OFFICIAL NOTICE OF SALE, BID FORM
and
PRELIMINARY OFFICIAL STATEMENT

$2,395,000*

WOODVILLE INDEPENDENT SCHOOL DISTRICT

(Jasper, Polk and Tyler Counties, Texas)

Maintenance Tax Notes
Series 2018

Bids Due
November 27, 2018
at 10:00 a.m., Central Time

**Preliminary, subject to change. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" herein.*

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Notes defined and described herein. The invitation for bids on the Notes is being made by means of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

$2,395,000*
WOODVILLE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Jasper, Polk and Tyler Counties, Texas)

MAINTENANCE TAX NOTES, SERIES 2018

THE SALE

NOTES OFFERED FOR SALE AT COMPETITIVE BID: The Board of Trustees (the "Board") of the Woodville Independent School District (the "District" or the "Issuer") is offering for sale at competitive bid its $2,395,000* Maintenance Tax Notes, Series 2018 (the "Notes"). Bidders may submit bids for the Notes by either of the following methods:

(1) Submit bids electronically as described below in "BIDS BY INTERNET;" or
(2) Submit bids by facsimile as described below in "BIDS BY FACSIMILE."

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 10:00 A.M., Central time, on November 27, 2018. Bidders submitting a bid by internet **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 9:00 A.M., Central time, on November 27, 2018 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile, as described below. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Notes on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being the sole risk of the prospective bidder.

BIDS BY FACSIMILE: Interested bidders may, at their option and risk, submit their bid by facsimile to the District's Financial Advisor, SAMCO Capital Markets, Inc. Attention: Mr. Doug Whitt at (214) 279-8683 by 10:00 A.M., Central time, on November 27, 2018. Bidders submitting a bid by facsimile **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit a bid by facsimile should, as a courtesy, submit an email message to dwhitt@samcocapital.com by 9:00 A.M., Central time, on November 27, 2018 indicating their intent to submit a bid by facsimile.

Neither the District nor SAMCO Capital Markets, Inc. is responsible for any failure of either of the Financial Advisor's or the bidder's fax machine. Bids received by facsimile after the bid deadline will not be accepted. Bidders who fax bids do so at their own risk. All such bids are binding on the bidder.

PLACE AND TIME OF BID OPENING: The bids for the Notes will be opened at the District's offices at 10:00 A.M. Central time, on November 27, 2018.

AWARD OF THE NOTES: The Board will take action to award the Notes (or reject all bids) at a meeting to commence at 7:00 P.M., Central time, on November 27, 2018.

THE NOTES

DESCRIPTION: The Notes will be dated December 1, 2018, (the "Dated Date") but interest will accrue from the date of delivery. Interest on the Notes will be due on February 15, 2019, and each August 15 and February 15 thereafter until maturity or prior redemption. The Notes will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Notes will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Notes ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, the principal of and interest on the Notes will be payable by BOKF, NA, Dallas, Texas as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Notes. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

**Preliminary, subject to change. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" herein.*

MATURITY SCHEDULE: The Notes will be stated to mature on February 15 in each of the following years in the following amounts:

Maturity	Principal Amount*	Maturity	Principal Amount*
2019	$150,000	2027	$160,000
2020	125,000	2028	170,000
2021	130,000	2029	175,000
2022	135,000	2030	180,000
2023	140,000	2031	185,000
2024	145,000	2032	195,000
2025	150,000	2033	200,000
2026	155,000		

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES: After selecting the winning bid, the aggregate principal amount of the Notes and the principal amortization schedule may be adjusted as determined by the District and its Financial Advisor in $5,000 increments to reflect the actual interest rates and to create a substantially level debt service schedule for the District. Such adjustments will not change the aggregate principal amount of the Notes by more than 10% from the amount set forth herein or change the principal amount due on the Notes in any year by more than 20% (excluding the 2019 maturity). The dollar amount bid for the Notes by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Notes finally determined to be issued. The District will use its best efforts to communicate to the winning bidder any such adjustment within four (4) hours after the opening of the bids. Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Notes as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Notes and/or the maturity schedule for the Notes made by the District or its Financial Advisor shall be subsequent to the award of the Notes to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – BASIS OF AWARD" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

SERIAL NOTES AND/OR TERM NOTES: Bidders may provide that all of the Notes be issued as serial maturities or may provide that maturities 2022 through 2033 be combined into term Notes (the "Term Notes").

MANDATORY SINKING FUND REDEMPTION: If the successful bidder designates principal amounts of the Notes to be combined into one or more Term Notes, each such Term Note will be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Note and continuing on February 15 in each year thereafter until the stated maturity date of that Term Note. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption "MATURITY SCHEDULE" (subject to adjustment, as provided in "ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES"). Term Notes to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Term Notes then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement Term Notes of the maturity then subject to redemption which have been purchased and canceled by the District and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The Notes maturing on or after February 15, 2022 are subject to redemption at the option of the District in whole or in part on February 15, 2021 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption.

QUALIFIED TAX-EXEMPT OBLIGATIONS: The District will designate the Notes as "qualified tax-exempt obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" in the Official Statement.)

AUTHORITY FOR ISSUANCE AND SECURITY FOR PAYMENT: The Notes are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution to be adopted by the District's Board on November 27, 2018 (the "Resolution"). The Notes are direct obligations of the District and are payable as to both principal and interest from the District's Maintenance and Operations tax, a limited annual ad valorem tax to be levied on all taxable property within the District, within the limitations prescribed by law as provided in the Resolution. (See "THE NOTES – Security" in the Preliminary Official Statement).

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Resolution, the District covenants to provide a Paying Agent/Registrar at all times while the Notes are outstanding, and any Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Notes. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Notes.

In the Resolution the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the District has agreed to notify each registered owner of the Notes by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

BOOK-ENTRY-ONLY SYSTEM: The District intends to utilize the Book-Entry-Only System of DTC with respect to the issuance of the Notes. See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.

MU**NICIPAL BOND RATING AND INSURANCE:** In connection with the sale of the Notes, the District has made application to S&P Global Ratings ("S&P") for a municipal bond rating. The District has an unenhanced, underlying rating, including the Notes, of "A+" by S&P. In addition, the District has made applications for a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Notes with a municipal bond insurance company. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the Initial Purchaser (defined herein). IF THE BIDDER/PURCHASER CHOOSES

**Preliminary, subject to change. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" herein.*

TO SUBMIT A BID UTILIZING MUNICIPAL BOND INSURANCE, ANY DOWNGRADING OR PUBLISHED NEGATIVE CREDIT WATCH OR SIMILAR PUBLISHED INFORMATION FROM A RATING AGENCY REFLECTING A CHANGE OR POSSIBLE CHANGE IN THE RATING OF THE MUNICIPAL BOND INSURER THAT MAY OCCUR PRIOR TO THE CLOSING OF THE NOTES WILL NOT CONSTITUTE A RIGHT TO TERMINATE THE BIDDER/PURCHASER'S CONTRACT TO PURCHASE THE NOTES AT THE PRICE AND TERMS OF ITS BID. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" in the Preliminary Official Statement.)

OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE RESOLUTION: Further details regarding the Notes and certain covenants of the District contained in the Resolution are set forth in the Preliminary Official Statement, to which reference is made for all purposes.

CONDITIONS OF THE SALE

TYPES OF BIDS AND INTEREST RATES: The Notes will be sold in one block, on an "All or None" basis, and at a price of not less than their par value, and no accrued interest. **No bid producing a cash premium on the Notes that results in a dollar price of less than \$100.00 nor greater than \$105.00 will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES."** Bidders are invited to name the rate(s) of interest to be borne by the Notes, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate for the Notes (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3.00% in rate)**. **No limitation is imposed upon bidders as to the number of rates or changes which may be used**. All Notes of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Notes will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the **lowest True Interest Cost (defined herein) rate on the Notes to the District**. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the **date of Initial Delivery (defined herein) of the Notes** of all debt service payments on the Notes on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Notes plus the premium bid. In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") relating to the exclusion of interest on the Notes from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the District (on or before the date of Initial Delivery of the Notes) a certification as to their "issue price" (the "Issue Price Certificate") in the form and to the effect attached hereto or accompanying this Official Notice of Sale, subject to the conditions set forth in "ESTABLISHMENT OF ISSUE PRICE" below.

ESTABLISHMENT OF ISSUE PRICE:
(a) The winning bidder shall assist the District in establishing the issue price of the Notes and shall execute and deliver to the District by the date of Initial Delivery an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the District, and Norton Rose Fulbright US LLP, San Antonio, Texas, the District's Bond Counsel (but not to the extent that such modifications would preclude the establishment of issue price of the Notes under applicable federal regulations). All actions to be taken by the District under this Official Notice of Sale to establish the issue price of the Notes may be taken on behalf of the District by the District's Financial Advisor and any notice or report to be provided to the District may be provided to the District's Financial Advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

(1) the District shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the District may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the District anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the District shall so advise the winning bidder. In such event, the District intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Notes as the issue price of that maturity (the "hold-the-offering-price rule"). The District shall promptly advise the winning bidder, at or before the time of award of the Notes, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Notes. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies**. In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-offering price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the District.

(d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the District when the underwriters have sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Notes, the winning bidder agrees to promptly report to the District the prices at which the unsold Notes of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the date of Initial Delivery has occurred, until the 10% test has been satisfied as to the Notes of that maturity or until all Notes of that maturity have been sold. The 10% test shall be considered satisfied with respect to a maturity when at least 10% of the Notes of that maturity have been sold to the public at a particular price.

(f) The District acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Notes.

(g) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the public and (B) to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Notes to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the public),

(3) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date that the Notes are awarded by the District to the winning bidder.

GOOD FAITH DEPOSIT: A bank cashier's check, payable to the order of "Woodville Independent School District", in the amount of $47,900 which is 2% of the proposed par value of the Notes (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Purchaser will be retained uncashed by the District pending the Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Purchaser should fail or refuse to take up and pay for the Notes in accordance with its bid, then said check shall be cashed and accepted by the District as full and complete liquidated damages. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the District prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery**. No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Notes has been made by the District.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:
New obligation of the District to receive information from winning bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Effective January 1, 2018, pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure

Act"), the District may not award the Notes to a winning bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Notes is the best bid received, the District, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the District's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the District to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 – name of the governmental entity (Woodville Independent School District) and (b) item 3 – the identification number assigned to this contract by the District (0001) and description of the goods or services (Purchase of the Woodville Independent School District Maintenance Tax Notes, Series 2018). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the District to complete the Disclosure Form electronically at https://www.ethics.state.tx.us/main/file.htm, print, sign, notarize, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the District. The notarized Disclosure Form must be sent by email, to the District's financial advisor at dwhitt@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the executed and notarized Disclosure Form must be submitted by email to clayton.binford@nortonrosefulbright.com.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder MUST BE ACKNOWLEDGED BY AND SUBMITTED UNDER A NOTARY STAMP. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Notes until a completed Disclosure Form is received. If applicable, the District reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Notes should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

ADDITIONAL CONDITION OF AWARD – COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE: Each bidder, through submittal of an executed Official Bid Form, hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

Each bidder, through submittal of an executed Official Bid Form, hereby represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf,
https://comptroller.texas.gov/purchasing/docs/iran-list.pdf, or
https://comptroller.texas.gov/purchasing/docs/fto-list.pdf.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Notes, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Notes. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the winning bidder (the "Purchaser" or Initial Purchaser") in complying with Rule 15c2-12, as amended (the "Rule"), of the United Securities and Exchange Commission ("SEC"), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION: The Issuer has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Notes, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering yields of the Notes.

Thereafter, the Issuer will complete and authorize distribution of the final Official Statement, being a modification of the Preliminary Official Statement, identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of one hundred (100) copies of the Official Statement, together with information regarding interest rates, and other terms relating to the reoffering of the Notes. In addition, the District agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The District consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with MSRB Rule G-32. The Purchaser may arrange at its own expense to have the Official Statement reproduced and printed if it requires more copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Notes. The Purchaser will be responsible for providing information concerning the Issuer and the Notes to subsequent purchasers of the Notes, and the Issuer will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Official Statement to correct key representations determined to be omitted or materially misleading, after the date of the Official Statement, shall terminate 25 days after the closing date.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Official Statement to be incomplete or materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Notes, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS – CONDITIONS TO DELIVERY," the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement, in a "designated electronic format" satisfactory to the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Notes ("Initial Delivery"), the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Notes, 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 Initial Delivery, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an 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 Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer 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 Issuer, since August 31, 2017, the date of the last financial statements of the Issuer appearing in the Official Statement; 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. The Official Statement and this Official Notice of Sale have been approved as to form and content and the use thereof in the offering of the Notes has been authorized, ratified and approved by the Board in the Resolution, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Notes, a certified copy of such approval, duly executed by the proper officials of the Issuer.

CONTINUING DISCLOSURE AGREEMENT: The District has agreed in the Resolution to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Notes is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Resolution containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL NOTE: Initial Delivery will be accomplished by the issuance of one or more fully registered Notes in the aggregate principal amount of the Notes payable to the Purchaser (the "Initial Note" or "Initial Notes"), signed by the duly appointed officers of the Board, by their manual or facsimile signatures, approved by the Texas Attorney General, and registered and manually signed by the Texas Comptroller of Public Accounts. Initial Delivery will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Notes, they shall be immediately canceled and one definitive Note for each maturity of the Notes payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Notes must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days' notice of the time fixed for delivery of the Notes. It is anticipated that the delivery of the Initial Note can be made on or about December 20, 2018, but if for any reason the District is unable to make delivery by January 17, 2019, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend its obligation to take up and pay for the Notes an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Notes, provided that such failure is due to circumstances beyond the District's reasonable control.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Notes in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the Issuer; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Initial Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Notes is subject to the following conditions: the issuance of an approving opinion of the Attorney General of the State of Texas, the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the certificate regarding the Official Statement, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE". In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Notes by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Notes, and of the Issuer to deliver the Initial Notes, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Notes, there shall have been no material adverse change in the affairs of the Issuer subsequent to the date of sale from that set forth in the Official Statement, as it may have been finalized, supplemented or amended through the date of Initial Delivery.

LEGAL OPINIONS: The District will furnish the Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Notes, including the unqualified approving legal opinion of the Attorney General of the State of Texas as to the Notes, to the effect that the Notes are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, regarding the legality and validity of the Notes issued in compliance with the provisions of the Resolution. (See "LITIGATION" and "LEGAL MATTERS" in the Official Statement and "Appendix C – Form of Legal Opinion of Bond Counsel" attached to the Official Statement.)

CHANGE IN TAX-EXEMPT STATUS: At any time before the Notes are tendered for initial delivery to the Initial Purchaser, the Initial Purchaser may withdraw its bid if the interest on obligations such as the Notes shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

RATING: In connection with the sale of the Notes, the District has made application to S&P for a municipal bond rating. The District's unenhanced, underlying rating, including the Notes, is "A+" by S&P. If the Purchaser chooses to submit a bid utilizing municipal bond insurance, the enhanced long-term rating on the Notes will be dependent upon the rating of the provider of such policy. See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" in the Preliminary Official Statement. 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 such rating company, if in the judgment of said rating company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes. Neither the District, except as described in the Preliminary Official Statement under the subcaption "CONTINUING DISCLOSURE OF INFORMATION – Notice of Certain Events," nor the Purchaser has undertaken any responsibility to advise owners of the Notes of any lowering or withdrawal of such ratings.

REGISTRATION AND QUALIFICATION OF NOTES FOR SALE: No registration statement relating to the Notes has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Notes have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Notes have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or 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.

It is the obligation of the Purchaser to register or qualify the sale of the Notes under the securities laws of any jurisdiction which so requires. The Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Notes, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but the District will in no instance execute a general consent to service of process in any state in which the Notes are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024.

On the date of the sale, the Board will, in the Resolution, approve the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Notes by the Purchaser.

WOODVILLE INDEPENDENT SCHOOL DISTRICT

/s/ Jimmy Tucker
President, Board of Trustees

ATTEST:

/s/ John Wilson
Secretary, Board of Trustees

Dated: November 19, 2018

OFFICIAL BID FORM

President and Board of Trustees
Woodville Independent School District
505 N. Charlton Street
Woodville, Texas 75979

November 27, 2018

Ladies & Gentlemen:

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated November 19, 2018 of $2,395,000* WOODVILLE INDEPENDENT SCHOOL DISTRICT MAINTENANCE TAX NOTES, SERIES 2018 (the "Notes"), both of which constitute a part hereof.

For your legally issued Notes, as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you a price of par value thereof plus a cash premium of $_______________ **(no bid producing a cash premium that results in a dollar price of less than $100.00 nor greater than $105.00 will be considered)** for Notes maturing and bearing interest as follows:

Maturity (2/15)	Principal Amount*	Interest Rate	Maturity (2/15)	Principal Amount*	Interest Rate
2019	$150,000	________	2027	$160,000	________
2020	125,000	________	2028	170,000	________
2021	130,000	________	2029	175,000	________
2022	135,000	________	2030	180,000	________
2023	140,000	________	2031	185,000	________
2024	145,000	________	2032	195,000	________
2025	150,000	________	2033	200,000	________
2026	155,000	________			

(Interest to Accrue from the Delivery Date)

Of the principal maturities set forth in the table above, we have created term notes for stated maturities ____ through ____ (the "Term Notes") as indicated in the following table (which may include multiple Term Notes, one Term Note or no Term Note if none is indicated). For those years which have been combined into a Term Note, the principal amount shown in the table above will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Note maturity date will mature in such year. The Term Notes created are as follows:

Term Note Maturity Date February 15	Year of First Mandatory Redemption	Principal Amount of Term Note	Interest Rate
____________	____________	____________	____________
____________	____________	____________	____________

Our calculation (which is not a part of this bid) of the interest cost in accordance with the above bid is:

TRUE INTEREST COST _________________________%

By accepting this bid, we understand the District will provide the copies of the Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale.

The Initial Note(s) shall be registered in the name of _________________________________ (Purchaser). We will advise DTC of registration instructions at least five business days prior to the date set for Initial Delivery. It is the obligation of the Purchaser of the Notes to complete the DTC Eligibility Questionnaire.

Cashier's Check of the ________________________________ (bank), _______________ (location), in the amount of $47,900 which represents our Good Faith Deposit is attached hereto or has been made available to you prior to the opening of the bid, in accordance with the terms set forth in the Official Notice of Sale and the Preliminary Official Statement. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery upon completion of the closing.

We agree to accept delivery of the Initial Note through DTC and make payment for the Initial Note in immediately available funds at BOKF, NA, Dallas, Texas, no later than 10:00 A.M., Central time, on December 20, 2018 or thereafter on the date the Initial Note is tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The Issuer will consider any bid submitted pursuant to the Notice of Sale relating to the Notes to be a firm offer for the purchase of the Notes.

The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF THE SALE - ESTABLISHMENT OF ISSUE PRICE" and, as evidence thereof agrees to complete, execute and deliver to the District by the date of delivery of the Notes, a certificate relating to the "issue price" of the Notes in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District (as provided under "CONDITIONS OF THE SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale).

**Preliminary, subject to change. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" in the Official Notice of Sale and Bidding Instructions.*

required by applicable federal law, it does not and will not “boycott Israel” and is not on the Texas Comptroller’s list concerning “foreign terrorist organizations” as prepared and maintained thereby under applicable Texas law, all as more fully provided in the Official Notice of Sale under the heading “ADDITIONAL CONDITION OF AWARD – COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE”.

For purposes of contracting for the sale of the Notes, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Notes. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance and if required, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC’s electronic portal will be printed, signed, notarized and sent by email to the District’s financial advisor at dwhitt@samcocapital.com. The undersigned understands that the failure to provide the certified Disclosure Form, if required, will prohibit the District from providing final written award of the enclosed bid.

Respectfully submitted,

____
(Purchaser)

____
(Signature - Title)

____
(Telephone)

ACCEPTANCE CLAUSE

THE FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this November 27, 2018 by Resolution of the Board of Trustees of the Woodville Independent School District.

____
President, Board of Trustees

ATTEST:

____
Secretary, Board of Trustees

CERTIFICATE OF INTERESTED PARTIES

FORM **1295**

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY
CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.

Woodville Independent School District

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.

0001

Purchase of the Woodville Independent School District Maintenance Tax Notes, Series 2018

4 Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
		Controlling	Intermediary

5 Check only if there is NO Interested Party. ☐

6 UNSWORN DECLARATION

My name is ____, and my date of birth is ________________.

My address is ____________________________________, _________________, ______, __________, _______.
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.

Executed in ______________________________County, State of ____________, on the _____day of __________, 20_____.
(month) (year)

____
Signature of authorized agent of contracting business entity
(Declarant)

$2,395,000*
WOODVILLE INDEPENDENT SCHOOL DISTRICT
MAINTENANCE TAX NOTES, SERIES 2018

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of ____________________, _______________, _____________ ("_______________"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes") of the Woodville Independent School District (the "Issuer").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by ____________________ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Notes used by ________________________ in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by ______________________ to purchase the Notes.

(b) ______________________ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by ______________________ constituted a firm offer to purchase the Notes.

2. ***Defined Terms***.

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is November 27, 2018.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

*Preliminary. Subject to change.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents ____________________ interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Notes and with respect to compliance with the federal income tax rules affecting the Notes, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

____

By: ________________________________

Name: ________________________________

Title: ________________________________

Dated: _____________________

SCHEDULE A

EXPECTED OFFERING PRICES

SCHEDULE B

COPY OF UNDERWRITER'S BID

BOND YEARS

$2,395,000*
WOODVILLE INDEPENDENT SCHOOL DISTRICT
(Jasper, Polk and Tyler Counties, Texas)

MAINTENANCE TAX NOTES, SERIES 2018

Dated: December 1, 2018
Due: February 15

		Bond Years*	
Year	Amount*	Bond Years	Cumulative Bond Years
2019	$ 150,000	22.9167	22.9167
2020	125,000	144.0972	167.0139
2021	130,000	279.8611	446.8750
2022	135,000	425.6250	872.5000
2023	140,000	581.3889	1,453.8889
2024	145,000	747.1528	2,201.0417
2025	150,000	922.9167	3,123.9583
2026	155,000	1,108.6806	4,232.6389
2027	160,000	1,304.4444	5,537.0833
2028	170,000	1,555.9722	7,093.0556
2029	175,000	1,776.7361	8,869.7917
2030	180,000	2,007.5000	10,877.2917
2031	185,000	2,248.2639	13,125.5556
2032	195,000	2,564.7917	15,690.3472
2033	200,000	2,830.5556	18,520.9028

Average Maturity = 7.733

*Preliminary, subject to change. See "THE NOTES - ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" in the Official Notice of Sale and Bidding Instructions.

Rating: S&P: "Applied For"
(See "RATING", "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: November 19, 2018

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel (defined below), assuming continuing compliance by the District (defined below) after the date of initial delivery of the Notes (defined below) with certain covenants contained in the Notes (defined below) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Notes for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Notes, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. See "TAX MATTERS" herein.

The District will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions.

$2,395,000*
WOODVILLE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Jasper, Polk and Tyler Counties, Texas)
Maintenance Tax Notes, Series 2018

Interest Accrual Date: Initial Delivery
Dated Date: December 1, 2018 **Due: February 15, as shown on the inside cover page**

The Woodville 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, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes to be adopted on November 27, 2018 by the Board of Trustees (the "Board") of the Woodville Independent School District (the "District"). The Notes constitute direct obligations of the District, secured by and payable from a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See "THE NOTES – Security" and "TAX RATE LIMITATIONS").

Interest on the Notes will accrue from the date of initial delivery to the Purchaser (defined below), anticipated to occur on or about December 20, 2018 (the "Initial Delivery") and will be payable on February 15 and August 15 of each year, commencing February 15, 2019, until stated maturity or prior redemption. The Notes will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Notes will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Notes for payment. Interest on the Notes is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Notes. (See "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Notes will be used for the payment of maintenance expenses of the District, including without limitation maintenance and renovations at the District's existing facilities consisting of HVAC replacements, roof repairs, lighting upgrades and paying the costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").

The Notes maturing on or after February 15, 2022 are subject to redemption at the option of the District in whole or in part on February 15, 2021 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE NOTES – Optional Redemption").

The District has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Notes insured by a municipal bond guaranty policy. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the initial Purchasers. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS.")

MATURITY SCHEDULE
(On Inside Cover)

The Notes are offered for delivery when, as and if issued, and received by the initial purchaser (the "Purchaser") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. The Notes are expected to be available for initial delivery through the facilities of DTC on or about December 20, 2018.

BIDS DUE THURSDAY, NOVEMBER 27, 2018 BY 10:00 A.M., CENTRAL TIME

**Preliminary, subject to change.*

$2,395,000*
WOODVILLE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Jasper, Polk and Tyler Counties, Texas)
MAINTENANCE TAX NOTES, SERIES 2018

MATURITY SCHEDULE
Base CUSIP No.: 980660 [1]

Maturity Date 2/15	Principal Amount*	Interest Rate	Initial Yield	CUSIP No. Suffix[1]
2019	$150,000			
2020	125,000			
2021	130,000			
2022	135,000			
2023	140,000			
2024	145,000			
2025	150,000			
2026	155,000			
2027	160,000			
2028	170,000			
2029	175,000			
2030	180,000			
2031	185,000			
2032	195,000			
2033	200,000			

(Interest to accrue from the Delivery Date)

**Preliminary, subject to change.*

[1] CUSIP numbers are included solely for the convenience of owners of the Notes. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Purchaser are responsible for the selection or correctness of the CUSIP numbers set forth herein.

WOODVILLE INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name*	Date Initially Elected	Current Term Expires	Occupation
Jimmy Tucker, President	2010	2020	Postal Worker
Brett Smith, Vice President	2011	2020	Insurance Adjuster
John Wilson, Secretary	2016	2019	Business Owner
Josh McClure, Member	2016	2019	Electrician
Richard Shaw Jr., Member	2015	2021	Truck Driver
Bryan Shirley, Member	2018	2021	Sales
Greg Stewart, Member	2018	2021	Self Employed - Contractor

**The Board will reorganize on November 27, 2018.*

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Glen Conner	Superintendent	37 Years	13 Years
Cody Jarrott	Assistant Superintendent	8 Years	8 Years

CONSULTANTS AND ADVISORS

Norton Rose Fulbright US LLP, San Antonio, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Wathen, DeShong & Juncker, L.L.P., Beaumont, Texas	Certified Public Accountants

For additional information, contact:

Glen Conner
Superintendent
Woodville ISD
505 N. Charlton Street
Woodville, Texas 75979
(409) 283-3752

Doug Whitt / Brian Grubbs / Robert White
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1469
(214) 279-8683 (Fax)

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Notes that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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 Purchaser or the Financial Advisor. 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.

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 THE NOTES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC AND OR THE BOND INSURER, IF ANY, AND ITS MUNICIPAL BOND INSURANCE POLICY DESCRIBED HEREIN UNDER THE HEADING "BOND INSURANCE", AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

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 purchasers of the Notes. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data 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 page from this Official Statement or to otherwise use it without this entire Official Statement.

The District	The Woodville Independent School District (the "District") is a political subdivision of the State of Texas located in Jasper, Polk and Tyler Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Notes	The Notes are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes to be adopted on November 27, 2018 by the Board. The Notes constitute direct obligations of the District, secured by and payable from a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See "THE NOTES– Security" and "TAX RATE LIMITATIONS"). Proceeds from the sale of the Notes will be used for the payment of maintenance expenses of the District, including without limitation maintenance and renovations at the District's existing facilities consisting of HVAC replacements, roof repairs, lighting upgrades and paying the costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	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, against all taxable property located within the District, within the limit prescribed by law as provided in the Resolution. (See "THE NOTES – Security" herein.) See "TAX RATE LIMITATIONS" herein for a discussion of applicable tax limitations pertaining to the District's limited maintenance tax.
Redemption	The Notes maturing on or after February 15, 2022 are subject to redemption at the option of the District in whole or in part on February 15, 2021 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE NOTES – Optional Redemption").
Rating and Note Insurance	In connection with the sale of the Notes, the District has made application to S&P Global Ratings ("S&P") for a municipal bond rating. The District's current unenhanced, underlying rating, including the Notes, is "A+" by S&P. In addition, the District has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Notes. The purchase of such insurance, if available and the payment of all associated costs will be at the option and expense of the initial Purchaser. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Tax Matters	In the opinion of Bond Counsel for the District, interest on the Notes is excludable from gross income for federal income tax purposes described under statutes, regulations, published rulings and court decisions on the date hereof, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and Appendix C – "Form of Legal Opinion of Bond Counsel.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Qualified Tax-Exempt Obligations	The District will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations").
Legal Opinion	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about December 20, 2018.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and Appendices attached hereto, has been prepared by the Woodville Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Jasper, Polk and Tyler Counties, Texas, in connection with the offering by the District of its Maintenance Tax Notes, Series 2018 (the "Notes") identified on page ii hereof.

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

There follows in this Official Statement descriptions of the Notes and the Resolution (defined below) to be adopted by the Board of Trustees of the District (the "Board") on November 27, 2018 authorizing the issuance of the Notes and certain other information about 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 upon request by writing the Woodville Independent School District, 505 N. Charlton Street, Woodville, Texas 75979 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024 by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Notes will be submitted by the initial Purchaser of the Notes to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE NOTES

Authorization and Purpose

The Notes are being issued in the principal amount of $2,395,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes to be adopted on November 27, 2018 by the Board. Proceeds from the sale of the Notes will be used for the payment of maintenance expenses of the District, including without limitation maintenance and renovations at the District's existing facilities consisting of HVAC replacements, roof repairs, lighting upgrades and paying the costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").

General Description

The Notes will be dated December 1, 2018 (the "Dated Date") but interest will accrue from the Initial Delivery. The Notes will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on February 15, 2019 and on each August 15 and February 15 thereafter until stated maturity or prior redemption.

The Notes will be issued only as fully registered Notes. The Notes will be issued in the denominations of $5,000 of principal or any integral multiple thereof within a maturity.

Interest on the Notes is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's registration books on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the Notes will be payable only upon presentation of such Notes at the corporate trust office of the Paying Agent/Registrar at stated maturity or prior redemption. So long as the Notes are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company, New York, New York ("DTC"), payments of principal of and interest on the Notes will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

If the date for any payment on the Notes is a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive resolution to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Optional Redemption

The Notes maturing on or after February 15, 2022, are subject to redemption, at the option of the District, in whole or in part, on February 15, 2021, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Notes are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Notes, or portions thereof, to be redeemed. Not less than 30 days prior to a redemption date for the Notes, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Note 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 at the close of business on the business day next preceding the date of mailing such notice.

Notice of Redemption and DTC Notices

Not less than 30 days prior to an optional redemption date for the Notes, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the District and at the District's expense, by the Paying Agent/Registrar to each registered owner of a Note to be redeemed in whole or in part at the address of the registered owner appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE NOTEHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED NOTES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A NOTE HAS NOT BEEN PRESENTED FOR PAYMENT.

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 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 a 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 "BOOK-ENTRY-ONLY SYSTEM" herein.

Security

The Notes are direct obligations of the District and are payable as to both principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See “TAX RATE LIMITATIONS” herein for a discussion of applicable tax limitations pertaining to the maintenance tax. See also “AD VALOREM TAX PROCEDURES” and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” herein).

Legality

The Notes are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. (See “LEGAL MATTERS” and “Appendix C - Form of Legal Opinion of Bond Counsel”).

Payment Record

The District has never defaulted on the payment of its bonded indebtedness.

Amendments

In the Resolution, the District has reserved the right to amend the Resolution without the consent of any holder for the purpose of amending or supplementing the Resolution to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Resolution that do not materially adversely affect the interests of the holders, (iv) qualify the Resolution under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Resolution that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Resolution further provides that the majority of owners of the Notes shall have the right from time to time to approve any amendment not described above to the Resolution if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in principal amount of the then outstanding Notes so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Notes; (ii) reducing the rate of interest borne by any of the outstanding Notes; (iii) reducing the amount of the principal of or redemption premium, if any, payable on any outstanding Notes; (iv) modifying the terms of payment of principal or interest on outstanding Notes or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Notes necessary for consent to such amendment. Reference is made to the Resolution for further provisions relating to the amendment thereof.

Defeasance

The Resolution provides for the defeasance of the Notes when the payment of the principal of and premium, if any, on the Notes, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Notes, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The sufficiency of deposits as hereinbefore described shall be certified by an independent certified accountant, the District’s Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Resolution. The District has additionally reserved the right in the Resolution, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Resolution provides that “Government Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable 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, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Notes. District officials are authorized to limit these eligible securities, as deemed necessary, in connection with the sale of the Notes. There is no assurance that the ratings for United States Treasury securities acquired to defease any Notes, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Notes (“Defeasance Proceeds”), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Resolution does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Notes, registered owners of Notes are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Notes shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment 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, the District has reserved the option, to be exercised at the time of the defeasance of the Notes, to call for redemption at an earlier date those Notes which have been defeased to their maturity date, 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.

REGISTERED OWNERS' REMEDIES

The Resolution does not specify specific events of default with respect to the Notes. If the District defaults in the payment of principal or interest on the Notes when due, or if it fails to make payments into any fund or funds created in the Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Notes, if there is no other available remedy at law to compel performance of the Notes or the Resolution covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Notes in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. 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 Notes 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. Furthermore, 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.

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 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 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 payments of debt service on the Notes, or redemption or any other notices, to Direct Participants, (2) Direct 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 Direct Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered 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 Note certificate will be issued for each maturity of the Notes, each 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 S&P Global Ratings 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 confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations 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-Only 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, redemption, 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 registrar and request that copies of notices be provided directly to them.

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 maturity to be redeemed.

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 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).

All 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 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, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments with respect to the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement 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, physical Note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, nor the Purchaser take any 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 Direct or Indirect 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.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Notes is BOKF, NA, Dallas, Texas. In the Resolution, the District covenants to maintain and provide a Paying Agent/Registrar until the Notes are duly paid.

Successor Paying Agent/Registrar

Provision is made in the Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States or any state or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Notes. Upon any change in the Paying Agent/Registrar for the Notes, the District has agreed to promptly 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.

Initial Registration

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.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Notes may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Notes to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Note 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 corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Notes to be canceled in the exchange or transfer 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 authorized denominations and for a like aggregate principal amount as the Notes surrendered for exchange or transfer.

Record Date For Interest Payment

The record date ("Record Date") for determining the person to whom the interest on the Notes is payable on any interest payment date means the close of business on the last business day of the next preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days 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 (the "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 registered owner of a Note appearing on the 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.

Limitation on Transfer of Notes

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Note or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Replacement Notes

If any Note is mutilated, destroyed, stolen or lost, a new Note in the same principal amount as the Note so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Note, such new Note will be delivered only upon surrender and cancellation of such mutilated Note. In the case of any Note issued in lieu of and substitution for a Note which has been destroyed, stolen or lost, such new Note will be delivered only (a) upon filing with the District and the Paying Agent/Registrar a certificate to the effect that such Note has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Note must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

AD VALOREM TAX PROCEDURES

Property Tax Code and County Wide Appraisal District

The Texas Property Tax Code (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 Tyler, Polk and Jasper County Appraisal Districts (collectively, the "Appraisal District") are responsible for appraising property within the District 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 of the Appraisal District (the "Appraisal Review Board") which consists of members who are appointed by the Appraisal District's Boards of Directors. 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 State 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 District) include property owned by the State 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, certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a nonprofit corporation used in scientific research and educational activities benefiting a college or university; and designated historic sites. 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 State mandated exemption to residential homesteads of persons ages 65 or over or disabled; a State mandated exemption up to a maximum of $12,000 for real or personal property of disabled veterans or the surviving spouse or children of an individual who died while on active duty in the armed forces; a State mandated $25,000 in market value exemption for all residential homesteads (see "Residential Homestead Exemptions" below); and certain classes of intangible property. The Tax Code provides that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, 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 such surviving spouse remarries. In addition, except for increases attributable to certain improvements, the District is prohibited by State law from increasing the total ad valorem tax on the residence homestead of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for an exemption based on the age or disability of the owner. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older and the disabled is also transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was 55 or older when the deceased spouse died and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. 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. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value. 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", defined by the Tax Code 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 or goods-in-transit exemptions for tangible personal property. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to January 1 of the first tax years in which the governing body proposes to tax good-in-transit to continue its taxation of good-in-transit in the 2012 tax year and beyond. See "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" and "APPENDIX A – FINANCIAL INFORMATION OF THE DISTRICT - ASSESSED VALUATION" for a schedule of the amount of exemptions granted by the District.

A city or county may create a tax increment financing zone ("TIF") within the city or county 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. Prior to September 1, 2001, school districts were allowed to enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The school district in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. 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. In addition, credit will not be given by the Commissioner of Education in determining a district's property value wealth per student for (1) the appraisal value, in excess of the "frozen" value, of property that is located in a TIF created after May 31, 1999 (except in certain limited circumstances where the city creating the TIF gave notice prior to May 31, 1999 to all other taxing units that levy ad valorem taxes in the TIF of its intention to create the TIF and the TIF was created and had its final project and financing plan approved by the municipality prior to August 31, 1999) or (2) for the loss of value of abated property under any abatement agreement entered into after May 31, 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 limitations on appraised property values and provide ad valorem tax credits to certain corporations and limited liability companies to encourage economic development within the district. Generally, during the last eight years of the ten-year term of a tax limitation agreement, the school district may only levy and collect ad valorem taxes for maintenance and operation purposes on the agreed-to limited appraised property value. The taxpayer is entitled to a tax credit from the school district for the amount of taxes imposed during the first two years of the tax limitation agreement on the appraised value of the property above the agreed-to limited value. Additional State funding is provided to a school district for each year of such tax limitation in the amount of the tax credit provided to the taxpayer. During the first two years of a tax limitation agreement, the school district may not adopt a tax rate that exceeds the district's rollback tax rate (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate").

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 the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. 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 requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method considered most appropriate by the chief appraiser is to be used. State law further requires the appraised value of a residence homestead to be assessed solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property.

Article VII of the Texas Constitution and the Tax Code permit 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 current estimates of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimates 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 Exemptions

Under Section 1-b, Article VIII of the Texas Constitution and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older or the disabled from all ad valorem taxes thereafter levied by the political subdivision.

Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Section 11.131 of the Texas Tax Code states that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, 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.

A disabled veteran who has a disability rating of less than 100% is entitled to an exemption equal to the percentage of the veteran's disability rating for a residence homestead that was donated by a charitable organization to such veteran (i) at no cost to such veteran or (ii) effective January 1, 2018, at some cost to such veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50 percent of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made.

Also the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property 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.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such 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 is transferable to a different property 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.

In addition to any other exemptions provided by the Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created. Voters in the State approved a constitutional amendment on November 3, 2015 increasing the mandatory homestead exemption for school districts from $15,000 to $25,000, and requiring that the tax limitation for taxpayers who are age 65 and older or disabled be reduced to reflect the additional exemption. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

The governing body of a political subdivision is prohibited from repealing or reducing the amount of an optional homestead exemption that was in place for the 2014 tax year (fiscal year 2015) during the period ending December 31, 2019.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders 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.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. By the later of September 30th or 60 days after the certified appraisal roll is delivered to the District, the rate of taxation must be set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service and maintenance and operations purposes. Taxes are due October 1, or when billed, whichever comes later, and 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 accrues interest at the rate of one percent (1%) per month. If the tax is not paid by the following July 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.

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 (B) 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 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 applicable, Subsection (i), 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.

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. The automatic stay in bankruptcy will prevent the automatic attachment of tax liens with respect to post-petition tax years unless relief is sought and granted by the bankruptcy judge. 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.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in the respective County. The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the applicable County.

Property within the District is assessed as of January 1 of each year, taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

The District does not tax personal property not used in the production of income, such as personal automobiles.

The District does not collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by the Tyler County Tax Assessor Collector.

The District does not allow split payments and does not give discounts for early payment of taxes.

The District does not participate in a tax increment financing zone.

The District does not grant a portion of the additional local option exemption of up to 20% of the market value of residence homesteads.

The District has not granted the freeport exemption but has taken action to tax goods-in-transit.

The District has entered into a tax value limitation agreement under the provisions of Chapter 313, Texas Tax Code ("Chapter 313"), known as the Texas Economic Development Act, as described below:

Company	First Year of Abatement	Total Investment [1]	Capped Value for M&O Taxation	Type of Project
Texas Pellets Inc.	2015/16	$177,770,000	$10,000,000	Wood Pellet Production

[1] Investment amount as set forth in the company's application to the District for tax abatement.

In accordance with Chapter 313, the agreement provides that the full value of the project is subject to taxation during the first two years of the agreement, and thereafter the District may levy its M&O Tax against a capped value (in this case, $10 million) for eight years. The agreement does not limit the tax value with respect to the District's debt service tax rate during any year. After year ten, the full tax value of the project is subject to taxation by the District for both operating and debt service purposes. See "AD VALOREM TAX PROCEDURES – Property Subject to Taxation by the District" for a description of tax limitation agreements.

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

Date	Penalty	Interest	Cumulative Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

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

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 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 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 debt service tax within the limits prescribed by law 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 "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"). 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 "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 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 measures 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.

Possible Effects of Wealth Transfer Provisions on the District's Financial Condition

The District's wealth per student for the 2018-19 school year is less than the equalized wealth value. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options. As a district with wealth per student less than the equalized wealth value, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with a property-rich district to enable such district to reduce its wealth per student to the permitted level.

A district's wealth per student must be tested for each future school year and, if it exceeds the equalized wealth level, the District must reduce its wealth per student by the 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 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.

BOND INSURANCE

The District has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Notes with a municipal bond insurance company. If the District accepts a bid for the Notes that is conditioned on obtaining a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Notes (the "Policy"), the final Official Statement shall disclose relevant information relating to the Insurer and the Policy.

BOND INSURANCE GENERAL RISKS

General

If an insurance policy is purchased, as a result of the District's acceptance of a bid for the Notes that is conditioned on obtaining such a policy, the following are risk factors relating to bond insurance.

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 Notes shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Notes by the District which is recovered by the District from the note owner as a voidable preference under applicable bankruptcy law is covered by the insurance 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 Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Notes and the Insurer's consent may be required in connection with amendments to the Resolution.

In the event the 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 moneys received by the Paying Agent/Registrar pursuant to the Resolution. In the event the 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.

The long-term ratings on the Notes are dependent in part on the financial strength of the Insurer and its claim paying ability. The 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 Insurer and of the ratings on the Notes insured by the 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 "BOND INSURANCE" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Purchasers have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Notes and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, S&P (defined herein) and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, since 2008, downgraded the claims-paying ability and financial strength of providers of municipal bond insurance on multiple occasions. Additional downgrades or negative change in the rating outlook for these bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such bond insurers, including the Insurer of the Notes. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Notes and the claims paying ability of the Insurer, particularly over the life of the investment.

TAX RATE LIMITATIONS

Maintenance Tax

A school district is authorized to levy maintenance and operation ("M&O") taxes 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 succeeding paragraphs. 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 July 10, 1956 pursuant to Article 2784e-1, Texas Revised Civil Statutes 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 0.65% of the District's current taxable assessed valuation of property. See "APPENDIX A – Voted General Obligation Debt" herein.

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. The State Compression Percentage has been set, and will remain, at 66.67% for the 2018-19 State fiscal biennium. 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 a more detailed description of the State Compression Percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts". 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".

The Notes are payable from the District's M&O Tax, levied and collected within the limits prohibited 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 below that pertain to unlimited tax bonds. Chapter 45.108, as amended, Texas Education Code, however, 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 issue of new indebtedness, from its M&O Tax collections prior to the Attorney General's approval of the proposed indebtedness. In demonstrating this ability, the Attorney General permits the use of the Tier One basic allotment. The District will evidence compliance with these requirements in connection with its issuance of the Notes.

Unlimited Tax Bonds

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of one or more propositions 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 of school district bonded indebtedness (see " STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS").

Section 45.0031, Texas Education Code, as amended ("Section 45.0031"), requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than 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, collectively, "exempt bonds"), 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 EDA and IFA allotments to the district, which effectively reduce the district's local share of debt service, and may also take into account Tier One funds allotted to the district. The District is required to deposit any State allotments provided solely for payment of debt service into the District's interest and sinking fund upon receipt of such amounts. In addition, the District must, prior to levying an interest and sinking fund tax rate that exceeds $0.50 per $100 of assessed valuation, credit to the interest and sinking fund other State assistance, including Tier One funds that may be used for either operating purposes or for payment of debt service, in an amount equal to the amount needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. 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 refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the $0.50 tax rate test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the $0.50 threshold tax rate test when applied to subsequent bond issues. **As stated above, the Notes are payable from the District's M&O Tax, and, therefore, are not subject to the $0.50 threshold tax rate test.** Under current law, a district may demonstrate its ability to comply with the $0.50 threshold tax rate test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five years after the current tax year or the tax year in which the final payment for the bonds is due. 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 Texas 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 utilized projected property values to satisfy this threshold test.

DEBT LIMITATIONS

Under State law, there is no explicit bonded indebtedness limitation, although the tax rate limits described above under "TAX RATE LIMITATIONS – Unlimited Tax Bonds" effectively impose a limit on the incurrence of debt. Such tax rate limits require school districts to demonstrate the ability to pay new debt secured by the district's debt service tax from a tax rate of $0.50, and to pay all debt and operating expenses which must be paid from receipts of the district's maintenance tax (such as the Notes) from a tax not to exceed the maintenance tax limit described under the caption "TAX RATE LIMITATIONS – Maintenance Tax". The Notes are payable from the District's limited maintenance tax, and therefore are not subject to the $0.50 threshold tax rate test. See also "TAX RATE LIMITATIONS – Unlimited Tax Bonds".

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

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. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended August 31, 2017, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. The District generally does not offer any post-employment retirement benefits and has no liabilities for "Other Post Employment Retirement Benefits" as defined in GASB Statement No. 45. For a discussion of the TRS retirement plan, see "Note 8. Defined Benefit Pension Plan" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see "Note 9. School District Retiree Health Plan" in the Financial Statements.

During the year ended August 31, 2017, employees of the District were covered by a fully-insured health insurance plan (the "Health Care Plan"). The District contributed $275 per month per employee to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. See "Note 2-D. Health Care" of the Financial Statements.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by State law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better 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.

RATING

In connection with the sale of the Notes, the District has made application to S&P Global Ratings ("S&P") for a municipal bond rating. The District's current unenhanced, underlying rating, including the Notes, is "A+" by S&P. In addition, the District has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Notes. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS"). The purchase of such insurance, if available and the payment of all associated costs will be at the option and expense of the initial Purchaser.

An explanation of the significance of such rating may be obtained from S&P. The rating of the Notes by S&P reflects only the view of said company at the time the rating is given, and the District makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

The above rating is not a recommendation to buy, sell or hold the Notes, and such rating may be subject to revision or withdrawal at any time by S&P. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

LEGAL MATTERS

The delivery of the Notes is subject to the approval of the Attorney General of Texas 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, without legal limit as to rate or amount, upon all taxable property in the District, and the approving legal opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Notes will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Notes is contingent upon the sale and delivery of the Notes.

Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Notes, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Notes. Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of this 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 appearing under the captions or subcaptions "THE NOTES" (except for the information included in the second paragraph under the subcaption "Notice of Redemption and DTC Notices" and under the subcaption "Payment Record," as to which no opinion is expressed), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption "Compliance With Prior Undertakings," as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions and sub-captions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS – Maintenance Tax" (first paragraph only), "LEGAL MATTERS", "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "REGISTRATION AND QUALIFICATION OF NOTES FOR SALE," and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law.

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.

TAX MATTERS

Tax Exemption

The delivery of the Notes is subject to the opinion of Bond Counsel to the effect that interest on the Notes for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's legal opinion appears in Appendix C hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in certificates pertaining to the use, expenditure, and investment of the proceeds of the Notes and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Notes. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Notes and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Notes are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Notes to be includable in the gross income of the owners thereof from the date of the issuance of the Notes.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the 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 "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS 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 IRS is likely to treat the District as the "taxpayer," and the owners of the Notes would 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 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.

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Notes from gross income for federal income tax purposes. It is uncertain whether this legislation will be enacted and, if so, whether it will be enacted in its current form. Prospective purchasers of the Notes should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions (See "Qualified Tax-Exempt Obligations" below.), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (FASIT), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Notes

The initial public offering price to be paid for certain Notes may be less than the amount payable on such Notes at maturity (the "Discount Notes"). An amount equal to the difference between the initial public offering price of a Discount Note (assuming that a substantial amount of the Discount Notes of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Notes. A portion of such original issue discount, allocable to the holding period of a Discount Note by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Notes. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Note, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Note and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (See "Qualified Tax-Exempt Obligations" below.), property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

In the event of the redemption, sale or other taxable disposition of a Discount Note prior to maturity, the amount realized by such owner in excess of the basis of such Discount Note in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Note was held) is includable in gross income.

Owners of Discount Notes should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Notes and with respect to the state and local tax consequences of owning and disposing of Discount Notes. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Notes may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Notes

The initial public offering price to be paid for certain Notes may be greater than the stated redemption price amount payable on such Notes at maturity (the “Premium Notes”). An amount equal to the difference between the initial public offering price of a Premium Note (assuming that a substantial amount of the Premium Notes of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Notes. The basis for federal income tax purposes of a Premium Note in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Notes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Note. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

Purchasers of the Premium Notes should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Notes.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer<s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District expects that the Notes will be designated as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Notes as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Notes would not be "qualified tax-exempt obligations."**

INVESTMENT POLICIES

Investments

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

Legal Investments

Under State law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (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 is guaranteed or insured by 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) interest-bearing banking deposits that are guarantee or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit or share certificates (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and provided for by law for District deposits, or (ii) where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or 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; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1) above, (iii) require the securities being purchased by the District or cash held by the District to be 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 (iv) 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; (10) certain bankers’ acceptances with the remaining term of 270 days or less, 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; (11) 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; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that comply with Securities and Exchange Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either have a duration of one year or more and invest exclusively in obligations described in this paragraph, or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than “AAA”, “AAA-m” or at an equivalent rating by at least one nationally recognized rating service.

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.

Under State law, the District may 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 of 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 has not contracted with, and has no present intention of contracting with, any such investment management firm or the State Securities Board to provide such services.

Investment Policies

Under State 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 and the maximum average dollar-weighted maturity allowed for pooled fund groups. 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, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

State law also requires that 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 market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and 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.

Additional Provisions

Under State 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; (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 no-load 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 August 31, 2018, the District had approximately $5,202,397 (unaudited) invested in TexPool, $3,611,800 (unaudited) invested in Lone Star (both of which are government investment pools that generally have the characteristics of a money-market mutual fund), $250,000 (unaudited) invested in Certificates of Deposit and $1,565,299 (unaudited) invested at a local bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the 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.

REGISTRATION AND QUALIFICATION OF NOTES FOR SALE

No registration statement relating to the Notes has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Notes have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. 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 jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or 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.

FINANCIAL ADVISOR

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the District to assist in the issuance of the Notes. In this capacity, the Financial Advisor has compiled certain data relating to the Notes that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Notes is contingent upon the issuance and sale of the Notes. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Notes are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Notes by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Notes be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATING" herein. 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 Notes are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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.

CONTINUING DISCLOSURE OF INFORMATION

The District is exempt from certain of the continuing disclosure obligations set forth in the United States Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule"), pursuant to the exemption under subsection (d)(2), which applies to certain small issuers such as the District who are not an "obligated person" (as defined in the Rule) responsible for the repayment of municipal securities outstanding (including the Notes) in an aggregate principal amount exceeding $10,000,000. This exception allows the District to not file annual updates to all financial and operating data that is included in this Official Statement. In the Order, 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 annually provide certain updated financial information and operating data that is included in this Official Statement, that is customarily prepared by the District and that is publicly available, as well as timely notice of specified events to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The District will provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will provide the Financial Statements within six months of the end of each fiscal year, beginning with the fiscal year ending in and after 2018. If the audit of such Financial Statements is not complete within six months after any such fiscal year end, then the District shall file unaudited Financial Statements within such six-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

The District's current fiscal year end is August 31. Accordingly, the Financial Statements must be provided 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.

Notice of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Notes to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (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) Note 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, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 a trustee, if material. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under “Annual Reports”. Neither the Notes nor the Resolution make any provision for debt service reserves, credit enhancement (though the District has made application for credit enhancement), or liquidity enhancement. The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of 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 certain 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.

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

During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

LITIGATION

In the opinion of District officials, except as may be described in this Official Statement, the District is not a party to any litigation or other proceeding pending or to their knowledge threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition of the District.

At the time of the initial delivery of the Notes, the District will provide the Purchaser with a certificate to the effect than no litigation of any nature has been filed or is then pending challenging the issuance of the Notes or that affects the payment and security of the Notes or in any other manner questioning the issuance, sale, or delivery of the Notes

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 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 other 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.

WINNING BIDDER

After requesting competitive bids for the Notes, the District accepted the bid of _______________ (the “Purchaser” or the “Initial Purchaser”) to purchase the Notes at the interest rates shown on page ii of this Official Statement at a price of par, plus a cash premium of ______________. The District can give no assurance that any trading market will be developed for the Notes after their sale by the District to the Purchaser. The District has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Initial Notes, the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their 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, for the Notes, 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 an 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; and (d) there has been no material adverse change in the financial condition of the District, since August 31, 2017, the date of the last financial statements of the District appearing in the Official Statement.

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumption, whether or not expressly identified as such, should not be considered statements of fact.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

The Resolution will approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and will authorize its further use in the re-offering of the Notes by the Purchaser.

/s/

President, Board of Trustees

ATTEST:

/s/

Secretary, Board of Trustees

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

WOODVILLE INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1] [2]

2018/19 Total Valuation……			$	1,052,486,919
Less Exemptions & Deductions [3]:				
State Homestead Exemption	$	55,382,320		
State Over-65 Exemption		10,806,257		
Disabled Exemption		3,629,458		
Veterans Exemption		996,315		
Pollution Control Exemption		7,911,523		
Productivity Loss		307,541,465		
Homestead Cap Loss		6,958,319		
	$	393,225,657		
2018/19 Net Taxable Valuation ……			$	659,261,262

(1) Certified Values from the Jasper, Polk and Tyler County Appraisal Districts as of July 2018. The tax roll figures used in Appendix A represent the tax roll on which the District levies to fund the interest and sinking fund of the District for the payment of debt service on its unlimited tax-supported bonds (the "I&S" tax). Due to the Limitation Agreement described under "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" in the Official Statement, the District has a bifurcated tax roll where abated amounts are not taxed for purposes of the District's M&O tax levy, but are taxed for purposes of the I&S tax. The 2018/19 tax roll for the District's M&O tax levy is $603,423,827.
(2) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000. See "AD VALOREM TAX PROCEDURES -- Residential homestead Exemptions" in the Official Statement.
(3) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled $24,288,658 in 2017/18.

OUTSTANDING OBLIGATIONS

Voted Unlimited Tax Bonds Outstanding		$	1,175,000
Non-Voted Outstanding Limited Maintenance Tax Notes Outstanding			1,442,000
Plus: The Notes [1]			2,395,000
Total Obligations [1]		$	5,012,000
Less: Interest & Sinking Fund Balance (As of August 31, 2017) [2]			(743,951)
Net Obligations		$	4,268,049
Ratio of Net G.O. Debt to Net Taxable Valuation [3]	0.65%		
2019 Population Estimate	12,180		
Per Capita Net Taxable Valuation	$54,127		
Per Capita Net G.O. Debt	$350		

(1) Preliminary, subject to change.
(2) Source: Woodville ISD Audited Financial Statement.
(3) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2017" in Appendix D for more information relative to the District's outstanding obligations. The ratio is calculated using the tax roll value used for the levy of the District's I&S tax.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation [1] [2]	Tax Rate	% Collections [5] Current [6]	% Collections [5] Total [6]
2006/07	$ 489,250,705 [3]	$ 1.4600 [7]	96.50%	99.26%
2007/08	745,513,404 [3]	1.1400 [7]	97.23%	99.51%
2008/09	1,024,511,026 [3]	1.1100	97.13%	98.70%
2009/10	842,258,665 [3]	1.1100	96.85%	98.84%
2010/11	925,124,730 [3]	1.1100	96.67%	98.88%
2011/12	825,361,532 [3]	1.1200	96.99%	101.90%
2012/13	875,242,793 [3]	1.1000	95.49%	98.20%
2013/14	778,741,739 [3]	1.1050	96.65%	102.91%
2014/15	861,426,309 [3]	1.1150	97.14%	100.73%
2015/16	772,096,729 [3]	1.1250	96.48%	100.21%
2016/17	648,405,281 [3]	1.1450	95.38%	98.96%
2017/18	635,735,163 [3]	1.1550	96.00% [8]	99.00% [8]
2018/19	659,261,262 [4]	1.1550		

(1) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(2) Beginning with the 2014 tax year, the District has a bifurcated tax roll. The figures shown in the table are the tax roll values used for the levy of the District's I&S tax.
(3) Source: Comptroller of Public Accounts - Property Tax Division.
(4) Source: Certified Values from the Jasper, Polk and Tyler County Appraisal Districts as of July 2018.
(5) Source: Woodville ISD Audited Financial Statements.
(6) Excludes penalties and interest.
(7) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.
(8) Estimate as of October 2018.

TAX RATE DISTRIBUTION

	2014/15	2015/16	2016/17	2017/18	2018/19 (1)
Maintenance & Operations	$1.0400	$1.0400	$1.0400	$1.0400	$1.1550
Debt Service	$0.0750	$0.0850	$0.1050	$0.1150	$0.0000
Total Tax Rate	$1.1150	$1.1250	$1.1450	$1.1550	$1.1550

(1) As outlined in Texas Tax Code 26.08, the District has temporarily increased their M&O tax rate without election in the year following the occurrence of a natural disaster.

VALUATION AND VOTED GENERAL OBLIGATION DEBT HISTORY

Fiscal Year	Net Taxable Valuation (1)	Voted Unlimited Tax Bond Debt Outstanding (2)	Ratio Debt to A.V. (3)
2006/07	$ 489,250,705	$ 6,345,000	1.30%
2007/08	745,513,404	6,005,000	0.81%
2008/09	1,024,511,026	5,645,000	0.55%
2009/10	842,258,665	5,070,000	0.60%
2010/11	925,124,730	4,780,000	0.52%
2011/12	825,361,532	4,300,000	0.52%
2012/13	875,242,793	3,810,000	0.44%
2013/14	778,741,739	3,310,000	0.43%
2014/15	861,426,309	2,795,000	0.32%
2015/16	772,096,729	2,270,000	0.29%
2016/17	648,405,281	1,730,000	0.27%
2017/18	635,735,163	1,175,000	0.18%
2018/19	659,261,262	600,000	0.09%

(1) Beginning with the 2014 tax year, the District has a bifurcated tax roll. The figures shown in the table are the tax roll values used for the levy of the District's I&S tax. The 2018/19 tax roll for the District's M&O tax levy is $603,423,827.
(2) Excludes the Notes and outstanding maintenance tax obligations, which are not voted unlimited tax debt.
(3) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2017" in Appendix D for more information.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Jasper County	$ -	0.02%	$ -
Polk County	20,375,000	0.21%	42,788
Tyler County	-	50.70%	-
Woodville, City of	-	100.00%	-
Total Overlapping Debt (1)			$ 42,788
Woodville Independent School District (2)			4,268,049
Total Direct & Overlapping Debt			$ 4,310,837

Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation	0.65%
Per Capita Direct & Overlapping Debt	$354

(1) Equals gross debt less self-supporting debt.
(2) Includes the Notes. Preliminary, subject to change.

Source: Municipal Advisory Council of Texas. The District has not independently verified the accuracy or completeness of such information (except for the amounts relating to the District), and no person should rely upon such information as being accurate or complete.

PRINCIPAL TAXPAYERS [1] [2]

2017/18 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Zarvona Energy	Oil & Gas	$ 56,861,036	8.94%
Ergon Energy Partners LP	Oil & Gas	18,887,320	2.97%
Texas Pellets Inc.	Pellet Manufacturing	11,546,591	1.82%
Black Stone Minerals	Oil & Gas	11,072,249	1.74%
BBX Operating LLC	Oil & Gas	10,832,706	1.70%
Entergy Texas Inc.	Electric Utility	9,244,810	1.45%
East Texas Electric Co-Op. Inc.	Electric Utility	7,897,345	1.24%
Tennessee Gas Pipeline Co.	Oil & Gas	7,412,952	1.17%
ETC Texas Pipeline Ltd.	Oil & Gas	6,550,371	1.03%
Eagle Rock Energy	Oil & Gas	6,433,323	1.01%
		$ 146,738,703	23.08%

2016/17 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Zarvona Energy	Oil & Gas	$ 46,112,631	7.11%
East Texas Electric Co-Op. Inc.	Electric Utility	24,115,345	3.72%
Ergon Energy Partners LP	Oil & Gas	13,533,523	2.09%
Texas Pellets Inc.	Pellet Manufacturing	10,000,000	1.54%
BBX Operating LLC	Oil & Gas	9,875,575	1.52%
Black Stone Minerals	Oil & Gas	8,674,963	1.34%
Entergy Texas Inc.	Electric Utility	8,670,257	1.34%
ETC Texas Pipeline Ltd.	Oil & Gas	7,931,586	1.22%
ETC Katy Pipeline Ltd.	Oil & Gas	7,499,394	1.16%
Eagle Rock Energy	Oil & Gas	6,648,533	1.03%
		$ 143,061,807	22.06%

2015/16 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
East Texas Electric Co-Op. Inc.	Electric Utility	$ 122,599,478	15.88%
Texas Pellets Inc.	Pellet Manufacturing	118,444,060	15.34%
Anadarko E&P Onshore	Oil & Gas	87,766,479	11.37%
Ergon Energy Partners LP	Oil & Gas	47,066,539	6.10%
Black Stone Minerals	Oil & Gas	15,966,188	2.07%
BBX Operating LLC	Oil & Gas	15,809,826	2.05%
ETC Katy Pipeline Ltd.	Oil & Gas	13,581,534	1.76%
ETC Texas Pipeline Ltd.	Oil & Gas	10,037,530	1.30%
Entergy Texas Inc.	Electric Utility	8,068,270	1.04%
Eagle Rock Energy	Oil & Gas	6,927,973	0.90%
		$ 446,267,877	57.80%

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) As shown in the table above, the top ten taxpayers in the District currently account for over twenty-three percent of the District's tax base. Adverse developments in economic conditions, especially in the oil and gas industry, could adversely impact the business that own oil and/or natural gas properties in the District and the tax values in the District, resulting in less local tax revenue. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes as a result of economic conditions resulting in financial difficulty, the ability of the District to make timely payment of debt service on the Notes will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws preclude until the automatic stay is lifted). Such process is time-consuming and can only occur annually; in the alternative, the District may sell tax anticipation notes until such amounts could be collected, if ever. See "REGISTERED OWNERS REMEDIES" and "AD VALOREM TAX PROCEDURES – Property Subject to Taxation by the District" in this Official Statement.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Category	2018/19 [1]	% of Total	2017/18 [2]	% of Total	2016/17 [2]	% of Total
Real, Residential, Single-Family	$ 216,879,435	20.61%	$ 232,382,238	21.92%	$ 235,209,538	21.72%
Real, Residential, Multi-Family	2,886,756	0.27%	2,876,032	0.27%	2,879,471	0.27%
Real, Vacant Lots/Tracts	12,332,038	1.17%	12,144,562	1.15%	10,787,814	1.00%
Real, Acreage	380,801,683	36.18%	378,699,613	35.73%	377,260,702	34.84%
Real, Farm & Ranch Improvements	91,962,957	8.74%	72,992,963	6.89%	74,293,412	6.86%
Real, Commercial & Industrial	127,787,359	12.14%	140,183,931	13.23%	185,313,309	17.11%
Oil & Gas	131,217,889	12.47%	127,745,772	12.05%	106,125,455	9.80%
Utilities	43,202,272	4.10%	44,622,060	4.21%	44,991,197	4.15%
Tangible Personal, Commercial	17,521,659	1.66%	17,257,093	1.63%	15,157,156	1.40%
Tangible Personal, Industrial	21,008,015	2.00%	24,588,525	2.32%	24,585,615	2.27%
Tangible Personal, Mobile Homes & Other	5,291,277	0.50%	5,587,588	0.53%	5,431,808	0.50%
Tangible Personal, Residential Inventory	67,500	0.01%	67,500	0.01%	87,750	0.01%
Tangible Personal, Special Inventory	1,528,079	0.15%	832,220	0.08%	735,998	0.07%
Total Appraised Value	$ 1,052,486,919	100.00%	$ 1,059,980,097	100.00%	$ 1,082,859,225	100.00%
Less:						
Homestead Cap Adjustment	$ 6,958,319		$ 12,475,869		$ 23,759,444	
Productivity Loss	307,541,465		341,960,769		343,168,308	
Exemptions	78,725,873 [3]		69,808,296 [3]		67,526,192 [3]	
Total Exemptions/Deductions [4]	$ 393,225,657		$ 424,244,934		$ 434,453,944	
Net Taxable Assessed Valuation	$ 659,261,262		$ 635,735,163		$ 648,405,281	

Category	2015/16 [2]	% of Total	2014/15 [2]	% of Total	2013/14 [2]	% of Total
Real, Residential, Single-Family	$ 184,695,338	16.66%	$ 181,020,384	15.41%	$ 179,465,013	16.46%
Real, Residential, Multi-Family	3,245,115	0.29%	3,240,615	0.28%	3,240,615	0.30%
Real, Vacant Lots/Tracts	10,026,207	0.90%	10,480,983	0.89%	10,368,392	0.95%
Real, Acreage	297,844,933	26.87%	292,728,024	24.93%	292,274,491	26.81%
Real, Farm & Ranch Improvements	59,809,438	5.40%	58,026,286	4.94%	58,948,599	5.41%
Real, Commercial & Industrial	227,431,072	20.52%	123,108,487	10.48%	44,357,977	4.07%
Oil & Gas	221,312,244	19.97%	387,546,236	33.00%	396,708,806	36.39%
Utilities	54,239,271	4.89%	59,403,407	5.06%	63,092,874	5.79%
Tangible Personal, Commercial	14,819,399	1.34%	15,842,016	1.35%	14,065,652	1.29%
Tangible Personal, Industrial	28,256,479	2.55%	36,257,148	3.09%	21,181,247	1.94%
Tangible Personal, Mobile Homes & Other	5,616,817	0.51%	5,172,141	0.44%	5,096,010	0.47%
Tangible Personal, Residential Inventory	87,750	0.01%	96,750	0.01%	99,000	0.01%
Tangible Personal, Special Inventory	1,012,682	0.09%	1,426,306	0.12%	1,233,038	0.11%
Total Appraised Value	$ 1,108,396,745	100.00%	$ 1,174,348,783	100.00%	$ 1,090,131,714	100.00%
Less:						
Homestead Cap Adjustment	$ 1,072,530		$ 476,893		$ 515,077	
Productivity Loss	269,736,775		264,466,186		263,094,603	
Exemptions	65,490,711 [3]		47,979,395		47,780,295	
Total Exemptions/Deductions [4]	$ 336,300,016		$ 312,922,474		$ 311,389,975	
Net Taxable Assessed Valuation	$ 772,096,729		$ 861,426,309		$ 778,741,739	

(1) Source: Certified Values from the Jasper, Polk and Tyler County Appraisal Districts as of July 2018.
(2) Source: Comptroller of Public Accounts - Property Tax Division.
(3) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(4) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

MAINTENANCE TAX NOTE PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 8/31	Pub. Property Finance Contract Series 2013 (QZAB) Principal	Plus: The Notes [(1)]	Total	Principal Unpaid At Year End	Percent of Principal Retired
2019	$ 142,000.00	$ 150,000.00	$ 292,000.00	$ 3,687,000.00	7.34%
2020	143,000.00	125,000.00	268,000.00	3,419,000.00	14.07%
2021	143,000.00	130,000.00	273,000.00	3,146,000.00	20.93%
2022	143,000.00	135,000.00	278,000.00	2,868,000.00	27.92%
2023	144,000.00	140,000.00	284,000.00	2,584,000.00	35.06%
2024	144,000.00	145,000.00	289,000.00	2,295,000.00	42.32%
2025	144,000.00	150,000.00	294,000.00	2,001,000.00	49.71%
2026	145,000.00	155,000.00	300,000.00	1,701,000.00	57.25%
2027	145,000.00	160,000.00	305,000.00	1,396,000.00	64.92%
2028	145,000.00	170,000.00	315,000.00	1,081,000.00	72.83%
2029	146,000.00	175,000.00	321,000.00	760,000.00	80.90%
2030		180,000.00	180,000.00	580,000.00	85.42%
2031		185,000.00	185,000.00	395,000.00	90.07%
2032		195,000.00	195,000.00	200,000.00	94.97%
2033		200,000.00	200,000.00	-	100.00%
Total	$ 1,584,000.00	$ 2,395,000.00	$ 3,979,000.00		

(1) Preliminary, subject to change.

MAINTENANCE TAX NOTE DEBT SERVICE REQUIREMENTS [(1) (2)]

Fiscal Year Ending 8/31	Pub. Property Finance Contract Series 2013 (QZAB) Debt Service	The Notes [(3)]			Combined Total [(3)]
		Principal	Interest	Total	
2019	$ 145,960.00	$ 150,000.00	$ 58,609.17	$ 208,609.17	$ 354,569.17
2020	146,605.00	125,000.00	83,150.00	208,150.00	354,755.00
2021	146,247.50	130,000.00	78,050.00	208,050.00	354,297.50
2022	145,890.00	135,000.00	72,750.00	207,750.00	353,640.00
2023	146,532.50	140,000.00	67,250.00	207,250.00	353,782.50
2024	146,172.50	145,000.00	61,550.00	206,550.00	352,722.50
2025	145,812.50	150,000.00	55,650.00	205,650.00	351,462.50
2026	146,452.50	155,000.00	49,550.00	204,550.00	351,002.50
2027	146,090.00	160,000.00	43,650.00	203,650.00	349,740.00
2028	145,727.50	170,000.00	37,875.00	207,875.00	353,602.50
2029	146,365.00	175,000.00	31,837.50	206,837.50	353,202.50
2030		180,000.00	25,512.50	205,512.50	205,512.50
2031		185,000.00	18,781.25	203,781.25	203,781.25
2032		195,000.00	11,656.25	206,656.25	206,656.25
2033		200,000.00	4,000.00	204,000.00	204,000.00
	$ 1,607,855.00	$ 2,395,000.00	$ 699,871.67	$ 3,094,871.67	$ 4,702,726.67

(1) See the "Audited Financial Report Fiscal Year Ended August 31, 2017" in Appendix D for more information relative to District's outstanding obligations.
(2) Maintenance Tax Notes are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District.
(3) Preliminary, subject to change.

VOTED UNLIMITED TAX BOND PRINCIPAL REPAYMENT & DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Voted Unlimited Tax Bonds [1] [2] Principal	Interest	Total	Voted Unlimited Tax Bonds Unpaid At Year End	Percent of Principal Retired
2019	$ 575,000.00	$ 35,500.00	$ 610,500.00	$ 600,000.00	48.94%
2020	600,000.00	12,000.00	612,000.00	-	100.00%
	$ 1,175,000.00	$ 47,500.00	$ 1,222,500.00		

(1) Excludes outstanding maintenance tax obligations and the Notes, which are not voted unlimited tax bonds.
(2) Based on its wealth per student, the District does not expect to receive state financial assistance for debt service in 2018/19. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S VOTED UNLIMITED TAX BONDS

Projected Maximum Debt Service Requirement [1]	$ 612,000.00
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption [2]	18,000.00
Projected Net Debt Service Requirement	$ 594,000.00
$0.09289 Tax Rate @ 97% Collections Produces	$ 594,000.04
2018/19 Net Taxable Valuation	$ 659,261,262

(1) Excludes outstanding maintenance tax obligations and the Notes, which are not voted unlimited tax bonds.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2018/19, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16.

AUTHORIZED BUT UNISSUED BONDS

The District has no authorized but unissued unlimited ad valorem tax bonds. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES [1]

	Fiscal Year End August 31st				
	2013	2014	2015	2016	2017
Beginning Fund Balance	**$ 9,647,740**	**$ 9,777,300**	**$ 9,902,727**	**$ 8,875,733**	**$ 8,532,100**
Revenues:					
Local and Intermediate Sources	$ 9,009,723	$ 8,249,189	$ 9,205,106	$ 7,070,405	$ 5,560,219
State Sources	3,887,502	4,922,006	4,208,402	6,870,753	7,628,577
Federal Sources & Other	24,789	26,105	21,109	34,655	18,869
Total Revenues	**$ 12,922,014**	**$ 13,197,300**	**$ 13,434,617**	**$ 13,975,813**	**$ 13,207,665**
Expenditures:					
Instruction	$ 6,448,137	$ 6,652,325	$ 6,677,151	$ 6,784,751	$ 6,468,466
Instructional Resources & Media Services	188,047	183,172	154,220	156,634	164,451
Curriculum & Instructional Staff Development	15,757	15	10,474	37,109	74,459
Instructional Leadership	22,686	22,213	20,629	5,444	10,235
School Leadership	610,410	735,346	846,177	883,046	871,818
Guidance, Counseling & Evaluation Services	512,396	459,026	441,170	412,267	396,944
Social Work Services	88,512	39,009	31,337	-	-
Health Services	139,284	136,312	119,152	140,715	139,913
Student (Pupil) Transportation	770,153	756,719	713,864	744,398	698,186
Cocurricular/Extracurricular Activities	608,409	700,666	805,637	911,932	844,283
General Administration	741,921	693,970	738,311	704,004	761,224
Facilities Maintenance and Operations	1,712,662	1,827,720	1,771,674	1,843,043	1,819,046
Security and Monitoring Services	51,967	54,065	51,981	46,930	65,098
Data Processing Services	298,621	295,246	282,922	273,553	257,706
Community Services	37,133	32,852	32,159	32,466	32,475
Debt Service - Principal on Long Term Debt	20,842	21,690	22,570	23,486	-
Debt Service - Interest on Long Term Debt	3,597	2,750	1,871	954	-
Facilities Acquisition and Construction	161,197	-	1,255,794	846,762	181,437
Payments to Fiscal Agent/Member Districts of SSA	76,662	53,649	66,441	62,138	79,342
Other Intergovernmental Charges	284,061	252,094	272,057	264,146	241,938
Total Expenditures	**$ 12,792,454**	**$ 12,918,839**	**$ 14,315,591**	**$ 14,173,778**	**$ 13,107,021**
Excess (Deficiency) of Revenues					
over Expenditures	$ 129,560	$ 278,461	$ (880,974)	$ (197,965)	$ 100,644
Other Resources and (Uses):					
Sale of Real and Personal Property	$ -	$ -	$ -	$ -	$ 3,000
Transfer In	-	-	-	-	-
Transfer Out	-	(153,034)	(146,020)	(145,668)	(145,668)
Total Other Resources (Uses)	**$ -**	**$ (153,034)**	**$ (146,020)**	**$ (145,668)**	**$ (142,668)**
Excess (Deficiency) of					
Revenues and Other Sources					
over Expenditures and Other Uses	$ 129,560	$ 125,427	$ (1,026,994)	$ (343,633)	$ (42,024)
Ending Fund Balance [2]	**$ 9,777,300**	**$ 9,902,727**	**$ 8,875,733**	**$ 8,532,100**	**$ 8,490,076**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Next Year's Budgets and Rates" in Appendix D hereto for a discussion of the 2017/18 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Wealth Transfer Provisions " in the Official Statement.
(2) The 2017/18 Expected Ending General Fund Balance is $9,151,707.

CHANGE IN NET ASSETS [(1)]

	Fiscal Year Ended August 31				
	2013	2014	2015	2016	2017
Revenues:					
Program Revenues:					
Charges for Services	$ 682,599	$ 679,132	$ 662,354	$ 645,630	$ 655,232
Operating Grants and Contributions	2,843,412	3,038,344	3,149,542	3,355,840	3,034,317
General Revenues:					
Property Taxes Levied for General Purposes	8,871,998	7,707,160	8,755,132	6,586,448	5,209,434
Property Taxes Levied for Debt Service	509,551	479,645	628,806	534,871	635,496
State Aid - Formula Grants	3,198,952	4,169,124	3,417,874	6,094,140	6,898,874
Grants and Contributions Not Restricted	-	-	-	-	-
Investment Earnings	17,838	11,755	13,056	22,901	55,975
Miscellaneous	179,718	255,288	291,435	398,092	209,579
Total Revenue	$ 16,304,068	$ 16,340,448	$ 16,918,199	$ 17,637,922	$ 16,698,907
Expenses:					
Instruction	$ 8,442,356	$ 8,746,839	$ 8,766,128	$ 9,070,907	$ 8,540,455
Instruction Resources & Media Services	218,609	218,887	188,800	201,634	205,539
Curriculum & Staff Development	16,507	265	16,360	77,604	132,177
Instructional Leadership	190,120	191,899	160,844	145,706	140,562
School Leadership	629,387	748,799	864,333	956,846	918,639
Guidance, Counseling & Evaluation Services	754,264	680,872	659,833	774,037	780,755
Social Work Service	88,512	39,009	31,088	-	-
Health Service	161,696	167,155	139,655	154,884	151,132
Student Transportation	714,114	731,497	677,644	670,681	774,224
Food Service	828,777	893,433	914,099	983,545	979,451
Cocurricular/Extracurricular Activities	748,398	836,138	980,363	1,045,147	1,067,651
General Administration	746,059	698,063	710,962	748,867	795,288
Plant Maintenance & Operations	1,734,720	1,907,213	1,844,269	1,945,887	1,907,205
Security and Monitoring Services	51,967	54,065	51,981	46,930	56,458
Data Processing Services	335,076	356,159	342,384	318,090	299,479
Community Services	37,133	32,830	32,159	32,466	32,475
Interest on Long-term Debt	114,200	107,695	96,353	83,708	64,107
Bond Issuance Costs and Fees	500	50,500	500	510	500
Capital Outlay		-	4,855	-	-
Payments to Fiscal Agent/Member Districts of SSA	76,662	53,649	66,441	62,138	79,342
Other Intergovernmental Charges	284,061	252,094	272,057	264,146	241,938
Total Expenditures	$ 16,173,118	$ 16,767,061	$ 16,821,108	$ 17,583,733	$ 17,167,377
Change in Net Assets	$ 130,950	$ (426,613)	$ 97,091	$ 54,189	$ (468,470)
Beginning Net Assets	$ 22,655,324	$ 22,682,757	$ 22,256,144	$ 20,479,010	$ 20,533,198
Prior Period Adjustment	$ (103,517) [(2)]	$ -	$ (1,874,225) [(3)]	$ -	$ -
Ending Net Assets	$ 22,682,757	$ 22,256,144	$ 20,479,010	$ 20,533,199	$ 20,064,728

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted for the 2002 fiscal year.
(2) In 2013, an adjustment has been made to the prior period as a result of writing off all unamortized bond issuance costs as required by GASB Statement 65.
(3) In 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting Pensions which required a prior period adjustment to report the effect of GASB 68 retroactively.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

WOODVILLE INDEPENDENT SCHOOL DISTRICT

General and Economic Information

Woodville ISD, located primarily in Tyler County with portions extending into Jasper and Polk Counties, includes the Town of Woodville, the county seat and principal commercial center of Tyler County. Also within the District is the unincorporated community of Hillister. Lakefront property is being developed around several private lakes in the District.

Tyler County is a southeast Texas County. The county ranks 98th for oil production and 68th for gas production in the state of Texas. The County's current estimated population is 12,180.

Source: Texas Municipal Report for Woodville ISD and Tyler County.

Enrollment Statistics

Year Ending 8/31	Enrollment
2008	1,280
2009	1,338
2010	1,303
2011	1,276
2012	1,305
2013	1,315
2014	1,323
2015	1,298
2016	1,368
2017	1,304
2018	1,341
Current	1,317

District Staff

Teachers	106
Teachers' Aides & Secretaries	61
Auxiliary Personnel	54
Administrators	19
Other	17
	257

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
Wheat Elementary School	PK-2	355	380	1959	1991
Woodville Intermediate School	3-5	295	440	1987	2011
Woodville Intermediate School	6-8	316	340	1984	N/A
Woodville High School	9-12	351	425	1979	N/A

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
Texas Department of Criminal Justice	Correctional Facility	570
Woodville ISD	Public School	257
Tyler County	Governmental	140
Tyler County Hospital District	Health Care	110
Wal-Mart	Retail	100

Unemployment Rates

	September 2016	September 2017	September 2018
Tyler County	7.8%	7.3%	6.5%
State of Texas	4.9%	4.0%	3.7%

Source: Texas Workforce Commission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
300 Convent Street, Suite 2100
San Antonio, Texas 78205-3792
United States

Tel +1 210 224 5575
Fax +1 210 270 7205
nortonrosefulbright.com

DRAFT

IN REGARD to the authorization and issuance of the "Woodville Independent School District Maintenance Tax Notes, Series 2018" (the *Notes*), dated December 1, 2018, in the aggregate principal amount of $_________ we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Woodville Independent School District (the *District*). The Notes are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Notes have Stated Maturities of February 15 in each of the years 2019 through 2033, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Notes. Interest on the Notes accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the resolution (the *Resolution*) authorizing the issuance of the Notes. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Resolution.

WE HAVE SERVED AS BOND COUNSEL for the District solely to pass upon the legality and validity of the issuance of the Notes under the laws of the State of Texas and with respect to the exclusion of the interest on the Notes from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the District. 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. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Notes. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Notes has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the District in connection with the issuance of the Notes, including the Resolution; (2) customary certifications and opinions of officials of the District; (3) certificates executed by officers of the District relating to the expected use and investment of proceeds of the Notes and certain other funds of the District, and to certain other facts solely within the knowledge and control of the District; and (4) such other documentation, including an examination of the Notes executed and delivered initially by the District, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "WOODVILLE INDEPENDENT SCHOOL DISTRICT MAINTENANCE TAX NOTES, SERIES 2018"

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Notes have been duly authorized by the District and, when issued in compliance with the provisions of the Resolution, are valid, legally binding, and enforceable obligations of the District, payable from the proceeds of an annual maintenance and operations ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the District with the provisions of the Resolution relating to sections 141 through 150 of the Code, interest on the Notes will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and such interest will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, "S" corporations with subchapter "C" earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS 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 our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "WOODVILLE INDEPENDENT SCHOOL DISTRICT MAINTENANCE TAX NOTES, SERIES 2018"

Norton Rose Fulbright US LLP

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED AUGUST 31, 2017

WOODVILLE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

WOODVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

TABLE OF CONTENTS

CERTIFICATE OF BOARD

Woodville Independent School District	Tyler	229-903
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 _18th_ day of December, 2017.

John Wilson

Signature of Board Secretary

Jimmy Tucker

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

December 5, 2017

INDEPENDENT AUDITOR'S REPORT

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

Board of Trustees
Woodville Independent School District
Woodville, Texas

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 Woodville 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 Woodville 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
Members of the American Institute of Certified Public Accountants

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 Woodville 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 43, 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 44 and 45 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 44 and 45 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 43 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 Woodville 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 December 5, 2017, on our consideration of Woodville 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 Woodville Independent School District's 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 Woodville 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 Woodville 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 $20,064,728 at August 31, 2017.
- During the year, the District's expenses were $468,470 more than the $16,698,907 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was $17,167,377.
- The general fund reported a fund balance this year of $8,490,076. This is a decrease of $42,024 from the fund balance at August 31, 2016.

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.
- *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.

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-1
Required Components of
Woodville Independent School District's
Annual Financial Report

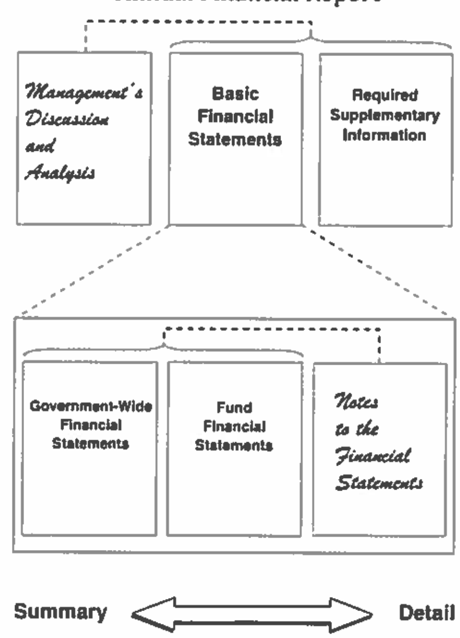


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of 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**	**Fiduciary Funds**
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	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 balance	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
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 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

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 they have 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 two 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.
- *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

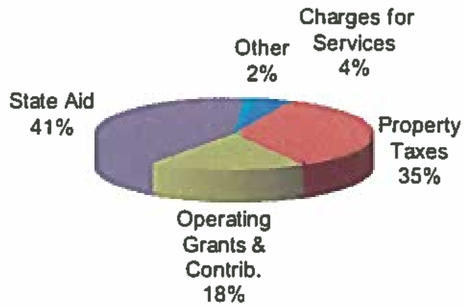
Net position. The District's *combined* net position was $20,064,728 at August 31, 2017. (See Table A-1).

Table A-1
The District's Net Position

	Governmental Activities		Percentage Change
	2017	2016	
Current and Other Assets	$ 11,722,972	$ 11,700,764	0.2%
Capital and Non-Current Assets	14,786,634	15,788,323	-6.3%
Total Assets	26,509,606	27,489,087	-3.6%
Deferred Outflow of Resources	1,392,297	1,609,906	-13.5%
Current Liabilities	1,411,439	1,466,425	-3.7%
Long Term Liabilities	6,226,875	6,849,004	-9.1%
Total Liabilities	7,638,314	8,315,429	-8.1%
Deferred Inflow of Resources	198,861	250,365	-20.6%
Net Position:			
Invested in Capital Assets	11,801,975	11,613,111	1.6%
Restricted for Debt Service	866,369	815,964	6.2%
Unrestricted	7,396,384	8,104,124	-8.7%
Total Net Position	$ 20,064,728	$ 20,533,199	-2.3%

Changes in net position. The District's total revenues were $16,698,907. A significant portion, 35%, of the District's revenue comes from taxes. (See Figure A-3). 41% comes from state aid – formula grants, while only 4% relates to charges for services.

Figure A-3 Sources of Revenue for Fiscal Year 2017



The total cost of all programs and services was $17,167,377; 73.6% of these costs are for instructional and student services.

Governmental Activities

Property tax rates increased $0.020 to $1.145 per $100 valuation. The total taxes levied decreased by $2,471,024 due to decreased appraised values.

Average daily attendance decreased by 51.5 students from 2016 to 2017. Total state aid increased by $804,734.

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

	Governmental Activities		Total % Change
	2017	2016	
Revenues:			
Program Revenues			
Charges for Services	$ 655,232	$ 645,630	1.5%
Operating Grants and Contributions	3,034,317	3,355,840	-9.6%
General Revenues			
Property Taxes	5,844,930	7,121,319	-17.9%
Investment Earnings	55,975	22,901	144.4%
State Aid - formula	6,898,874	6,094,140	13.2%
Other	209,579	398,092	-47.4%
Total Revenues	16,698,907	17,637,922	-5.3%
Expenses:			
Instruction and instructional related	8,878,171	9,350,146	-5.0%
Instructional leadership/school administration	1,059,201	1,102,552	-3.9%
Guidance, social work, health, transportation	1,706,111	1,599,602	6.7%
Food services	979,451	983,545	-0.4%
Extracurricular activities	1,067,651	1,045,147	2.2%
General Administration	795,288	748,867	6.2%
Plant maintenance and security	1,963,663	1,992,817	-1.5%
Data processing services	299,479	318,090	-5.9%
Community Services	32,475	32,466	0.0%
Debt Service	64,607	84,218	-23.3%
Capital Outlay	-	-	n/a
Payments to fiscal agent/member districts-shared services	79,342	62,138	27.7%
Other governmental charges	241,938	264,146	-8.4%
Total Expenses	17,167,377	17,583,734	-2.4%
Increase (decrease) in Net Position	(468,470)	54,188	-964.5%
Beginning Net Position	20,533,198	20,479,010	0.3%
Ending Net Position	$ 20,064,728	$ 20,533,198	-2.3%

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 $17,167,377.
- The amount that our taxpayers paid for these activities through property taxes was $5,844,930.
- Some of the cost was paid by those who directly benefited from the programs $655,232, or
- By grants and contributions $3,034,317.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		%	Net Cost of Services		%
	2017	2016	Change	2017	2016	Change
Instruction	$ 8,540,455	$ 9,070,907	-5.8%	$ 6,861,689	$ 7,153,461	-4.1%
School leadership	918,639	956,846	-4.0%	861,251	870,253	-1.0%
Guidance, Counseling and Evaluation Services	780,755	774,037	0.9%	426,657	411,638	3.6%
Student (Pupil) Transportation	774,224	670,681	15.4%	552,526	445,599	24.0%
Food Services	979,451	983,545	-0.4%	13,874	10,781	28.7%
Extracurricular Activities	1,067,651	1,045,147	2.2%	1,007,040	974,572	3.3%
General Administration	795,288	748,867	6.2%	756,140	696,906	8.5%
Plant Maintenance and Operations	1,907,205	1,945,887	-2.0%	1,830,025	1,848,032	-1.0%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $16.5 million, a decrease of 4.9% over the preceding year. Local revenues decreased $1,549,632, primarily as the result of decreased property tax revenue of $1,335,862 and decreased miscellaneous revenue of $187,973. State revenues increased by $794,067. Federal revenues decreased by $91,778.

General Fund Budgetary Highlights

- Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were $157,326 below final budget amounts. The most significant positive variances occurred in Instruction and Facilities Maintenance and Operations. Actual revenues were $57,853 below budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had invested $33.6 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 $281,617 or 0.8% over last year.

Table A-4
District's Capital Assets

	Governmental Activities 2017	Governmental Activities 2016	% Change
Land	$ 740,152	$ 730,152	1.4%
Buildings and Improvements	25,976,557	25,830,253	0.6%
Furniture and Equipment	6,690,374	6,565,061	1.9%
Construction-in-Progress	226,680	226,680	0.0%
Totals at Historical Cost	33,633,763	33,352,146	0.8%
Total Accumulated Depreciation	(18,847,130)	(17,563,823)	7.3%
Net Capital Assets	$ 14,786,633	$ 15,788,323	-6.3%

Long-Term Debt

At the end of 2017, the District had $6.9 million in long-term debt outstanding as shown in Table A-5. The District's bond rating is AAA based on the Texas Permanent School Fund Guarantee. The underlying rating for the District is A+.

Table A-5
District's Long Term Debt

	Governmental Activities 2017	Governmental Activities 2016	% Change
Bonds Payable	$ 3,456,000	$ 4,137,000	-16.5%
Premium -			
Refunding bonds	28,659	38,212	-25.0%
Pension Related Debt	3,448,769	3,364,345	n/a
Total long term debt	$ 6,933,428	$ 7,539,557	-8.0%

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

- Appraised value used for the 2018 budget preparation increased $6,554,834 a 1.1% increase from 2017.
- General Operating Fund spending per student decreases in the 2018 budget from $10,845 to $10,412. This is a 4.0% decrease.
- The District's 2018 refined average daily attendance is expected to be 1,232, unchanged from 1,232 the final refined average daily attendance for the 2016/2017 school year.

These indicators were taken into account when adopting the General Fund budget for 2018. Amounts available for appropriation in the General Fund budget are $12,502,117, a decrease of 5.3% over the final 2017 actual revenues of $13,207,665. Expenditures are budgeted to decrease 3.3% to $12,828,065. Transfers out are budgeted at $145,700.

If these estimates are realized, the District's budgetary General Fund fund balance is expected to decrease by $471,648 at the close of 2018.

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

EXHIBIT A-1

WOODVILLE ISD
STATEMENT OF NET POSITION
AUGUST 31, 2017

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 2,334,469
1120	Current Investments	6,060,128
1220	Property Taxes Receivable (Delinquent)	1,830,009
1230	Allowance for Uncollectible Taxes	(366,002)
1240	Due from Other Governments	1,765,987
1250	Accrued Interest	235
1290	Other Receivables, net	13,857
1300	Inventories	11,083
1410	Prepayments	73,206
	Capital Assets:	
1510	Land	740,152
1520	Buildings, Net	11,280,847
1530	Furniture and Equipment, Net	2,538,955
1580	Construction in Progress	226,680
1000	Total Assets	26,509,606
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred Outflow Related to TRS	1,392,297
1700	Total Deferred Outflows of Resources	1,392,297
	LIABILITIES	
2110	Accounts Payable	158,041
2140	Interest Payable	6,748
2150	Payroll Deductions & Withholdings	70,398
2160	Accrued Wages Payable	440,328
2180	Due to Other Governments	6,979
2200	Accrued Expenses	9,090
2300	Unearned Revenue	13,302
	Noncurrent Liabilities	
2501	Due Within One Year	706,553
2502	Due in More Than One Year	2,778,106
2540	Net Pension Liability (District's Share)	3,448,769
2000	Total Liabilities	7,638,314
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS	198,861
2600	Total Deferred Inflows of Resources	198,861
	NET POSITION	
3200	Net Investment in Capital Assets	11,801,975
3850	Restricted for Debt Service	866,369
3900	Unrestricted	7,396,384
3000	Total Net Position	$ 20,064,728

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

EXHIBIT B-1

WOODVILLE ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	Program Revenues 3	Program Revenues 4	Net (Expense) Revenue and Changes in Net Position 6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 8,540,455	$ 138,689	$ 1,540,077	$ (6,861,689)
12	Instructional Resources and Media Services	205,539	-	10,712	(194,827)
13	Curriculum and Staff Development	132,177	-	56,848	(75,329)
21	Instructional Leadership	140,562	132,486	15,490	7,414
23	School Leadership	918,639	-	57,388	(861,251)
31	Guidance, Counseling and Evaluation Services	780,755	116,714	237,384	(426,657)
33	Health Services	151,132	-	9,253	(141,879)
34	Student (Pupil) Transportation	774,224	-	221,698	(552,526)
35	Food Services	979,451	210,330	755,247	(13,874)
36	Extracurricular Activities	1,067,651	37,520	23,091	(1,007,040)
41	General Administration	795,288	3,154	35,994	(756,140)
51	Facilities Maintenance and Operations	1,907,205	16,339	60,841	(1,830,025)
52	Security and Monitoring Services	56,458	-	-	(56,458)
53	Data Processing Services	299,479	-	10,294	(289,185)
61	Community Services	32,475	-	-	(32,475)
72	Debt Service - Interest on Long Term Debt	64,107	-	-	(64,107)
73	Debt Service - Bond Issuance Cost and Fees	500	-	-	(500)
93	Payments related to Shared Services Arrangements	79,342	-	-	(79,342)
99	Other Intergovernmental Charges	241,938	-	-	(241,938)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 17,167,377	$ 655,232	$ 3,034,317	(13,477,828)

Data Control Codes	General Revenues:	
MT	Property Taxes, Levied for General Purposes	5,209,434
DT	Property Taxes, Levied for Debt Service	635,496
SF	State Aid - Formula Grants	6,898,874
IE	Investment Earnings	55,975
MI	Miscellaneous Local and Intermediate Revenue	209,579
TR	Total General Revenues	13,009,358
CN	Change in Net Position	(468,470)
NB	Net Position - Beginning	20,533,198
NE	Net Position--Ending	$ 20,064,728

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

EXHIBIT C-1

WOODVILLE ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
	ASSETS			
1110	Cash and Cash Equivalents	$ 2,166,800	$ 167,669	$ 2,334,469
1120	Investments - Current	5,469,703	590,425	6,060,128
1220	Property Taxes - Delinquent	1,676,986	153,023	1,830,009
1230	Allowance for Uncollectible Taxes (Credit)	(335,397)	(30,605)	(366,002)
1240	Receivables from Other Governments	1,435,270	330,717	1,765,987
1250	Accrued Interest	235	-	235
1260	Due from Other Funds	2,452	4,801	7,253
1290	Other Receivables	-	13,857	13,857
1300	Inventories	11,083	-	11,083
1000	Total Assets	$ 10,427,132	$ 1,229,887	$ 11,657,019
	LIABILITIES			
2110	Accounts Payable	$ 90,549	$ 67,492	$ 158,041
2150	Payroll Deductions and Withholdings Payable	70,398	-	70,398
2160	Accrued Wages Payable	421,018	19,310	440,328
2170	Due to Other Funds	4,801	2,452	7,253
2180	Due to Other Governments	-	6,979	6,979
2200	Accrued Expenditures	8,701	389	9,090
2300	Unearned Revenues	-	13,302	13,302
2000	Total Liabilities	595,467	109,924	705,391
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	1,341,589	122,418	1,464,007
2600	Total Deferred Inflows of Resources	1,341,589	122,418	1,464,007
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	11,083	-	11,083
	Restricted Fund Balance:			
3480	Retirement of Long-Term Debt	-	743,951	743,951
	Committed Fund Balance:			
3510	Construction	2,000,000	264	2,000.264
3530	Capital Expenditures for Equipment	150,000	-	150,000
3545	Other Committed Fund Balance	3,055,714	253,330	3,309,044
3600	Unassigned Fund Balance	3,273,279	-	3,273,279
3000	Total Fund Balances	8,490,076	997,545	9,487.621
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 10,427,132	$ 1,229,887	$ 11,657,019

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

WOODVILLE ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2017

	Total Fund Balances - Governmental Funds	$	9,487,621
1	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		14,786,634
2	Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,464,007
3	Bonds are not due and payable in the current period and, therefore, are not reported in the funds.		(3,484,659)
4	Prepaid expenditures which were expended in the funds are included in the Statement of Net Position.		73,206
5	Interest payable is recorded as a liability on the Statement of Net Position but not in the funds.		(6,748)
6	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $1,392,297, a deferred resource inflow in the amount of $198,861, and a net pension liability in the amount of $3,448,769. This resulted in an increase (decrease) in net position.		(2,255,333)
19	**Net Position of Governmental Activities**	$	20,064,728

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

EXHIBIT C-3

WOODVILLE ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 5,560,219	$ 1,165,351	$ 6,725,570
5800	State Program Revenues	7,628,577	150,758	7,779,335
5900	Federal Program Revenues	18,869	1,999,486	2,018,355
5020	Total Revenues	13,207,665	3,315,595	16,523,260
	EXPENDITURES:			
	Current:			
0011	Instruction	6,468,466	1,184,297	7,652,763
0012	Instructional Resources and Media Services	164,451	-	164,451
0013	Curriculum and Instructional Staff Development	74,459	54,418	128,877
0021	Instructional Leadership	10,235	126,727	136,962
0023	School Leadership	871,818	-	871,818
0031	Guidance, Counseling and Evaluation Services	396,944	349,473	746,417
0033	Health Services	139,913	-	139,913
0034	Student (Pupil) Transportation	698,186	-	698,186
0035	Food Services	-	904,782	904,782
0036	Extracurricular Activities	844,283	-	844,283
0041	General Administration	761,224	5,000	766,224
0051	Facilities Maintenance and Operations	1,819,046	-	1,819,046
0052	Security and Monitoring Services	65,098	-	65,098
0053	Data Processing Services	257,706	-	257,706
0061	Community Services	32,475	-	32,475
	Debt Service:			
0071	Principal on Long Term Debt	-	680,999	680,999
0072	Interest on Long Term Debt	-	76,414	76,414
0073	Bond Issuance Cost and Fees	-	500	500
	Capital Outlay:			
0081	Facilities Acquisition and Construction	181,437	-	181,437
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	79,342	-	79,342
0099	Other Intergovernmental Charges	241,938	-	241,938
6030	Total Expenditures	13,107,021	3,382,610	16,489,631
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	100,644	(67,015)	33,629
	OTHER FINANCING SOURCES (USES):			
7912	Sale of Real and Personal Property	3,000	-	3,000
7915	Transfers In	-	145,668	145,668
8911	Transfers Out (Use)	(145,668)	-	(145,668)
7080	Total Other Financing Sources (Uses)	(142,668)	145,668	3,000
1200	Net Change in Fund Balances	(42,024)	78,653	36,629
0100	Fund Balance - September 1 (Beginning)	8,532,100	918,892	9,450,992
3000	Fund Balance - August 31 (Ending)	$ 8,490,076	$ 997,545	$ 9,487,621

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

EXHIBIT C-4

WOODVILLE ISD
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		$ 36,629
Governmental 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.		(1,001,689)
Capital Outlays	$ 351,742	
Depreciation Expense	(1,342,061)	
Loss on Dispositions	(11,370)	
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		48,516
Prior year delinquent taxes collected in year ended August 31, 2017	$(169,661)	
Current year uncollected levy net of allowance for uncollectible portion	218,177	
The repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. This transaction has no effect on net position.		681,000
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.		9,553
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.		8,050
Interest Payable	$2,753	
Deferred Expenditures	5,297	
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 ending net position to increase by $297,737. 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 $289,971. 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 $258,295. The net result is an increase (decrease) in the change in net position.		(250,529)
Change in Net Position of Governmental Activities		$ (468,470)

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

FIDUCIARY FUND FINANCIAL STATEMENTS

EXHIBIT E-1

WOODVILLE ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	$ 17,123	$ 135,949
Total Assets	17,123	$ 135,949
LIABILITIES		
Due to Student Groups	-	$ 135,949
Total Liabilities	-	$ 135,949
NET POSITION		
Unrestricted Net Position	17,123	
Total Net Position	$ 17,123	

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

EXHIBIT E-2

WOODVILLE ISD
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	$ 25,091
Total Additions	25,091
DEDUCTIONS:	
Professional and Contracted Services	24,749
Total Deductions	24,749
Change in Net Position	342
Total Net Position September 1 (Beginning)	16,781
Total Net Position August 31 (Ending)	$ 17,123

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

Woodville 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 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. Interfund activity between governmental funds appears as due to/from on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance.

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.

Additionally, the District reports the following other fund types:

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.

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. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed (first committed, then unassigned resources).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 20% of the outstanding property taxes at August 31, 2017.

3. *Inventories*

The purchase method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are recorded as an expenditure when purchased. Inventories at August 31, 2017 represent materials and supplies purchased for the start of the fall semester and charged to new year operations.

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 District 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	40
Building improvements (including infrastructure)	20
Transportation equipment	12
Furniture, fixtures and equipment	5

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES AND NET POSITION (CONTINUED)

5. Compensated absences

Vacations are to be taken within the same year they are earned. Any liability would be immaterial and none has been accrued and reported in the accompanying financial statements. In addition to state personal leave, the District has a policy, which provides three days per year of local personal leave subject to the reimbursement of the cost of a substitute. This leave is noncumulative.

The District does not pay any employee for accrued sick leave or vacation at separation from services. No liability has been reported in the government-wide or governmental fund financial statements.

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.

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position (Exhibit A-1) and the Balance Sheet (Exhibit C-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 one item that qualifies for reporting in this category. Contributions made to the pension plan in the 2017 fiscal year are classified as deferred outflows of resources in the government-wide statement of net position.

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 these items: the first is the deferral of pension expense that results from the implementation of GASB Statement 68 and is reported only on Exhibit A-1; the second type of these items, which arises only under a modified accrual basis of accounting is property taxes, which are reported only in the governmental funds balance sheet (Exhibit C-1). These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES AND NET POSITION (CONTINUED)

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.

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 Woodville Independent School District General Fund reported $2,000,000 as committed to construction or improvements, $150,000 as committed to equipment and $3,055,714 as committed to contingencies. At August 31, 2017, the District Capital Projects Fund reported $264 as committed to construction or improvements. At August 31, 2017, the District Special Revenue Funds reported $253,330 as committed to child nutrition services.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. BUDGETARY INFORMATION (CONTINUED)

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, Food Service Special Revenue Fund, or Debt Service Fund functional expenditure category exceeded budget. There were no fund balances in a deficit position.

C. DATA CONTROL CODES

These codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in its Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

D. HEALTH CARE

During the year ended August 31, 2017, employees of the District were covered by a state-wide health care program known as TRS-Active Care. This is administered by the Teacher Retirement System of Texas. The District paid $275 per month per participating employee, and participating employees, at their option, authorized payroll withholdings to fund contributions for dependents.

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

E. 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 workers' compensation coverage to its employees through participation in the Deep East Texas Self Insurance Fund, a public entity risk pool, which is self-sustained through member premiums. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund reinsures to statutory limits through commercial companies for claims in excess of $1,100,000.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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

The District has no known premium liability for workers' compensation coverage in excess of the stated annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. As of the most recent audit date, the Fund had adequate assets to cover 100% of the projected liability.

During the year ended August 31, 2017, Woodville ISD participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability	Auto Physical Damage
Legal Liability	Privacy & Information Security
Property	

The Funds were created and are operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Funds execute Interlocal Agreements that define the responsibilities of the parties.

The Funds purchase stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty and Liability Programs. The terms and limits of the stop-loss programs vary by line of coverage. The Funds use the services of an independent actuary to determine the adequacy of reserves and fully fund those reserves. For the year ended August 31, 2017, the Funds anticipate that Woodville ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Funds engage 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 Funds' Board of Trustees in February of the following year. The Funds' audited financial statements as of August 31, 2016 are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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 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 each month 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 Unemployment Compensation pool members.

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 at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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 Texas Education Agency (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 requested and approved before the fact and once approved are reflected in the official minutes. The final amendment was approved by the Board on August 31, 2017.

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 $2,487,061. The bank balance was $2,671,505. During 2016-2017, the District's combined deposits were fully insured by federal depository insurance or 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.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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 and Lone Star Investment Pool. 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 Services.

Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer. The District monitors the need to diversify investments on a regular basis.

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
Certificate of Deposit	9/10/2019	$ 250,000
Certificate of Deposit	12/12/2017	250,000
Certificate of Deposit	12/15/2017	250,000
TexPool	N/A	3,080,264
Lone Star Investment Pool	N/A	2,229,864
		$ 6,060,128

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 and Lone Star Investment Pool are based on quoted market prices of the underlying assets as provided by the Fund Sponsors, The State of Texas and First Public, LLC, respectively. The investments are reported by the District at cost which approximates market 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 assessed value of the property tax roll on August 1, 2016, upon which the levy for the 2016-2017 fiscal year was based, was $530,985,590. 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 $1.04 and $.105 per $100 valuation, respectively, for a total of $1.145 per $ 100 valuation.

Current tax collections for the year ended August 31, 2017 were 95.3% 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 $335,397 and $30,605, totaled $1,341,589 and $122,418 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 Texas Education Agency and are reported on the combined financial statements as Due from Other Governments.

Fund	Local Governments	State Entitlements and Awards	Federal Grants	Total
General Fund	$ -	$ 1,416,401	$ 18,869	$ 1,435,270
Special Revenue Funds	-	5,124	325,593	330,717
	$ -	$ 1,421,525	$ 344,462	$ 1,765,987

NOTE 7. CAPITAL ASSETS

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

	Balance September 1, 2016	Additions	Retirements and Transfers	Balance August 31, 2017
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 730,152	$ 10,000	$ -	$ 740,152
Construction-in-progress	226,680	-	-	226,680
Total capital assets not being depreciated	956,832	10,000	-	966,832
Capital assets, being depreciated				
Buildings and improvements	25,830,253	146,304	-	25,976,557
Furniture and equipment	6,565,061	195,437	(70,124)	6,690,374
Total capital assets being depreciated	32,395,314	341,741	(70,124)	32,666,931
Less accumulated depreciation for:				
Buildings and improvements	(13,860,054)	(835,657)	-	(14,695,711)
Furniture and equipment	(3,703,769)	(506,404)	58,754	(4,151,419)
Total accumulated depreciation	(17,563,823)	(1,342,061)	58,754	(18,847,130)
Total capital assets being depreciated, net	14,831,491	(1,000,320)	(11,370)	13,819,801
Governmental activities capital assets, net	$ 15,788,323	$ (990,320)	$ (11,370)	$ 14,786,633

NOTE 7. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
11 Instruction	$ 666,421
12 Library and media	37,023
23 School leadership	22,214
31 Guidance, counseling and evaluation services	7,405
33 Health services	7,405
34 Student (pupil) transportation	172,942
35 Food services	54,981
36 Curricular / extracurricular activities	210,844
41 General administration	11,767
51 Plant maintenance and operations	113,541
53 Data processing services	37,518
Total depreciation expense - governmental activities	$ 1,342,061

Construction in progress:

Construction in progress consists of architectural design fees for a proposed upgrade to the high school campus. The District has not committed to the actual construction costs of the renovation as of August 31, 2017.

NOTE 8. 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.

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contribution Rates

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

Woodville ISD 2017 Employer Contributions	$ 297,737
Woodville ISD 2017 Member Contributions	747,761
Woodville ISD 2016 NECE On-Behalf Contributions	512,294

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 or 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.

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	8.0%
Long-term Expected Investment Rate of Return	8.0%
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

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 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 as follows:

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%		2.2%
Alpha	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.*

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Woodville's proportionate share of the net pension liability:	$ 5,337,532	$ 3,448,769	$ 1,846,715

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension. At August 31, 2017, Woodville Independent School District reported a liability of $3,448,769 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	$ 3,448,769
State's proportionate share that is associated with the District	6,080,852
Total	$ 9,529,621

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 proportion 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 0.0091265% which was a decrease of 0.0003911% 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 $631,047 and revenue of $631,047 for support provided by the State.

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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	$ 54,076	$ 102,978
Changes in actuarial assumptions	105,112	95,595
Difference between projected and actual investment earnings	292,034	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	643,338	288
Total as of August 31, 2016 measurement date	1,094,560	198,861
Contributions paid to TRS subsequent to the measurement date	297,737	-
Total as of fiscal year-end	$ 1,392,297	$ 198,861

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	$ 157,834
2019	157,834
2020	344,108
2021	143,521
2022	86,805
Thereafter	5,597

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. The Woodville 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, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701 or by calling 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 0.77% 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%	$ 63,121	1.00%	$ 97,112	0.55%	$ 53,411
2016	0.65%	63,571	1.00%	97,801	0.55%	53,791
2015	0.65%	62,519	1.00%	96,183	0.55%	52,901

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 Woodville Independent School District for the years August 31, 2017, 2016 and 2015 were $28,596, $37,498 and $38,640, 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 did not pay for any 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 to provide funds for the construction of major capital facilities and net pension liability. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the Debt Service Fund. The net pension liability is discussed in Note 8 and is funded annually through the funds impacted by the selected 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
2010 Refunding Series							
bonds	2.0 - 4.0%	$ 4,975,000	$ 2,270,000	$ -	$ 540,000	$ 1,730,000	$ 555,000
premium			38,212	-	9,553	28,659	9,553
2013 Contractual							
obligation bonds	0.25%	2,149,000	1,867,000	-	141,000	1,726,000	142,000
Total payable - principal			4,175,212	-	690,553	3,484,659	706,553
Net pension liability			3,364,345	374,396	289,972	3,448,769	-
Total governmental activities long-term liabilities			$ 7,539,557	$ 374,396	$ 980,525	$ 6,933,428	$ 706,553

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

Year Ended August 31,	Governmental Obligations Principal	Interest
2018	$ 697,000	$ 59,640
2019	717,000	39,460
2020	743,000	15,605
2021	143,000	3,247
2022	143,000	2,890
2023 - 2027	722,000	9,060
2028 - 2029	291,000	1,093
	$ 3,456,000	$ 130,995

NOTE 11. LEASE OBLIGATIONS

A. Operating Leases

Woodville Independent School District is obligated under operating (noncapitalized) leases for equipment and buildings. For the year ended August 31, 2017, lease expenditures of $80,694 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 Ending August 31,	Governmental Activities
2018	$ 70,212
2019	70,212
2020	70,212
2021	70,212
2022	17,684
	$ 298,532

NOTE 12. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property taxes	$ 5,168,842	$ -	$ 627,571	$ 5,796,413
Food sales	-	209,760	-	209,760
Investment income	52,360	-	3,615	55,975
Penalties, interest and other tax related income	112,455	-	8,964	121,419
Insurance proceeds	46,243	-	-	46,243
Co-curricular student activities	37,520	-	-	37,520
SSA- member districts	-	315,441	-	315,441
Other	142,799	-	-	142,799
Total	$ 5,560,219	$ 525,201	$ 640,150	$ 6,725,570

NOTE 13. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Shared service arrangement	$ -	$ 13,302	$ -	$ 13,302

NOTE 14. INTERFUND BALANCES AND TRANSFERS

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

	Receivable	Payable
General Fund		
Special Revenue Fund	$ 2,452	$ 4,801
Special Revenue Fund		
General Fund	4,801	2,452
	$ 7,253	$ 7,253

NOTE 15. COMMITMENTS AND CONTINGENCIES

At August 31, 2017, the District has incurred and paid approximately $226,680 in architectural fees and construction costs related to the planning stages of renovating the current high school. At the current time the WISD Board of Trustees has put the renovation project on hold.

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 financial statements for such contingencies.

NOTE 16. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement which provides special education to member districts. In addition to the District, other member districts include Colmesneil Independent School District, Warren Independent School District, Spurger Independent School District and Chester Independent School District. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in the Texas Education Agency's Financial Accountability System Resource Guide, the District has accounted for the fiscal agent's activities in a Special Revenue Fund.

Expenditures of the SSA are summarized as follows:

Woodville Independent School District	$ 79,342
Colmesneil Independent School District	86,917
Warren Independent School District	44,772
Spurger Independent School District	49,433
Chester Independent School District	54,977
Total	$ 315,441

NOTE 17. TAX ABATEMENT

The District has a Chapter 313 tax abatement with one industrial customer. Abated taxes for the year ended August 31, 2017 were approximately $969,810.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G-1

WOODVILLE ISD
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	$ 5,697,747	$ 5,697,747	$ 5,560,219	$ (137,528)
5800	State Program Revenues	7,552,771	7,552,771	7,628,577	75,806
5900	Federal Program Revenues	15,000	15,000	18,869	3,869
5020	Total Revenues	13,265,518	13,265,518	13,207,665	(57,853)
	EXPENDITURES:				
	Current:				
0011	Instruction	6,624,888	6,519,628	6,468,466	51,162
0012	Instructional Resources and Media Services	165,342	165,342	164,451	891
0013	Curriculum and Instructional Staff Development	40,035	76,315	74,459	1,856
0021	Instructional Leadership	6,700	16,700	10,235	6,465
0023	School Leadership	873,436	873,435	871,818	1,617
0031	Guidance, Counseling and Evaluation Services	416,938	401,938	396,944	4,994
0033	Health Services	144,715	144,715	139,913	4,802
0034	Student (Pupil) Transportation	877,419	703,591	698,186	5,405
0036	Extracurricular Activities	703,840	849,928	844,283	5,645
0041	General Administration	707,730	762,330	761,224	1,106
0051	Facilities Maintenance and Operations	1,891,093	1,881,093	1,819,046	62,047
0052	Security and Monitoring Services	54,100	65,100	65,098	2
0053	Data Processing Services	337,962	260,462	257,706	2,756
0061	Community Services	34,650	34,650	32,475	2,175
	Capital Outlay:				
0081	Facilities Acquisition and Construction	10,000	186,400	181,437	4,963
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of	65,000	80,000	79,342	658
0099	Other Intergovernmental Charges	310,500	242,720	241,938	782
6030	Total Expenditures	13,264,348	13,264,347	13,107,021	157,326
1100	Excess of Revenues Over Expenditures	1,170	1,171	100,644	99,473
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	3,000	3,000
8911	Transfers Out (Use)	(145,668)	(145,668)	(145,668)	-
7080	Total Other Financing Sources (Uses)	(145,668)	(145,668)	(142,668)	3,000
1200	Net Change in Fund Balances	(144,498)	(144,497)	(42,024)	102,473
0100	Fund Balance - September 1 (Beginning)	8,532,100	8,532,100	8,532,100	-
3000	Fund Balance - August 31 (Ending)	$ 8,387,602	$ 8,387,603	$ 8,490,076	$ 102,473

EXHIBIT G-2

WOODVILLE ISD

SCHEDULE OF THE DISTRICTS 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)	0.0091265%	0.0095176%	0.0061929%
District's Proportionate Share of Net Pension Liability (Asset)	$ 3,448,769	$ 3,364,345	$ 1,654,209
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	6,080,852	6,026,371	5,296,143
Total	$ 9,529,621	$ 9,390,716	$ 6,950,352
District's Covered-Employee Payroll	$ 9,780,055	$ 9,618,280	$ 9,571,165
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	35.26%	34.98%	17.28%
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

WOODVILLE ISD
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2017

	2017	2016	2015
Contractually Required Contribution	$ 297,737	$ 289,971	$ 281,820
Contribution in Relation to the Contractually Required Contribution	(297,737)	(289,971)	(281,820)
Contribution Deficiency (Excess)	$ -0-	$ -0-	$ -0-
District's Covered-Employee Payroll	$ 9,711,159	$ 9,780,055	$ 9,618,280
Contributions as a Percentage of Covered-Employee Payroll	3.07%	2.96%	2.93%

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."

REQUIRED TEA SCHEDULES

WOODVILLE ISD
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	1.040000	0.07000	991,837,568
2010	1.040000	0.07000	855,074,234
2011	1.040000	0.07000	888,863,333
2012	1.040000	0.08000	820,620,892
2013	1.040000	0.06000	857,271,100
2014	1.040000	0.06500	762,595,475
2015	1.040000	0.07500	846,465,112
2016	1.040000	0.08500	766,888,700
2017 (School year under audit)	1.040000	0.10500	530,985,590
100 TOTALS			

EXHIBIT J-1

(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
$ 718,068	$ -	$ 7,676	$ 754	$ (11,023)	$ 698,615
156,464	-	3,544	239	(664)	152,017
81,691	-	3,108	209	(2,889)	75,485
84,619	-	6,519	439	(2,889)	74,772
92,343	-	7,023	540	(3,385)	81,395
106,078	-	13,144	758	(3,919)	88,257
129,193	-	22,970	1,435	(3,913)	100,875
162,190	-	28,928	2,087	(4,006)	127,169
238,718	-	60,450	4,944	(14,622)	158,702
-	6,079,785	5,015,480	616,166	(175,417)	272,722
$ 1,769,364	$ 6,079,785	$ 5,168,842	$ 627,571	$ (222,727)	$ 1,830,009

EXHIBIT J-2

WOODVILLE ISD
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	$ 218,677	$ 218,677	$ 209,760	$ (8,917)
5800	State Program Revenues	22,500	22,500	23,825	1,325
5900	Federal Program Revenues	654,983	684,983	707,370	22,387
5020	Total Revenues	896,160	926,160	940,955	14,795
	EXPENDITURES:				
0035	Food Services	894,655	924,655	904,782	19,873
6030	Total Expenditures	894,655	924,655	904,782	19,873
1200	Net Change in Fund Balances	1,505	1,505	36,173	34,668
0100	Fund Balance - September 1 (Beginning)	217,157	217,157	217,157	-
3000	Fund Balance - August 31 (Ending)	$ 218,662	$ 218,662	$ 253,330	$ 34,668

EXHIBIT J-3

WOODVILLE ISD
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	Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 656,301	$ 656,301	$ 640,150	$ (16,151)
5800	State Program Revenues	-	-	14,575	14,575
5020	Total Revenues	656,301	656,301	654,725	(1,576)
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long Term Debt	681,000	681,000	680,999	1
0072	Interest on Long Term Debt	76,418	77,065	76,414	651
0073	Bond Issuance Cost and Fees	500	500	500	-
6030	Total Expenditures	757,918	758,565	757,913	652
1100	Excess (Deficiency) of Revenues Over Expenditures	(101,617)	(102,264)	(103,188)	(924)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	145,668	145,700	145,668	(32)
1200	Net Change in Fund Balances	44,051	43,436	42,480	(956)
0100	Fund Balance - September 1 (Beginning)	701,471	701,471	701,471	-
3000	Fund Balance - August 31 (Ending)	$ 745,522	$ 744,907	$ 743,951	$ (956)

FEDERAL AWARDS SECTION

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

December 5, 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
Woodville Independent School District
Woodville, Texas

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 Woodville 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 Woodville Independent School District and have issued our report thereon dated December 5, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Woodville 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 Woodville Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Woodville 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 77706-3848 • Phone (409) 838-1605 • Fax (409) 838-3316
Members of the American Institute of Certified Public Accountants

Board of Trustees
Woodville Independent School District
Page 2
December 5, 2017

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Woodville 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 Woodville 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

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

December 5, 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
Woodville Independent School District
Woodville, Texas

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Woodville 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 Responses.

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 Woodville 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 Woodville 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 Woodville Independent School District's compliance.

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

Opinion on Each Major Federal Program

In our opinion, Woodville 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 Woodville 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 Woodville 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 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

WOODVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
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
	Special Education Cluster
84.027A	IDEA-B, Title IV, Formula
84.173A	IDEA-B, Title IV, Preschool

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

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

WOODVILLE INDEPENDENT SCHOOL DISTRICT

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

Section II – Financial Statement Findings

-- NONE NOTED --

Section III – Federal Award Findings and Questioned Costs

-- NONE NOTED --

WOODVILLE INDEPENDENT SCHOOL DISTRICT

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

-- NONE NOTED --

EXHIBIT K-1

WOODVILLE ISD
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	17610101229903	$	436,222
*SSA - IDEA - Part B, Formula	84.027	176600012299036600		743,747
*SSA - IDEA - Part B, Preschool	84.173A	176610012299036610		30,666
Total Special Education Cluster (IDEA)				774,413
SSA - Career and Technical - Basic Grant	84.048A	17420006229903		39,023
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	17696001229903		28,587
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501229903		32,739
Total Passed Through State Department of Education			$	1,310,984
TOTAL U.S. DEPARTMENT OF EDUCATION			$	1,310,984
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State Department of Agriculture				
**School Breakfast Program	10.553	229903	$	191,412
**National School Lunch Program - Cash Assistance	10.555	229903		421,239
Total Child Nutrition Cluster				612,651
Commodity Supplemental Program	10.565	229004A		94,720
Total Passed Through the State Department of Agriculture			$	707,371
TOTAL U.S. DEPARTMENT OF AGRICULTURE			$	707,371
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	2,018,355

*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

WOODVILLE 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 Woodville 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 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.

SCHOOLS FIRST QUESTIONNAIRE

Woodville ISD

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.	3,448,769
SF13	Pension Expense (6147) at fiscal year-end.	

Financial Advisory Services
Provided By:

SAMCO CAPITAL MARKETS, INC.