,936,744
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Agriculture			
**School Breakfast Program	10.553	714017	$ 170,095
**National School Lunch Program	10.555	713017	453,947
Total Child Nutrition Cluster			624,042
Commodity Supplemental Program	10.565	181004A	80,135
Total Passed Through the State Department of Agriculture			$ 704,177
TOTAL U.S. DEPARTMENT OF AGRICULTURE			$ 704,177
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,640,921

*Indicates clustered program under OMB Title 2 CFR Part 200 Compliance Supplement.
**Indicates clustered program under OMB Title 2 CFR Part 200 Compliance Supplement.

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

LITTLE CYPRESS-MAURICEVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

1. The accompanying Schedule Of Expenditures Of Federal Awards (Schedule) includes the federal grant activity of Little Cypress-Mauriceville Consolidated Independent School District (the District) under programs of the Federal government for the year ended August 31, 2017. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

3. The District utilizes the fund types specified in the Texas Education Agency's Financial Accountability System Resource Guide.

   Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

4. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

   The modified accrual basis of accounting is used for the Governmental Fund Types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

   Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

5. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date or as specified in a program regulation, in accordance with provisions in Office of Management and Budget (OMB) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* - Section 200.343 Closeout.

6. A reconciliation of Federal Revenue reported on Exhibit C-3 to Federal Revenue reported on the Schedule of Expenditures of Federal Awards (Exhibit K-1) follows:

Federal Revenue Reported on Exhibit K-1	$ 2,640,921
Medicaid Revenue	353,989
Federal Revenue Reported on Exhibit C-3	$ 2,994,910

SCHOOLS FIRST QUESTIONNAIRE

Little Cypress-Mauriceville C.I.S.D.

Fiscal Year 2017

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	$5,943,135
SF13	Pension Expense (6147) at fiscal year-end.	

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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PROPOSED FORM OF OPINION OF BOND COUNSEL

An opinion in substantially the following form will be delivered by Creighton, Fox, Johnson & Mills, PLLC, Bond Counsel, upon the delivery of the Notes, assuming no material changes in facts or law.

WE HAVE SERVED as bond counsel for the Little Cypress-Mauriceville Consolidated Independent School District (the "District") in connection with the notes hereinafter described (the "Notes"):

> LITTLE CYPRESS-MAURICEVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT MAINTENANCE TAX NOTES, SERIES 2018, dated April 1, 2018, in the total authorized amount of $15,090,000.

The Notes mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Notes and in the resolution adopted by the Board of Trustees of the District authorizing their issuance (the "Resolution").

WE HAVE SERVED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Notes under the Constitution and laws of the State of Texas, and with respect to the exclusion of interest on the Notes from gross income for federal income tax purposes. We have not been requested to investigate or to verify and have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Notes.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Notes which contains certified copies of certain proceedings of the District, customary certificates of officers, agents and representatives of the District and other public officials, and other certified showings relating to the authorization and issuance of the Notes. We have also examined executed Note No. R-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that the District is a duly and validly created and existing political subdivision of the State of Texas, the transcript of certified proceedings evidences complete legal authority for the issuance of the Notes in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Notes and Resolution constitute valid and legally binding obligations of the District and are enforceable against the District in accordance with their terms, and all taxable property in the District is subject to the levy of ad valorem maintenance taxes, within the limitations prescribed by law, to pay the Notes and interest thereon, and that said ad valorem taxes have been irrevocably pledged to pay the principal of and interest on the Notes..

THE RIGHTS OF THE HOLDERS of the Notes are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that:

(1) Interest on the Notes is excludable from gross income of the owners for federal income tax purposes under existing law.

(2) The Notes are not "private activity bonds" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Notes is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations.

In providing such opinions, we have relied on representations of the District with respect to matters solely within the knowledge of the District which we have not independently verified, and have assumed continuing compliance with the covenants in the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Notes for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or if the District fails to comply with the foregoing provisions of the Resolution, interest on the Notes could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Interest on the Notes owned by a corporation (other than an S Corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Notes.

Owners of the Notes should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to, among others, financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Notes). For the foregoing reasons, prospective purchasers should consult their own tax advisors as to the consequences of investing in the Notes.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon review of existing law and in reliance upon representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted in the Resolution not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Notes as includable in gross income for federal income tax purposes.

Yours truly,

CREIGHTON, FOX, JOHNSON & MILLS, PLLC

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APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

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USCA MUNICIPAL ADVISORS, LLC

Financial Advisor to the District

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