<u>NEW ISSUE</u>: BOOK-ENTRY-ONLY

Ratings: S&P: "A-"
(See "RATINGS" herein.)

OFFICIAL STATEMENT
August 19, 2019

In the opinion of Bond Counsel (identified 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 Resolution (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Notes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under 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 HAS DESIGNATED THE NOTES AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$1,725,000
LA VILLA INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Hidalgo County, Texas)
MAINTENANCE TAX NOTES, SERIES 2019

Dated Date: August 1, 2019 (interest will accrue from the Delivery Date) **Due: August 15, as shown on page ii**

The La Villa Independent School District (the "District") is issuing its $1,725,000 Maintenance Tax Notes, Series 2019 (the "Notes") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly, Section 45.108, Texas Education Code, as amended, and a resolution (the "Resolution") authorizing the issuance of the Notes adopted by the Board of Trustees (the "Board") of the District on August 19, 2019.

The Notes constitute direct obligations of the District and are payable as to principal and interest from available funds of the District, including the proceeds of an annual ad valorem tax levied for maintenance purposes by the District against all taxable property within the District, within the limitations prescribed by law, as provided in the Resolution (see "THE NOTES – Security," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS")

Interest on the Notes will accrue from the Delivery Date (defined below), and will be payable on February 15 and August 15 of each year, commencing February 15, 2020, until stated maturity or prior redemption. The Notes will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. Interest accruing on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. (See "THE NOTES – General Description").

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue its use of such system. The principal of, and interest on the Notes will be payable to Cede & Co., as nominee for DTC, by UMB Bank, N.A., Austin, Texas, as the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Notes. No physical delivery of the Notes will be made to the owners thereof. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer (see "BOOK-ENTRY-ONLY SYSTEM").

The District reserves the right, at its option, to redeem Notes having stated maturities on and after August 15, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2029 or any date thereafter, at par value thereof plus accrued interest to the date of redemption. The Term Notes, hereinafter defined, are also subject to mandatory sinking fund redemption as described herein. (See "THE NOTES – Redemption Provisions").

Proceeds of the Notes will be used for (i) designing, renovating, improving, maintaining, and equipping school facilities in the District, and (ii) paying costs of issuing the Notes. (See "THE NOTES – Authorization and Purpose").

MATURITY SCHEDULE ON PAGE ii

The Notes are offered when, as and if issued, and accepted by the initial purchaser thereof named below (the "Underwriter"), subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Ricardo Perez Law Firm, McAllen, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, San Antonio, Texas. The Notes are expected to be available for initial delivery through the services of DTC on or about September 17, 2019 (the "Delivery Date").

ESTRADA HINOJOSA & COMPANY, INC.

MATURITY SCHEDULE

LA VILLA INDEPENDENT SCHOOL DISTRICT
Base CUSIP No: 505255[1]

$1,725,000
MAINTENANCE TAX NOTES, SERIES 2019

$920,000 Serial Notes

Maturity Date (8/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix No. [1]
2020	$ 85,000	4.00%	1.59%	JU4
2021	90,000	4.00	1.62	JV2
2022	95,000	4.00	1.67	JW0
2023	100,000	4.00	1.71	JX8
2024	100,000	4.00	1.77	JY6
2025	105,000	4.00	1.84	JZ3
2026	110,000	4.00	1.95	KA6
2027	115,000	4.00	2.05	KB4
2028	120,000	4.00	2.15	KC2

$805,000 Term Notes

$255,000 3.00% Term Notes due August 15, 2030; Priced at $105.353 to Yield 2.39%[2]; CUSIP No. Suffix[1]: KE8

$265,000 3.00% Term Notes due August 15, 2032; Priced at $104.274 to Yield 2.51%[2]; CUSIP No. Suffix[1]: KF5

$285,000 3.00% Term Notes due August 15, 2034; Priced at $102.943 to Yield 2.66%[2]; CUSIP No. Suffix[1]: KG3

(Interest to accrue from the Delivery Date)

REDEMPTION PROVISIONS…. The District reserves the right, at its option, to redeem Notes having stated maturities on and after August 15, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2029 or any date thereafter, at par value thereof plus accrued interest to the date of redemption. The Term Notes, hereinafter defined, are also subject to mandatory sinking fund redemption as described herein. (See "THE NOTES – Optional Redemption.").

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[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned to the Notes by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association and are included solely for the convenience of owners of the Notes. 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 District, the Financial Advisor, or the Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein.
[2] Yield calculated based on the assumption that the Notes denoted and sold at a premium will be redeemed on August 15, 2029, the first optional call date for such Notes, at a redemption price of par plus accrued interest to the date of redemption.

LA VILLA INDEPENDENT SCHOOL DISTRICT

ELECTED OFFICIALS

Name	Term Expires (Nov)	Occupation
Noe M. Castillo, Jr., President	2020	Self-Employed
Bridget Perez, Vice-President	2022	Temporary Teacher
Gilbert Hinojosa III, Secretary	2022	Full-Time Student
Ramiro Ortiz, Asst. Secretary	2022	Sales Representative
Gilbert M. Hinojosa Jr.	2020	I.C.E. Officer
Marianna Reyna	2020	Principal's Secretary
Marco Romero	2020	Transportation Officer

CERTAIN DISTRICT OFFICIALS

Name	Position	Years in Current Position	Years of Experience
Alejos Salazar	Superintendent of Schools	7 months	18
Sandra Martinez	Chief Financial Officer	7 months	16

CONSULTANTS AND ADVISORS

Ricardo Perez Law Firm McAllen, Texas	Bond Counsel
RBC Capital Markets, LLC San Antonio, Texas	Financial Advisor
Raul Hernandez & Company, P.C. Corpus Christi, Texas	Independent Auditor

For additional information regarding the District, please contact:

Sandra Martinez
Chief Financial Officer
La Villa Independent School District
500 East Ninth
La Villa, Texas 78562
Phone: (956) 262-4755

R. Dustin Traylor
RBC Capital Markets, LLC
303 Pearl Parkway, Suite 220
San Antonio, Texas 78215
Phone: (210) 805-1117

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover page, Schedule, and 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 as having been authorized by the District, the Financial Advisor or the Underwriter.

This Official Statement contains, in part, estimates and matters of opinion and certain forward-looking statements 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy of completeness of such information.

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 since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the District to provide certain information on a continuing basis.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the District, the Financial Advisor or the Underwriter make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company ("DTC") or its Book-Entry-Only System as such information has been provided by DTC.

The agreements of the District and others related to the Notes are contained solely in the Resolution and 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 THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

TABLE OF CONTENTS

The cover page hereof, the section entitled "Selected Data from the Official Statement," this Table of Contents and Appendices attached hereto are part of this Official Statement.

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 the entire Official Statement.

The District La Villa Independent School District (the "District") is a political subdivision located in Hidalgo County, 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. For more information regarding the District, see "Appendix A – Financial Information Regarding La Villa Independent School District" and "Appendix B – General Information Regarding La Villa Independent School District and Its Economy."

Authority for Issuance and Use of Proceeds The District is issuing its $1,725,000 Maintenance Tax Notes, Series 2019 (the "Notes") in accordance with the Constitution and general laws of the State of Texas including, particularly, Section 45.108, Texas Education Code, as amended, and a resolution (the "Resolution") authorizing the issuance of the Notes adopted by the Board of Trustees (the "Board") of the District on August 19, 2019.

Proceeds of the Notes will be used for (i) designing, renovating, improving, maintaining, and equipping school facilities in the District, and (ii) paying costs of issuing the Notes

Payment of Interest Interest on the Notes will accrue from the Delivery Date, and will be payable on February 15 and August 15 of each year, commencing February 15, 2020, until stated maturity or prior redemption. (See "THE NOTES – General Description.")

Paying Agent/Registrar The initial Paying Agent/Registrar for the Notes is UMB Bank, N.A., Austin, Texas. (See "REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar.") Initially, the District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM.")

Security The Notes will constitute direct obligations of the District payable as to principal and interest, from a continuing and direct maintenance and operations ad valorem tax levied by the District against all taxable property located within the District, within the limitations prescribed by law. (See "THE NOTES - Security"). Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in Texas. The Notes will **not** be guaranteed by the State of Texas Permanent School Fund Guarantee Program.

Redemption Provisions The District reserves the right, at its option, to redeem Notes having stated maturities on and after August 15, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2029 or any date thereafter, at par value thereof plus accrued interest to the date of redemption. The Term Notes, hereinafter defined, are also subject to mandatory sinking fund redemption as described herein. (See "THE NOTES – Redemption Provisions.")

Ratings The Notes have been assigned an unenhanced rating of "A-" by S&P Global Ratings ("S&P"). An explanation of the significance of such rating may be obtained from the rating agency. (See "RATINGS" herein.)

Tax Exemption In the opinion of Ricardo Perez Law Firm, McAllen, Texas, Bond Counsel to the District based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes (1) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS."

Qualified Tax-Exempt Obligations	The District has designated the Notes as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations.")
Book-Entry-Only System	The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in denominations of $5,000 in principal amount or integral multiples thereof. No physical delivery of the Notes will be made to the purchasers thereof (the "Beneficial Owners"). The principal of and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Notes. (See "BOOK-ENTRY-ONLY SYSTEM.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Ricardo Perez Law Firm, McAllen, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix D - Form of Legal Opinion of Bond Counsel".)
Delivery	When issued, anticipated on or about September 17, 2019.

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OFFICIAL STATEMENT RELATING TO

LA VILLA INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Hidalgo County, Texas)

$1,725,000
MAINTENANCE TAX NOTES, SERIES 2019

INTRODUCTORY STATEMENT

This Official Statement, including Appendices A, B and C hereto, has been prepared by the La Villa Independent School District (the "District") located in Hidalgo County, Texas in connection with the offering by the District of its $1,725,000 Maintenance Tax Notes, Series 2019 (the "Notes") identified on the cover page 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. (See "FORWARD LOOKING STATEMENTS.")

There follows in this Official Statement descriptions of the Notes and the Resolution (as defined herein), 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 electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the La Villa Independent School District, 500 East Ninth, La Villa, Texas 78562, and, during the offering period, from the District's Financial Advisor, RBC Capital Markets LLC, 303 Pearl Parkway, Suite 220, San Antonio, Texas 78215, by electronic mail or upon payment of reasonable handling, mailing and delivery charges.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the Official Statement will be deposited with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the District to provide certain information on a continuing basis.

THE NOTES

Authorization and Purpose

The Notes are being issued in accordance with the Constitution and general laws of State of Texas ("Texas" or the "State"), including, particularly, Section 45.108, Texas Education Code, as amended, and a resolution (the "Resolution") authorizing the issuance of the Notes adopted by the Board of Trustees (the "Board") of the District on August 13, 2019.

Proceeds of the Notes will be used for (i) designing, renovating, improving, maintaining, and equipping school facilities in the District and (ii) paying costs of issuing the Notes.

General Description

The Notes will be dated August 1, 2019. Interest on the Notes will accrue from the Delivery Date (as defined on the front cover), will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2020, until stated maturity or prior redemption. The Notes mature on the dates and in the principal amounts shown on page ii hereof. The Notes will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. The paying agent/registrar for the Notes is initially UMB Bank, N.A., Austin, Texas (the "Paying Agent/Registrar").

Initially, the Notes will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Notes will be made to the beneficial owners. Principal of, and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such system.

In the event the Notes are no longer held in the Book-Entry-Only System, interest on the Notes shall be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record

Date (hereinafter defined) and such accrued interest will be paid by (i) check sent United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date (the "Record Date") for determining the party to whom the interest on a Note is payable on any interest payment date is the last business day of the month next preceding such interest payment date (see "REGISTRATION, TRANSFER AND EXCHANGE - Record Date for Interest Payment"). If the date for any payment on the Notes shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when 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. The principal of the Notes is payable at maturity upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Notes, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Redemption Provisions

Optional Redemption of Notes . . . The District reserves the right, at its option, to redeem Notes having stated maturities on and after August 15, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2029 or any date thereafter, at par value thereof plus accrued interest to the date of redemption.

Mandatory Redemption . . . The Notes stated to mature on August 15, 2030, August 15, 2032, and August 15, 2034 (the "Term Notes") are subject to mandatory sinking fund redemption in part, prior to their stated maturity at the redemption price of par plus accrued interest to the date of redemption on the dates and in the principal amounts as follows:

Term Notes due August 15, 2030

Mandatory Redemption Date (8/15)	Principal Amount
2029	$ 125,000
2030*	130,000

Term Notes due August 15, 2032

Mandatory Redemption Date (8/15)	Principal Amount
2031	$ 130,000
2032*	135,000

Term Notes due August 15, 2034

Mandatory Redemption Date (8/15)	Principal Amount
2033	$ 140,000
2034*	145,000

*Stated Maturity

Approximately forty-five (45) days prior to each mandatory redemption date for any Term Note, the Paying Agent/Registrar shall randomly select by lot or other customary method the numbers of the Term Note within the applicable Stated Maturity to be redeemed on the next following August 15 from moneys set aside for that purpose in the Bond Fund (as defined in the Resolution). Any Term Notes not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of a Term Note required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Notes of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (i) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (iii) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Selection of Notes for Redemption . . . If less than all of the Notes are to be redeemed, the District may select the maturities of the Notes to be redeemed. If less than all the Notes of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Notes are in Book-Entry-Only form) shall determine by lot the Notes, or portions thereof, within such maturity to be redeemed.

Notice of Redemption and DTC Notices . . . 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 the registered owners of the Notes to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying

Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE NOTES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY NOTE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH NOTE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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 of the Notes, 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 or 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.")

Security

The Notes are direct obligations of the District and are payable as to principal and interest from a direct and continuing maintenance and operations ad valorem tax levied annually on all taxable property within the District, within the limitations prescribed by law, as provided in the Resolution. (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM.")

Legality

The Notes are offered when, as and if issued, and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Ricardo Perez Law Firm, McAllen, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix D – Form of Legal Opinion of Bond Counsel.")

Payment Record

The District has never defaulted with respect to the payment of its bonded indebtedness.

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 the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (defined below) that 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 Obligations sufficient to make such payment. The sufficiency of deposits 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 Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys 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 Obligations" 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 of their acquisition or purchase by the District, 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 have been refunded and, on the date of their acquisition or purchase by the District, 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 may restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Notes, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas 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, which defeasance securities may not be of the same investment quality as those currently identified Texas 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 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.

Amendments

The District may amend the Resolution without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Notes then outstanding, amend, add to, or rescind any of the provisions of the Resolution; except that, without consent of the registered owners of all of the Notes outstanding, no such amendment, addition or rescission may (1) extend the time or times of payment of the principal of or interest on the Notes, reduce the principal amount or the rate of interest thereon, or in any other way modify the terms of payment of the principal thereof, the redemption price, or interest on the Notes, (2) give any preference to any Note over any other Note, or (3) reduce the aggregate principal amount of Notes required to be held by holders for consent to any such amendment, addition, or rescission.

Sources and Uses of Funds

The proceeds from the sale of the Notes will be applied approximately as follows:

Sources:		
	Principal Amount of the Notes	$1,725,000.00
	Reoffering Premium on the Notes	125,922.70
	Total Source of Funds	**$1,850,922.70**
Uses:		
	Deposit to the Project Fund	$1,772,000.00
	Costs of Issuance and Underwriter's Discount	78,922.70
	Total Uses of Funds	**$1,850,922.70**

NOTEHOLDERS' REMEDIES

The Resolution does not specify events of default with respect to the Notes. If the District defaults in the payment of principal, interest, or redemption price on the Notes when due, or the District 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 the District or District officials to carry out the 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 and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so 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 Noteholders 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.

On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3rd 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity 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, Noteholders 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 Noteholders 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 Notes are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, 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 Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

None of the District, the Financial Advisor, or the Underwriter can and in fact do not give any assurance that (1) DTC will distribute payments of debt service on the Notes, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or redemption or other notices, to the Beneficial Owners (defined herein), 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 SEC, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered Notes 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 the Notes, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world’s largest 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 companies 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 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 the Notes (“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 system for the Notes is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 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 nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, physical Notes are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Note certificates will be printed and delivered in accordance with the Resolution.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor and the Underwriter believe to be reliable, but the District, the Financial Advisors and the Underwriter take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Notes, the District will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

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 Book-Entry-Only form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or 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

UMB Bank, N.A., Austin, Texas, has been named to serve as initial Paying Agent/Registrar for the Notes. In the Resolution, the District retains the right to replace 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; a trust company organized under the applicable law; 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 agrees 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.

Interest on the Notes shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid by (i) check sent United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. Principal of the Notes will be paid to the registered owner at the stated maturity or upon earlier redemption, as applicable, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for any payment on the Notes shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. (or other DTC nominee) is the registered owner of the Notes, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Future Registration

In the event the Book-Entry-Only System is discontinued, printed Note certificates will be delivered to the Beneficial Owners of the Notes and thereafter the Notes may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates 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. Notes may be assigned by the execution of an assignment form on the respective 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 being transferred or exchanged at the designated 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 kind and aggregate principal amount as the Note or Notes surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Notes.

Record Date For Interest Payment

The Record Date for determining the party to whom the interest on a Note is payable on any interest payment date for the Notes means the close of business on the last business day of the month next preceding such interest payment date. In the event of a nonpayment 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

Neither the District nor the Paying Agent/Registrar shall be required to issue or transfer or exchange any Note called for redemption, in whole or in part, within forty-five (45) days of the date fixed for the redemption of such Note; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Note called for redemption in part.

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 in 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 of satisfactory evidence 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 taxes, governmental charges and other expenses as the Paying Agent/Registrar may incur in connection therewith.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Hidalgo County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a 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 homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – District and Taxpayer Remedies."

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $25,000 exemption of the market value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The governing body of a school district may not repeal or reduce the amount of the local option homestead exemption described in (1), above, that was in place for the 2014 tax year (fiscal year 2015) for a period ending December 31, 2019. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

State Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves, and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Until September 1, 1999, school districts were able to reduce the value of taxable property reported to the State to reflect any taxable value lost due to TIRZ participation by the school district. The ability of the school district to deduct the taxable value of the tax increment that it contributed prevented the school district from being negatively affected in terms of state school funding.

However, due to a change in law, local M&O tax rate revenue contributed to a TIRZ created on or after May 31, 1999 will count toward a school district's Tier One entitlement (reducing Tier One State funds for eligible school districts) and will not be considered in calculating any school district's Tier Two entitlement. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts".

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts".

For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE LA VILLA INDEPENDENT SCHOOL DISTRICT" herein.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the District may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate." The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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. 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 of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim 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; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

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

THE PROPERTY TAX CODE AS APPLIED TO THE LA VILLA INDEPENDENT SCHOOL DISTRICT

The Appraisal District has the responsibility for appraising property in the District. The Appraisal District is governed by a board of directors appointed by voters of the governing bodies of various political subdivisions in the county. The District's taxes are collected by the Hidalgo County Tax Assessor-Collector.

The District grants a State mandated $25,000 general residence homestead exemption.

The District grants a State mandated $10,000 residence homestead exemption for persons 65 years of age or older or the disabled.

The District does not tax non-business personal property.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District grants a State mandated property tax exemption for disabled veterans.

The District does not permit split payments, and discounts are not allowed.
The District does not grant a Freeport exemption.

The Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayer referenda which could result in the repeal of certain tax increases.

The Board has approved a resolution initiating 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. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, an additional penalty of up to 20% of incurred taxes, penalty, and interest, is assessed on July 1 in order to defray attorney collection expenses.

Property within the District is assessed as of January 1 of each year (except business inventories which may be assessed as of September 1 and mineral values which are assessed on the basis of a twelve month average) and taxes become due October 1 of the same year, or when filed, whichever comes later, and become delinquent on February 1 of the following year. Split payments of taxes are not permitted. Discounts for the early payment of taxes are not permitted.

EMPLOYEES BENEFIT PLAN

The District's employees participate in a retirement plan (the "Plan") with the State. 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. During 2018 the State contributed $231,693 to TRS on behalf of the District, District employees paid $343,444 and other contributions (District, Federal and private grants) totaled $141,252. See Note J in Appendix C for more information on TRS.

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 the terms and conditions of employment of school employees. Some districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

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 Litigation and Changes in Law on District Bonds

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

Although, as a matter of law, the Notes, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Notes, specifically, the District's obligation to levy an annual maintenance and operations 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

During the 2019 Legislative Session, the State Legislature made numerous changes to the current public school finance system, the levy and collection of ad valorem taxes, and the calculation of defined tax rates, including particularly those contained in House Bill 3 ("HB 3") and Senate Bill 2 ("SB 2"). In some instances, the provisions of HB 3 and SB 2 will require further interpretation in connection with their implementation in order to resolve ambiguities contained in the bills. The District is still in the process of (a) analyzing the provisions of HB 3 and SB 2, and (b) monitoring the on-going guidance provided by TEA. The information contained herein under the captions "Current Public School Finance System" and "Tax Rate Limitations" is subject to change, and only reflects the District's understanding of HB 3 and SB 2 based on information available to the District as of the date of this Official Statement. Prospective investors are encouraged to review HB 3, SB 2, and the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current public school finance system.

Overview

The following language constitutes only a summary of the public school 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 43 through 49 of the Texas Education Code, as amended.

Local funding is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations ("M&O") tax to pay current expenses and an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts may not increase their M&O tax rate for the purpose of creating a surplus to pay debt service on bonds. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to $1.50 per $100 of taxable value in the school district. Since 2006, the State Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed $0.50 per $100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount. See "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein. Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district's M&O tax rate.

Prior to the 2019 Legislative Session, a school district's maximum M&O tax rate for a given tax year was determined by multiplying that school district's 2005 M&O tax rate levy by an amount equal a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the "Commissioner"). This compression percentage was historically 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, since most school districts in the State had a voted maximum M&O tax rate of $1.50 per $100 of taxable value. School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to $0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to $0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate between $1.04 and $1.17 per $100 of taxable value). School districts received additional State funds in proportion to such taxing effort.

Local Funding for School Districts

During the 2019 Legislative Session, the 86th State Legislature made several significant changes to the funding methodology for school districts (the "2019 Legislation"). The 2019 Legislation orders a school district's M&O tax rate into two distinct parts: the "Tier One Tax Rate", which is the local M&O tax rate required for a school district to any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the Enrichment Tax Rate, being an additional amount of local M&O funding in excess of its Tier One Tax Rate. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage. The "State Compression Percentage" for the State fiscal year ending in 2020 (the 2019-2020 school year) is a statutorily-defined percentage of the rate of $1.00 per $100 at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which a school district is entitled. For the State fiscal year ending in 2020, the State Compression Percentage is set at 93% per $100 of taxable value. Beginning in the State fiscal year ending in 2021, the State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) have increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%.

Maximum Compressed Tax Rate. Pursuant to the 2019 Legislation, beginning with the State fiscal year ending in 2021 (the 2020-2021 school year) the Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of State Compression Percentage for the current year multiplied by $1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase.

Tier One Tax Rate. For the 2019-2020 school year, the Tier One Tax Rate is the State Compression Percentage multiplied by (i) $1.00, or (ii) for a school district that levied an M&O tax rate for the 2018-2019 school year that was less than $1.00 per $100 of taxable value, the total number of cents levied by the school district for the 2018-2019 school year for M&O purposes; effectively setting the Tier One Tax Rate for the State fiscal year ending in 2020 for most school districts at $0.93. Beginning in the 2020-2021 school year, a school district's Tier One Tax Rate is defined as a school district's M&O tax rate levied that does not exceed the school district's MCR.

Enrichment Tax Rate. The Enrichment Tax Rate is the number of cents a school district levies for M&O in excess of the Tier One Tax Rate, up to an additional $0.17. The Enrichment Tax Rate is divided into two components: (i) "Golden Pennies" which are the first $0.08 of tax effort in excess of a school district's Tier One Tax Rate; and "Copper Pennies" which are the next $0.09 in excess of a school district's Tier One Tax Rate plus Golden Pennies.

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to $0.93 for the 2019-2020 school year, or equal to the school district's MCR for the 2020-2021 and subsequent years. Additionally, a school district's levy of Copper Pennies is subject compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two").

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which guarantees certain levels of funding for school districts in the state. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's respective M&O tax rates generate tax revenues at a level below the respective entitlement, the school district is entitled to receive Tier One funding or Tier Two funding, respectively, from the State in an amount equal to the difference between the school district's entitlements and the actual M&O revenues generated by the school district's Tier One Tax Rate and Enrichment Tax Rate, respectively.

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations"), Tier Two funding may not be used for the payment of debt service or capital outlay.

The current public school 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. For the 2020-2021 State fiscal biennium, the State Legislature appropriated funds in the amount of $1,323,444,300 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 school 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, provided that a school district qualifies for such funding and that the State Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the State Legislature.

Tier One. Tier One funding is the basic level of funding guaranteed to a school district consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. This Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics and demographics of students in ADA, to make up most of a school district's Tier One entitlement under the Foundation School Program.

For the 2019-2020 State fiscal year, the Basic Allotment for school districts with a Tier One Tax Rate equal to $0.93, is $6,160 for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than $0.93. For the State fiscal year ending in 2021 and subsequent State fiscal years, the Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), and (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by $6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of $98.56 per WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of $49.28 per WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year. Accordingly, the increase in the guaranteed yield from $31.95 per cent per student in WADA for the 2018-2019 school year to $49.28 per cent per student in WADA for the 2019-2020 school year requires school districts to compress their levy of Copper Pennies by a factor of 0.64834. As such, school districts that levied an Enrichment Tax Rate of $0.17 in school year 2018-2019 must reduce their Enrichment Tax Rate to approximately $0.138 per $100 taxable value for the 2019-2020 school year.

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield 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 new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school 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 school 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. For the 2020-2021 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; 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") is the lesser of (i) $40 per student in ADA 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 school districts would have been entitled to if the EDA Yield were $35. The portion of a school district's local debt service rate that qualifies for EDA assistance is limited to the first $0.29 of its I&S tax rate (or a greater amount for any year provided by appropriation by the State Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school 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 school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

Since future-year IFA awards were not funded by the State Legislature for the 2020-21 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2020-21 State fiscal biennium on new bonds issued by school districts in the 2020-21 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. The 86th State Legislature appropriated funds in the amount of $100,000,000 for each fiscal year of the 2020-2021 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity. The Commissioner may adjust a school district's funding entitlement if the funding formulas used to determine the school district's entitlement result in an unanticipated loss or gain for a school district. Any such adjustment requires preliminary approval from the Legislative Budget Board and the office of the Governor, and such adjustments may only be made through the 2020-2021 school year.

Additionally, the Commissioner may proportionally reduce the amount of funding a school district receives under the Foundation School Program and the ADA calculation if the school district operates on a calendar that provides less than the State-mandated minimum instruction time in a school year. The Commissioner may also adjust a school district's ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a school district's attendance.

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year.

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as "recapture", which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "Options for Local Revenue Levels in Excess of Entitlement". Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

Whereas prior to the 2019 Legislation, the recapture process had been based on the proportion of a school district's assessed property value per student in WADA, recapture is now measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the State Legislature each fiscal biennium. Therefore, school districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement. The changes to the wealth transfer provisions are expected to reduce the cumulative amount of recapture payments paid by school districts by approximately $3.6 billion during the 2020-2021 State fiscal biennium.

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters.

Furthermore, a school district may not adopt a tax rate until its effective local revenue level is at or below the level that would produce its guaranteed entitlement under the Foundation School Program. If a school district fails to exercise a permitted option, the Commissioner must reduce the school district's local revenue level to the level that would produce the school district's guaranteed entitlement, by detaching certain types of property from the school district and annexing the property to a property-poor school district or, if necessary, consolidate the school district with a property-poor school district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring school district's existing debt.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on December 1, 1999 in accordance with the provisions of Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code).

The 2019 Legislation established the following maximum M&O tax rate per $100 of taxable value that may be adopted by school districts, such as the District, for the 2019 and subsequent tax years:

> For the 2019 tax year, the maximum M&O tax rate per $100 of taxable value that may be adopted by a school district is the sum of $0.17 and the product of the State Compression Percentage multiplied by $1.00. For the 2019 tax year, the state compression percentage has been set at 93%.
>
> For the 2020 and subsequent tax years, the maximum M&O tax rate per $100 of taxable value that may be adopted by a school district is the sum of $0.17 and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is $0.93. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein.

Furthermore, a school district cannot annually increase its tax rate in excess of the school district's Voter-Approval Tax Rate without submitting such tax rate to an election and a majority of the voters voting at such election approving the adopted rate. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" herein.

I&S Tax Rate Limitations

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 "THE NOTES –Security").

Section 45.0031 of the Texas Education Code, as amended, requires a school 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 voters of a school district 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 (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent 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 school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent 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 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Notes are payable from the lawfully available revenues of the District, including its maintenance tax and, therefore, the Notes are not subject to the $0.50 threshold tax rate test.

Public Hearing and Voter-Approval Tax Rate

A school district's total tax rate is the combination of the M&O tax rate and the I&S tax rate. Generally, the highest rate at which a school district may levy taxes for any given year without holding an election to approve the tax rate is the "Voter-Approval Tax Rate."

For the 2019 tax year, a school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (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 being 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. "Effective tax rate" means the rate that will produce the prior year's total tax levy from the current year's total taxable values, adjusted such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

For the 2019 tax year, the Voter-Approval Tax Rate for a school district is the sum of (i) the State Compression Percentage, multiplied by $1.00; (ii) the greater of (a) the school district's M&O tax rate for the 2018 tax year, less the sum of (1) $1.00, and (2) any amount by which the school district is required to reduce its Enrichment Tax Rate for the 2019 tax year, or (b) $0.04; and (iii) the school district's I&S tax rate. For the 2019 tax year, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the product of the State Compression Percentage multiplied by $1.00.

For the 2019 tax year, a school district with a Voter-Approval Tax Rate equal to or greater than $0.97 (excluding the school district's current I&S tax rate) may not adopt a tax rate for the 2019 tax year that exceeds the school district's Voter-Approval Tax Rate. For the 2019 tax year, TEA has set the districts Voter-Approval Tax Rate (excluding its current I&S tax rate) at $1.0683. (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two"). For the 2019 tax year, the District is not eligible to adopt a tax rate that exceeds its Voter-Approval Tax Rate.

Beginning with the 2020 tax year, a school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (60th) day after the date the certified appraisal roll is received by the taxing unit, except that a tax rate that exceeds the Voter-Approval Tax Rate must be adopted not later than the seventy-first (71st) day before the next occurring November uniform election date. A school district's failure to adopt a tax rate equal to or less than the Voter-Approval Tax Rate by September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll, will result in the tax rate for such school district for the tax year to be the lower of the "no-new-revenue tax rate" calculated for that tax year or the tax rate adopted by the school district for the preceding tax year. A school district's failure to adopt a tax rate in excess of the Voter-Approval Tax Rate on or prior to the seventy-first (71st) day before the next occurring November uniform election date, will result in the school district adopting a tax rate equal to or less than its Voter-Approval Tax Rate by the later of September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll. "No-new-revenue tax rate" means the rate that will produce the prior year's total tax levy from the current year's total taxable values, adjusted such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

For the 2020 and subsequent tax years, the Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate. However, for only the 2020 tax year, if the governing body of the school district does not adopt by unanimous vote an M&O tax rate at least equal to the sum of the school district's MCR plus $0.05, then $0.04 is substituted for $0.05 in the calculation for such school district's Voter-Approval Tax Rate for the 2020 tax year. For the 2020 tax year, and subsequent years, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the school district's MCR. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate.

Beginning with the 2020 tax year, the governing body of a school district generally cannot adopt a tax rate exceeding the school district's Voter-Approval Tax Rate without approval by a majority of the voters approving the higher rate at an election to be held on the next uniform election date. Further, subject to certain exceptions for areas declared disaster areas, State law requires the board of trustees of a school district to conduct an efficiency audit before seeking voter approval to adopt a tax rate exceeding the Voter-Approval Tax Rate and sets certain parameters for conducting and disclosing the results of such efficiency audit. An election is not required for a tax increase to address increased expenditures resulting from certain natural disasters in the year following the year in which such disaster occurs; however, the amount by which the increased tax rate exceeds the school district's Voter-Approval Tax Rate for such year may not be considered by the school district in the calculation of its subsequent Voter-Approval Tax Rate.

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 the school district's 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 school district if the school 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), (c-1), (c-2), 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 school district delivers substantially all of its tax bills. A school district that elects to adopt a tax rate before the adoption of a budget for the fiscal year that begins in the current tax year may adopt a tax rate for the current tax year before receipt of the certified appraisal roll, so long as the chief appraiser of the appraisal district in which the school district participates has certified to the assessor for the school district an estimate of the taxable value of property in the school district. If a school district adopts its tax rate prior to the adoption of its budget, both the no-new-revenue tax rate and the Voter-Approval Tax Rate of the school district shall be calculated based on the school district's certified estimate of taxable value. A school 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.

Beginning with the 2020 tax year, a school district must annually calculate and prominently post on its internet website, and submit to the county tax assessor-collector for each county in which all or part of the school district is located its Voter-Approval Tax Rate in accordance with forms prescribed by the State Comptroller.

RATINGS

The Notes have been assigned an unenhanced rating of "A-" by S&P Global Ratings, a division of S&P, Global Inc. ("S&P").

An explanation of the significance of such ratings may be obtained from S&P. The rating of the Notes by S&P reflects only the view of S&P at the time the ratings are given, and the District makes no representations as to the appropriateness of the ratings. There is no assurance that the ratings will continue for any given period of time, or that the ratings 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 ratings may have an adverse effect on the market price of the Notes.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter 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 Texas 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 Ricardo Perez Law Firm, McAllen, Texas, Bond Counsel, with respect to the Notes in substantially the form attached to this Official Statement as Appendix D. Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the Notes, Bond Counsel was engaged by and only represents the District in connection with the issuance of the Notes. Bond Counsel 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 under the captions and subcaptions "THE NOTES" (except for the information under the subcaptions "Payment Record", and "Sources and Uses of Funds", as to which no opinion need be expressed), "REGISTRATION, TRANSFER AND EXCHANGE," "AD VALOREM PROPERTY TAXATION," "TAX RATE LIMITATIONS," "TAX MATTERS," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "LEGAL MATTERS" (except for the last two sentences in the second paragraph as to which no opinion need be expressed), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the sub-caption "Compliance With Prior Undertakings," as to which no opinion need be expressed), and such firm is of the opinion that the information relating to the Notes and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Notes, such information conforms to the provisions of the Resolution.

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. The legal opinion of Bond Counsel will accompany the Notes deposited with DTC or will be printed on the definitive Notes in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its legal counsel, Norton Rose Fulbright US LLP, San Antonio, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Notes.

The 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 that 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.

Legal Investment and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Notes are negotiable instruments, investment securities 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 of Texas. 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. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Notes must be rated not less than "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to invest in the Notes, except for purchases of interest and sinking funds of such entities. See "RATINGS" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Notes. 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.

Registration and Qualification of Notes for Sale

No registration statement relating to the Notes has been filed with the United States Securities and Exchange Commission (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 this 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.

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. 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 D 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 Resolution subsequent to the issuance of the Notes. The Resolution 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. 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 Notes 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.

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 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exemption to this interest disallowance rule for financial institutions stating that such disallowance does not apply to interest expense allocable to certain tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of certain other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer and certain related entities during the same calendar year, does not exceed $10,000,000.

The District has designated the Notes as "qualified tax-exempt obligations" and has certified its expectation that the above described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Notes will not be subject to the 100% disallowance of interest expense allocable to interest on the Notes under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Notes will be reduced by 20% pursuant to section 291 of the Code.

INVESTMENT POLICIES

Investments

The District invests its investable funds in investments authorized by Texas law, including Chapter 2256, as amended, Texas Government Code (the "Texas Public Funds Investment Act"), and in accordance with investment policies approved by the Board of Trustees of the District. Both State law and the District's investment policies are subject to change.

Legal Investments

Under Texas law, the District is authorized to invest in (1) obligations 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 are unconditionally 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; (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 guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act); (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for District deposits, or (ii) certificates of deposit where (a) the funds are invested by the District through 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 a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the District with respect to the certificates of deposit issued for the account of the District; (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), (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; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time, and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the District, held in the District’s name and deposited at the time the investment is made with the District or a third party designated by the District, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers’ acceptances if the bankers’ acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of 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; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the District with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset- backed securities; (15) investment pools if the District has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than “AAA” or “AAA-m” or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the District and deposited with the District or with a third party selected and approved by the District.

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

Investment Policies

Under 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 include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, requirements for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the District's 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 must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and 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) the investment strategy expressed in the District's investment policy, and (b) the Public Funds Investment Act. 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 an order 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 said order 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 District; (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, or other 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 repurchase agreement; (8) restrict the investment in no-load mutual funds to no more than 15% of the entity'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.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Notes. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB").

Annual Reports

The District will provide this updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1 through 7 and 9 through 13 in Appendix A. The District will update and provide this information within six months after the end of each fiscal year, commencing in 2019. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The District will provide audited financial statements within twelve months after the end of each fiscal year, commencing in 2019, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements of the type described above by the required time and will provide audited financial statements when and if such audited financial statements become available. Any financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to Texas law or regulation. The District's current fiscal year end is August 31.

Accordingly, it must make available updated financial and operating data by the end of February in each year and financial statements by the end of August 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. The District will provide the updated information to the MSRB in an electronic format, which will be available to the general public without charge via the MSRB's Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Notice of Certain Events

The District also will 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 (10) 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 or 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; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrar or change of name of the paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the District (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the District, any of which reflect financial difficulties. Neither the Notes nor the Resolution make any provision for liquidity enhancement, credit enhancement, or require the funding of debt service reserves. 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".

For these purposes, (a) any event described in clause (12) of 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 the 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, and (b) the District intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Notes will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 from time to time 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 (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Notes in the offering described herein 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 (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Notes consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered owners of the Notes. The District may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Notes in the primary offering of the Notes. If the District so amends the agreement, it has agreed to include with the next financial information and operating data 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 financial information and operating data so provided.

Compliance with Prior Undertakings

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

DISTRICT'S REQUIRED RE-AUDITING BY THE TEXAS EDUCATION AGENCY AND RECENT FISCAL MANAGEMENT REVIEW

Required Re-auditing by the Texas Education Agency

The District received a letter from TEA, dated April 15, 2014, advising the District that the annual financial reports that the District had submitted to TEA for fiscal years ending 2011 (the "2011 Audit"), 2012 (the "2012 Audit") and 2013 (the "2013 Audit") were not appropriately completed by an independent audit firm that held a current certified public accountancy firm license as required by State law. TEA required the District to re-audit the 2011 Audit, 2012 Audit and the 2013 Audit.

The District immediately instituted internal controls and made administrative changes to insure that future acquisition of auditing services resulted in full compliance with State law. The District duly obtained the services of Raul Hernandez & Co., certified public accountants, to re-audit the 2011 Audit, 2012 Audit and the 2013 Audit and to prepare its annual financial reports for fiscal year ending 2014.

The most significant changes resulting from the re-auditing of the 2011 Audit, 2012 Audit and the 2013 Audit were changes in the ending fund balance for such fiscal years. The re-auditing of the 2011 Audit resulted in a decrease in the ending fund balance for such fiscal year of $41,261. The re-auditing of the 2012 Audit and the 2013 Audit resulted in an increase in the ending fund balances for such fiscal years of $362,938 and 459,879, respectively.

The 2011 Audit, 2012 Audit and the 2013 Audit were timely received by TEA per their request. The District filed the 2011, 2012 and 2013 re-audits with the MSRB via EMMA on November 17, 2016, along with a material event disclosure, on November 21, 2016.

The District subsequently hired the firm of Pattillo, Brown & Hill, L.L.P. to perform the auditing of its annual financial report for the fiscal year ended 2016, and then rehired Raul Hernandez & Co., to perform the auditing of its annual financial report for the fiscal year ended 2017.

Included in the TEA Fiscal Management Review, as defined and discussed below, TEA requested that the District "seek assistance from their local district attorney to obtain restitution of funds paid for fraudulent audited annual financial reports." The District has engaged outside counsel to assist with TEA's request. Otherwise, there is no pending or threatened litigation or investigation regarding this matter.

Texas Education Agency Recent Fiscal Management Review of District

From December 7 to December 11, 2015, TEA auditors conducted an on-site examination of the District's financial records (the "TEA Fiscal Management Review"). The District received a letter from TEA, dated June 30, 2016, advising the District that the scope of the review was limited to procedures necessary to determine whether the District had undertaken corrective actions in response to findings reported in the District's fiscal year 2014 annual financial report (the "2014 Audit"). TEA auditors also performed additional procedures to review the District's financial management practices and to review the District's system of internal controls. Among various findings and required actions, including the aforementioned request that the District "seek assistance from their local district attorney to obtain restitution of funds paid for fraudulent audited annual financial reports", TEA required that the District make the following financial related actions:

In response to 2014 Audit finding that "the district did not maintain accurate general ledgers, schedules of accounts payable, schedules of due to/due from, accurate and timely bank reconciliations, accurate year-end accruals for receivables and payables, accurate accruals for payroll, accurate beginning fund balances, schedules of debt, schedules of depreciation, and did not prepare timely financial reports."

- The District must seek assistance from the Region One Education Service Center to help address the deficiencies noted in the District's financial system and to conduct a review of the business office. Management and staff should be trained to understand basic accounting rules and principles, proper internal controls, and timely financial reporting.

With regard to Cash Receipts – Student Activity Funds:

- Student activity sponsors and the business manager should make sure that the student activity funds are reconciled on a regular basis to avoid overdrawn balances.

With regard to Athletic Gate Receipts:

- Money should be counted with two individuals present at all times. Both individuals should initial the deposit slip acknowledging the amount to be deposited.

With regard to Accounting Procedures and Controls - Budgeting:

- The District should better train employees responsible for coding purchase orders and invoices to enhance their knowledge of state and federal account coding and their understanding of their campus budget.

With regard to Accounting Procedures and Controls – Bank Reconciliations:

- The District must use the electronic purchase order system in TxEIS to ensure that District purchase order procedures are followed with all purchases. The District should ensure all applicable purchases are preceded by a signed, approved purchase order.
- The accounts payable clerk must verify that all vendors on the purchase orders are approved vendors. All campuses should be provided with an approved vendor list.

With regard to Accounting Procedures and Controls – Payroll:

- The District must interface TimeClock Plus with TxEIS to avoid errors on hourly employees' actual hours.
- As per local policy, all overtime work hours should be pre-approved by the immediate campus or department supervisor.
- As stated in the Constitution of the State of Texas, Article 52, the district may not extend credit for meals to teachers.

With regard to Accounting Procedures and Controls – Accounts Payable/Accounts Receivable:

- An accounts payable packet should include a copy of the check or check stub, purchase order, invoice, and receiving document.
- The District must ensure that an invoice is received for all payments prior to issuing a check.
- The accounts payable reviewer should review the accounts payable packet to ensure that payments are only made for allowable expenses and addressed to allowable vendors.

With regard to Accounting Procedures and Controls – Travel Procedures:

- All District employees must follow local policy by completing the reimbursement report and including all required receipts upon completion of trips.

In response to the TEA Fiscal Management Review, the District retained outside counsel and responded to TEA via writing on August 17, 2016. In this letter, the District addressed each specific finding and agreed to timely institute each action required by TEA.

LITIGATION

Except as may otherwise be discussed in this Official Statement, the District is not a party to any litigation or other proceeding pending or to its 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 statements or operations of the District. At the time of the initial delivery of the Notes, the District will provide the Underwriter with a certificate to the effect that 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.

FINANCIAL ADVISOR

RBC Capital Markets, LLC is employed as Financial Advisor to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Notes is based on the amount of Notes actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Notes.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

UNDERWRITING

The Underwriter has agreed, subject to certain customary conditions, to purchase the Notes at a price equal to the initial offering prices to the public, as shown on page ii, less an Underwriter's discount of $16,574.86, and no accrued interest. The Underwriter's obligations are subject to certain conditions precedent, and it will be obligated to purchase all of the Notes if any Notes are purchased. The Notes may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

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.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered by the District 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 Resolution contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Resolution. 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.

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, the Rule.

MISCELLANEOUS

The Resolution authorizing the issuance of the Notes also approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the reoffering of the Notes by the Underwriter in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. §240.15c2-12, as amended.

Noe Castillo
President, Board of Trustees

ATTEST:

Gilbert Hinojosa III
Secretary, Board of Trustees

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APPENDIX A

FINANCIAL INFORMATION
REGARDING LA VILLA INDEPENDENT SCHOOL DISTRICT

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FINANCIAL INFORMATION REGARDING THE LA VILLA INDEPENDENT SCHOOL DISTRICT

Table 1
ASSESSED VALUATION

2018/19 Total Assessed Valuation	$ 174,590,447
2018/19 Taxable Assessed Valuation	$ 102,951,291

Section	Exemption	Total
1 b(c)	Residential Homestead ($25,000)	$ 10,797,707
1 b(c)	Over 65/Disabled Exemption	1,548,859
1 d/1	Disabled Vets/Survivors	566,794
2 b	Productivity Loss	55,451,711
1 b(c)	10% Residential Cap	1,766,805
	Other	1,507,280
Total	(41.03% of Total Assessed Valuation)	$ 71,639,156

Note: The District's Certified Taxable Assessed Valuation for 2019/20 is $112,359,512.

Table 2
TAX DEBT OUTSTANDING [1]

Unlimited Tax Obligations:

Unlimited Tax Bonds Outstanding (as of August 1, 2019)	$ 8,975,000
Less: Interest & Sinking Fund Balance (anticipated on August 31, 2019)	1,029
NET UNLIMITED TAX DEBT	$ 8,973,971

Limited Tax Obligations:

Limited Tax Notes Outstanding (as of August 1, 2019)	$ -
Plus: The Notes	1,725,000
NET LIMITED TAX DEBT	$ 1,725,000

Estimated District Population	3,112	Per Capita Taxable Assessed Valuation	$ 33,082
2018/19 Enrollment	555	Per Capita Total Assessed Valuation	$ 56,102
Area (square miles)	35.53	Per Capita Net Debt	$ 2,884

[1] Does not consider potential funding from the State of Texas the District may potentially receive for the payment of debt service. For fiscal year ending August 31, 2018 the District received approximately 21% of State funding assistance. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature from time to time.

Table 3
LEASE OBLIGATIONS

The District entered into a lease agreement as lessee for financing the acquisition of computers, laptops, document cameras, and projectors with HP Financial Services Company. The total remaining lease requirements are below.

Fiscal Year Ended 8/31:	Total Requirements
2019	$ 24,831
	$ 24,831

Source: District's Audited Financial Statement for the Fiscal Year Ended August 31, 2018.

Table 4
PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Taxable Assessed Valuation	Tax Rate	Percent Collections Current	Percent Collections Total [(1)]	F/Y Ended
2008	$70,431,795	$1.22480	93.2%	101.0%	8-31-09
2009	91,991,051	1.22480	93.3%	97.9%	8-31-10
2010	92,307,398	1.22480	92.9%	97.2%	8-31-11
2011	97,056,689	1.30380	94.3%	99.6%	8-31-12
2012	99,017,696	1.30380	94.1%	99.9%	8-31-13
2013	102,965,652	1.30380	95.2%	99.6%	8-31-14
2014	102,306,675	1.30380	94.9%	99.4%	8-31-15
2015	108,201,760	1.30380	96.0%	100.0%	8-31-16
2016	101,474,411	1.30380	95.2%	99.2%	8-31-17
2017	100,141,089	1.30380	95.2%	97.6%	8-31-18
2018	102,951,291	1.48380	(in process of collection)		8-31-19

[(1)] Excludes Penalties and Interest.
Source: District records.

Table 5
TAX RATE DISTRIBUTION[(1)]

	2018/19	2017/18	2016/17	2015/16	2014/15
Local Maintenance	$1.1700	$1.1700	$1.1700	$1.1700	$1.1700
Interest & Sinking	0.3138	0.1338	0.1338	0.1338	0.1338
	$1.4838	**$1.3038**	**$1.3038**	**$1.3038**	**$1.3038**

Source: District's Audited Financial Statements and District's Records.
[(1)] The District conducted a successful tax ratification election on September 14, 2013.

Table 6
VALUATION AND FUNDED DEBT HISTORY

F.Y.E. 8-31	Taxable Assessed Valuation	Percent Valuation Increase/(Decrease) Over Prior Year	Voted Bond Debt Outstanding	Ratio Debt to Taxable Assessed Valuation
2010	$ 91,991,051	30.61%	$ 6,195,500	6.73%
2011	92,307,398	0.34%	5,925,000	6.42%
2012	97,056,689	5.15%	5,735,000	5.91%
2013	99,017,696	2.02%	5,530,000	5.58%
2014	102,965,652	3.99%	5,310,000	5.16%
2015	102,306,675	-0.64%	5,080,000	4.97%
2016	108,201,760	5.76%	4,840,000	4.47%
2017	101,474,411	-6.22%	4,505,000	4.44%
2018	100,141,089	-1.31%	10,720,000	10.70%
2019	102,951,291	2.81%	8,600,000	8.35%

Table 7
HISTORICAL TOP TEN TAXPAYERS

PRINCIPAL TAXPAYERS AND THEIR 2018/19 TAXABLE ASSESSED VALUATIONS[(1)]

Name of Taxpayer	Type of Property	Taxable Assessed Valuation	Percent T.A.V.
Correctional Properties LLC	Correctional Facility	$ 33,057,490	32.11%
Rio Grande Valley Sugar	Agriculture	21,082,080	20.48%
AEP Texas Central	Utility	2,828,440	2.75%
Nutrien AG Solutions Inc	Agriculture	1,595,091	1.55%
Midnight Sun Inc	Real Estate	1,553,250	1.51%
NNN Retail Exchange	Real Estate	1,310,829	1.27%
Union Pacific Railroad	Railroad	741,140	0.72%
Mid Valley Chemicals Inc	Chemical Transportation	730,634	0.71%
Ross Gin Company	Agriculture	678,511	0.66%
Dallas Petroleum Group	Oil and Gas	677,820	0.66%
Total		**$ 64,255,285**	**62.41%**

(1) As shown in Table 7 above, the top ten taxpayers in the District currently account for approximately two percent (62%) of the District's tax base. The top two taxpayers alone account for approximately fifty-three percent (53%) of the District's tax base. Adverse developments in economic conditions could impact these taxpayers and the tax values in the District, resulting in less local tax revenues. If any major taxpayer were to default in the payment of taxes, 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 is a time-consuming process which can only occur annually, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. See "NOTEHOLDERS' REMEDIES" and "AD VALOREM PROPERTY TAXATION - District's Rights in the Event of a Tax Delinquency" in the Official Statement.

Table 8
ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Gross Dollar Amount [(1)]	As of	Percent Overlap	Dollar Overlap[(1)]
Hidalgo County	$ 362,940,000	08/01/19	0.33%	$ 1,197,702
Hidalgo County Drainage District #1	193,650,000	08/01/19	0.35%	677,775
La Villa, City of	3,653,000	08/01/19	100.00%	3,653,000
South Texas College District	142,685,000	08/01/19	0.28%	399,518
Total Net Overlapping Debt				$ 5,927,995
La Villa Independent School District[(2)]	**$ 8,975,000** [(3)]	**08/01/19**	**100.00%**	**8,975,000**
Total Direct and Overlapping Debt				$ 14,902,995

Ratio Direct and Overlapping Debt to Taxable Assessed Valuation	14.48%
Ratio Direct and Overlapping Debt to Total Assessed Valuation	8.54%
Per Capita Direct and Overlapping Debt	$ 4,789

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Does not include any potential funding from the State of Texas the District may potentially receive for the payment of debt service. For fiscal year ending August 31, 2018 the District received $152,559 of State funding assistance. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature from time to time. See "CURRENT SCHOOL FINANCE SYSTEM - State Funding for Local School Districts" herein.
(3) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 13 - Maintenance Tax Notes" and "Table 3 - Lease Obligations")
Source: Texas Municipal Reports.

Table 9
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Property Use Category	Total Tax Roll for Fiscal Years 2018/19	2017/18	2016/17	2015/16	2014/15
Real Property					
Single-Family Residential	$ 32,817,203	$ 29,610,288	$ 29,095,542	$ 29,204,279	$ 25,944,517
Multi-Family Residential	655,093	612,427	437,726	412,876	422,555
Vacant Lots/Tracts	2,133,143	1,904,815	1,545,800	1,719,646	1,535,097
Acreage (Land Only)	63,932,464	32,275,526	32,374,950	31,942,268	32,480,012
Farm and Ranch Improvements	3,909,457	3,283,633	2,995,039	2,906,441	3,138,554
Commercial and Industrial	53,857,596	52,535,451	55,499,903	60,210,857	49,230,535
Oil & Gas	2,626,380	4,503,720	3,897,510	6,851,672	8,883,171
Inventory	-	-	100,561	-	162,723
Tangible Personal Property					
Commercial and Industrial	7,979,815	9,937,157	9,955,335	10,365,966	12,502,489
Mobile Homes/Other	187,711	160,982	165,248	181,422	190,879
Real & Tangible Personal Property					
Utilities	6,491,585	4,294,600	4,035,050	4,514,760	3,911,560
Total Real & Tang. Per. Prop.	**$ 174,590,447**	**$ 139,118,599**	**$ 140,102,664**	**$ 148,310,187**	**$ 138,402,092**
Less Exemptions:					
Residential Homestead Exemption	10,797,707	10,600,838	10,241,809	10,201,014	6,301,014
Over 65/Disabled Exemptions	1,548,859	1,323,332	1,209,525	1,087,663	1,817,116
Disabled/Deceased Veterans	566,794	487,799	265,756	238,616	78,962
Other	1,507,280	1,707,120	2,224,880	2,420,370	2,991,880
Productivity Loss	55,451,711	23,674,309	23,220,990	23,997,912	24,770,895
Value lost to 10% Residential Cap	1,766,805	1,184,112	1,465,293	2,162,852	135,550
Total Exemptions	**$ 71,639,156**	**$ 38,977,510**	**$ 38,628,253**	**$ 40,108,427**	**$ 36,095,417**
Taxable Assessed Valuation	**$ 102,951,291**	**$ 100,141,089**	**$ 101,474,411**	**$ 108,201,760**	**$ 102,306,675**

Source: Hidalgo County Appraisal District and State Property Tax Reports.

PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY

Property Use Category	Percent of Total Tax Roll for Fiscal Years 2018/19	2017/18	2016/17	2015/16	2014/15
Real Property					
Single-Family Residential	18.80%	21.28%	20.77%	19.69%	18.75%
Multi-Family Residential	0.38%	0.44%	0.31%	0.28%	0.31%
Vacant Lots/Tracts	1.22%	1.37%	1.10%	1.16%	1.11%
Acreage (Land Only)	36.62%	23.20%	23.11%	21.54%	23.47%
Farm and Ranch Improvements	2.24%	2.36%	2.14%	1.96%	2.27%
Commercial and Industrial	30.85%	37.76%	39.61%	40.60%	35.57%
Oil & Gas	1.50%	3.24%	2.78%	4.62%	6.42%
Inventory	0.00%	0.00%	0.07%	0.00%	0.12%
Tangible Personal Property					
Commercial and Industrial	4.57%	7.14%	7.11%	6.99%	9.03%
Mobile Homes/Other	0.11%	0.12%	0.12%	0.12%	0.14%
Real & Tangible Personal Property					
Utilities	3.72%	3.09%	2.88%	3.04%	2.83%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Table 10
OUTSTANDING UNLIMITED TAX DEBT SERVICE

Fiscal Year Ending 8/31	Outstanding Unlimited Tax Debt Service Principal	Interest	Total
2019	$ 375,000	$ 345,850	$ 720,850
2020	415,000	335,400	750,400
2021	435,000	322,950	757,950
2022	445,000	306,400	751,400
2023	350,000	289,500	639,500
2024	365,000	276,350	641,350
2025	385,000	262,650	647,650
2026	395,000	248,200	643,200
2027	415,000	232,400	647,400
2028	420,000	215,800	635,800
2029	430,000	199,000	629,000
2030	450,000	181,800	631,800
2031	410,000	163,800	573,800
2032	425,000	147,400	572,400
2033	450,000	130,400	580,400
2034	460,000	112,400	572,400
2035	485,000	94,000	579,000
2036	500,000	74,600	574,600
2037	525,000	54,600	579,600
2038	410,000	33,600	443,600
2039	430,000	17,200	447,200
TOTAL	**$ 8,975,000**	**$ 4,044,300**	**$ 13,019,300**

Note: Does not include any potential funding from the State of Texas the District may potentially receive for the payment of debt service. For fiscal year ending August 31, 2018 the District expects to receive $135,595 of State funding assistance. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature from time to time.

Table 11
INTEREST & SINKING FUND BUDGET INFORMATION

Estimated Tax Supported Debt Service Requirements, Fiscal Year Ending 8-31-19		$ 720,850
Interest and Sinking Fund Balance at 8-31-18	$ 1,029	
Estimated transfer from General Fund	275,000	
Estimated State Funding Assistance	149,543	
Local Taxes	306,908	$ 732,480
Projected Interest and Sinking Fund Balance at 8-31-19		$ 11,630

AUTHORIZED BUT UNISSUED BONDS

The District has no voter-authorized but unissued unlimited tax bonds.

Table 12
COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ending August 31,				
	2018	**2017**	**2016**	**2015**	**2014**
Beginning Fund Balance	**$ 2,772,401**	**$ 2,778,926**	**$ 2,497,650**	**$ 2,276,126**	**$ 2,135,677**
Revenues:					
Local and Intermediate Sources	$ 1,199,511	$ 1,265,270	$ 1,471,776	$ 1,308,935	$ 1,282,538
State Sources	4,959,252	5,700,161	5,697,934	5,420,196	5,271,302
Federal Sources	504,127	472,280	491,668	570,324	476,761
Total Revenues	**$ 6,662,890**	**$ 7,437,711**	**$ 7,661,378**	**$ 7,299,455**	**$ 7,030,601**
Expenditures:					
Instruction	$ 3,237,238	$ 3,158,611	$ 2,991,726	$ 2,843,303	$ 2,861,054
Instructional Resources & Media Services	108,980	106,743	100,116	86,978	83,430
Curriculum & Instructional Staff Development	4,740	6,931	3,643	5,081	22,853
Instructional Leadership	-	-	1,972	2,238	5,119
School Leadership	543,500	453,729	432,964	297,132	355,858
Guidance, Counseling & Evaluation Services	202,307	196,791	191,242	188,942	182,202
Attendance & Social Work	-	-	-	-	-
Health Services	82,693	89,643	78,102	80,784	86,749
Food Services	583,226	464,626	524,177	455,386	479,924
Student (Pupil) Transportation	146,979	119,839	196,820	173,422	132,174
Co-Curricular/Activities	364,617	527,606	441,582	377,958	494,586
General Administration	662,125	614,893	621,331	585,100	644,078
Plant Maintenance & Operations	1,141,649	1,171,254	1,241,322	1,295,358	1,263,174
Security and Monitoring Services	128,076	114,984	127,875	149,445	78,138
Data Processing	185,662	172,731	149,932	86,508	116,589
Community Services	332	2,473	4,809	9,968	-
Debt Service	-	93,305	-	35,504	-
Capital Outlay	-	-	2,960	173,818	-
Intergovernmental Charges	9,813	12,381	150,965	141,449	111,328
Total Expenditures	**$ 7,401,937**	**$ 7,306,540**	**$ 7,261,538**	**$ 6,988,374**	**$ 6,917,256**
Other Resources and (Uses):					
Other Resources	-	-	-	178,318	148,485
Other Uses	(61,225)	(137,696)	(138,373)	(107,182)	-
Total Other Resources (Uses)	**$ (61,225)**	**$ (137,696)**	**$ (138,373)**	**$ 71,136**	**$ 148,485**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ (800,272)	$ (6,525)	$ 261,467	$ 382,217	$ 261,830
Prior Period Adjustment	-	-	19,809	(160,694)	(121,380)
Ending Fund Balance - August 31[1]	**$ 1,972,129**	**$ 2,772,401**	**$ 2,778,926**	**$ 2,497,650**	**$ 2,276,126**

Source: District's Audited Financial Statements.

[1] The District anticipates that its unaudited General Fund balance for the fiscal year ending August 31, 2019 will be approximately $1,944,429.

Table 13
MAINTENANCE TAX NOTES[1]

Fiscal Year Ending 8/31	Outstanding Debt Service Requirements	The Notes Principal	The Notes Interest	The Notes Total	Total Debt Service Requirements
2019	$ -				$ -
2020	-	$ 85,000	$ 55,532	$ 140,532	140,532
2021	-	90,000	57,550	147,550	147,550
2022	-	95,000	53,950	148,950	148,950
2023	-	100,000	50,150	150,150	150,150
2024	-	100,000	46,150	146,150	146,150
2025	-	105,000	42,150	147,150	147,150
2026	-	110,000	37,950	147,950	147,950
2027	-	115,000	33,550	148,550	148,550
2028	-	120,000	28,950	148,950	148,950
2029	-	125,000	24,150	149,150	149,150
2030	-	130,000	20,400	150,400	150,400
2031	-	130,000	16,500	146,500	146,500
2032	-	135,000	12,600	147,600	147,600
2033	-	140,000	8,550	148,550	148,550
2034	-	145,000	4,350	149,350	149,350
TOTAL	**$ -**	**$ 1,725,000**	**$ 492,482**	**$ 2,217,482**	**$ 2,217,482**

[1] Payable from the District's Maintenance & Operations tax rate. Does not include other limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 3 - Lease Obligations")

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APPENDIX B

GENERAL INFORMATION REGARDING
LA VILLA INDEPENDENT SCHOOL DISTRICT AND ITS ECONOMY

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GENERAL INFORMATION REGARDING THE DISTRICT

La Villa Independent School District (the "District"), is a political subdivision of the State of Texas located within Hidalgo County. The District encompasses approximately 35.5 square miles, has an enrollment of approximately 555, and serves a population of approximately 2,133.

The District is a mineral producing and intensively cultivated agricultural area producing citrus fruit, cotton, and vegetables. Included in the District is the City of La Villa, a retail point located 15 miles east of Edinburg on State Highway 107.

The District owns and operates 3 instructional facilities which are fully accredited by the Texas Education Agency. Students attend classes in air conditioned schools complete with cafeterias and gymnasiums. The number and types of instructional facilities are as follows:

Elementary Schools	1
Middle Schools	1
High Schools	1
Total	**3**

DISTRICT ENROLLMENT INFORMATION

Scholastic Enrollment History

Year	Enrollment	Increase/(Decrease)	Percent Change
2013-14	637	(15)	(2.30%)
2014-15	604	(33)	(5.18%)
2015-16	591	(13)	(2.15%)
2016-17	594	3	0.51%
2017-18	579	(15)	(2.53%)
2018-19	555	(24)	(4.15%)

EMPLOYMENT OF THE DISTRICT

Teachers	47
Administrators	12
Teacher Aides & Secretaries	22
Auxiliary Employees	22
Total Number of Employees	103

The District employs a staff of approximately 103. Beginning with the 2017-18 school year, entry level teachers without advanced degrees earn $44,900 annually. Teachers with advanced degrees and longevity can earn up to $58,207 annually. All teachers receive life and health insurance benefits worth approximately $351 monthly.

PRESENT SCHOOL FACILITIES

Location	Grades Served	Enrollment
La Villa Early College High School	9 - 12	178
Total High Schools		**178**
La Villa Middle School	6 – 8	121
Total Middle Schools		**121**
J.B. Munoz Elementary School	Pre-K - 5	256
Elementary School Total		**256**
Total		**555**

HIDALGO COUNTY, TEXAS
ECONOMIC AND DEMOGRAPHIC INFORMATION

The County

Hidalgo County is not obligated in any way on the Notes. Information concerning Hidalgo County is included for general informational purposes only.

Hidalgo County was created in 1852 from Cameron County. It was organized in the same year and at that time had an area of 2,356 square miles. When first organized, the County extended almost as far north as Nueces County; however, later reductions to form counties to its north and east have reduced Hidalgo County to its present area of 1,583 square miles.

Hidalgo County is bounded on the east by Kenedy, Willacy, and Cameron Counties. Brooks County is to its north. Starr County lies on its western boundary. On its southern boundary, the Rio Grande River separates Hidalgo County from the Republic of Mexico.

The 2010 census for the County was 774,769, an increase of 36.1% since 1990.

Economy

The area economy is diversified by the tourist industry, agribusiness and international trade with Mexico. The Texas Almanac designates cotton, grain, vegetable, citrus, and sugar cane as principal sources of agricultural income. The County is a leading producer of cotton and sorghum.

Minerals produced in Hidalgo County include gas, sand, and gravel.

The County is a popular tourist center located in the lush Lower Grande Valley with access to Old Mexico and facilities catering to thousands of summer and winter visitors.

Transportation

McAllen acts as a regional air transportation center serving the fourth-fastest growing metropolitan area in the United States. Frequent daily flights to major air transportation hubs in Dallas and Houston are provided by the airport. The airport is served by Aeromar, Allegiant Air, American, and United airlines, with through connections in Dallas and Houston, can provide service to more than 200 markets.

Retail

McAllen is the largest city in the County. The McAllen 2010 census was 129,877, a 22.05% increase since 2000. McAllen retailers serve a market population of 1.5 million.

Foreign Trade Zone

The McAllen Foreign Trade Zone (FTZ) is located south of McAllen between McAllen and Reynosa. Commissioned in 1973, it was the first inland FTZ in the United States and continuously ranks among the most active FTZ's in the nation. Products can be brought into the FTZ duty-free. While in the trade zone, components can be assembled, processed, packaged or stored. Duty is charged only when these items enter U.S. commerce. The original McAllen FTZ encompasses 80 acres of fully developed land and contains more than 200,000 square feet of FTZ-owned warehouse and air-conditioned office space. The FTZ also offers complete public warehousing services. It is managed by the McAllen Economic Development Corporation-FTZ Board and monitored by the U.S. Customs Service. The advantages to using a FTZ include (1) duties are charged only when a product is distributed into the domestic market. No duties are owed on labor, overhead or profit attributed to a FTZ production operation. Customs duties are not paid on merchandise exported from a FTZ to another country other than the United States, (2) goods can be stored indefinitely, allowing you to surpass the quota of your product, then release the merchandise when quotas become available, (3) leasing space at market prices with full 24-hour security and customs assistance, (4) no property taxes on inventories, (5) cash flow enhancement, (6) lower transportation costs, (7) prime location just north of Texas-Mexico border and one mile south of the McAllen International Airport, and (8) access to rail service with Union Pacific and Rio Valley Railroads.

The McAllen FTZ has expanded to 695 acres. Hunt Oil Company and its subsidiary, Woodbine Development Corp, have begun the development of their first phase of a 900-acre Class-A Business Park adjacent to McAllen's existing Southwest Industrial District. It is located in McAllen's CrossPort and Foreign Trade Zone.

The McAllen Crossport includes hundreds of acres of land with infrastructure in place which includes the McAllen International Airport, the McAllen FTZ, the South Texas College's Center for Advanced and Applied Technology, two international bridges and a third in the planning stages, an International Produce Market for imports and exports of produce and other perishable commodities, rail served industrial sites with on-site switching capabilities, Enterprise Zone incentive packages, and a distance of 65 miles from McAllen to the Sea Port of Brownsville.

HIDALGO COUNTY LABOR FORCE STATISTICS

Labor Force History

	2019(A)	2018	2017	2016	2015
Labor Force	351,115	348,672	343,347	319,019	335,276
Employed	333,389	325,791	317,719	308,973	303,710
Unemployed	17,726	22,881	25,628	34,368	26,303
Percent of Labor Force Unemployed	5.0%	6.6%	7.5%	12.1%	10.4%

(A) As of May 2019.
Source: Labor Market Information Department, Texas Workforce Commission

Comparative Unemployment Rates

	2019(A)	2018	2017	2016	2015
Hidalgo County	5.0%	6.6%	7.5%	8.7%	11.0%
State of Texas	2.9%	3.9%	4.3%	4.9%	6.8%
United States of America	3.4%	3.9%	4.4%	6.2%	8.1%

(A) As of May 2019.
Source: Labor Market Information Department, Texas Workforce Commission

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APPENDIX C

AUDITED FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

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LA VILLA INDEPENDENT SCHOOL DISTRICT

Annual Financial Report
For the fiscal year ended
August 31, 2018

<u>Raul Hernandez & Company, P.C.</u>

CERTIFIED PUBLIC ACCOUNTANTS

5402 Holly Rd. Suite 102 Corpus Christi, TX 78411 Office: (361) 980-0428 Fax: (361) 980-1002

LA VILLA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED

AUGUST 31, 2018

LA VILLA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

TABLE OF CONTENTS

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CERTIFICATE OF BOARD

La Villa Independent School District	Hidalgo	108914 .
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) ✓ approved _______ disapproved for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the 25th of January, 2019.

Signature of Board Secretary

Signature of Board President

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

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Raul Hernandez & Company, P.C.
Certified Public Accountants
5402 Holly Rd, Suite 102
Corpus Christi, Texas 78411
Office (361)980-0482 Fax (361)980-1002

INDEPENDENT AUDITORS' REPORT

La Villa Independent School District
500 East 9th Street
La Villa, Texas 78562

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 the La Villa Independent School District (the "District") as of and for the year ended August 31,2018, and the related notes to the financial statements, which collectively comprise the 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 misstatement, whether due to fraud or error.

Auditors' 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 from 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.

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 the La Villa Independent School District as of August 31, 2018, 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.

Emphasis of Matter

As discussed in Note A and Note K to the financial statements, the District adopted the provisions of Government Accounting Standards Board ("GASB") Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of August 31, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund, the Schedule of District's Proportionate Share of the Net Pension Liability and the Schedule of the District Contributions – Teacher Retirement System of Texas, the Schedule of the District Proportionate Share of the Net OPEB Liability – Teacher Retirement System of Texas, the Schedule of District Contributions to the Teacher Retirement System of Texas OPEB Plan, and the related Notes to Required Supplementary Information as listed in the table of contents, 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 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the La Villa Independent School District's basic financial statements. The combining fund financial statements, the TEA required schedules, and other supplementary information, as 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statement.

The combining fund financial statements, the TEA required schedules, other supplementary information, and the schedule of expenditures of federal awards 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. Such 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 combining fund financial statements, the TEA required schedules, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 25, 2019, on our consideration of the 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 solely 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 the 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 the District's internal control over financial reporting and compliance.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas
January 25, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of La Villa Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2018. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The District's net position decreased by ($5,172,235), which was a 66% decrease compared to last year. The decrease is due to the first year GASB 75 implementation for the adjustment of La Villa's total OPEB obligation.

- During the year, the District had tax revenues of $1,281,408 which included $1,146,903 and $134,505 for property taxes, levied for general purposes and debt service, respectively.

- The General Fund ended the year with a fund balance of $1,972,129 which is a decrease of ($800,272) from the prior year. The Debt Service Fund ended the year with a fund balance of $1,029, which represents an increase from the prior year. Capital Projects funds had a total fund balance of $2,365,239 at August 31, 2018.

- Revenues from governmental activities were $6,401,689, which represents a ($2,158,066) decrease from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements, and required supplementary information.* The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*. The District maintains one type of proprietary fund, an internal service fund. The Internal service fund is used to report activities of the District's self-insurance program. Because these services predominately benefit governmental rather than business-type functions, the Internal Service Fund is reported with *governmental activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund is presented as a single, aggregated presentation in the proprietary fund financial statements.

- *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.

- *Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

- *Other information.* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the district's progress in funding its obligation to provide pension benefits to its employees. Immediately following the required supplementary information on pensions are the two budgetary schedules on the general fund and major special revenue fund. The combining statements in connection to nonmajor governmental funds and fiduciary funds are then presented.

The financial statements also include notes that explain some of the information in the financial statements and provide data that are more detailed. 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 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-1 Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district Government (except) Fiduciary funds) and the district's component units	The activities of the district that are not proprietary or fiduciary	Activities of District similar to private business; self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net position* *Statement of Activities*	*Balance Sheet* *Statement of revenues, expenditures & changes in fund balances* Statement of cash flows	*Statement of net position* *Statement of rev, exp,& changes in net position* Statement of flows	*Statement of fiduciary net position* *Statement of in fiduciary net position*
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial	Accrual accounting and economic focus	Accrual accounting economic resources focus

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net position and the Statement of Activities (on pages 12 and 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The section labeled Other Schedules contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities of from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net position and the Statement of Activities, we present the District's one kind of activity:

- Governmental activities–Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the most significant funds–not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's governmental funds use the following accounting approach:

- Governmental funds–Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

- The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net position on page 18. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASB Statement #34 in 2001. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental-type activities between current and prior year.

Net position of the District's governmental activities decreased from $7,779,671 to $2,607,436. The decrease is due to the first year GASB 75 implementation for the adjustment of La Villa's total OPEB obligation. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was ($2,641,257) at August 31, 2018 which represents a ($4,452,198) decrease from prior year. The District's expenditures exceeded revenues by $510,686. The District paid bonds and other long-term debt in the amount of $423,010. Furthermore, acquired capital assets, including completed capital projects, amounted to a net after disposals, before depreciation, of $2,456,364. The District recorded depreciation in the amount of $483,825. In addition, accumulated depreciation was $6,653,802 as of August 31, 2018. (See note D on page 29)

Total Revenue decreased by ($2,158,066) in fiscal 2018. Operating Grants and Contributions, accounted for a majority of the decrease. Total Expenditures decreased by ($1,959,680) during the year. Significant decreases included Instruction and Extracurricular Activities.

The District has no business-type activities.

Table 1
LA VILLA INDEPENDENT
SCHOOL DISTRICT

	Governmental Activities		
ASSETS	**2018**	**2017**	**Change**
Cash and Cash Equivalents	$ 4,508,623	$ 2,788,529	$ 1,720,094
Property Taxes Receivable (Delinquent)	317,044	331,394	(14,350)
Allowance for Uncollectible Taxes	(47,557)	(49,709)	2,152
Due from Other Governments	420,801	302,329	118,472
Total Current Assets:	5,198,911	3,372,543	1,826,368
Capital Assets:			
Land	147,793	147,793	-
Buildings, Net	10,266,020	9,951,625	314,395
Furniture and Equipment, Net	356,149	426,537	(70,388)
Construction in Progress	1,728,532	-	1,728,532
Total Noncurrent Assets	12,498,494	10,525,955	1,972,539
Total Assets	$ 17,697,404	$ 13,898,498	$ 3,798,906
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	97,780	-	97,780
Deferred Outflow Related to TRS OPEB	48,551	-	48,551
Deferred Outflow Related to TRS Pension	613,065	850,288	(237,223)
Total Deferred Outflows of Resources	759,396	850,288	(90,892)
LIABILITIES			
Accounts Payable	204,648	64,372	140,276
Interest Payable	14,410	40,451	(26,041)
Accrued Wages Payable	225,390	198,947	26,443
Due to Fiduciary Funds	119,108	14,580	104,528
Due to Other Governments	15,407	639	14,768
Due to Student Groups	2,951	2,926	25
Accrued Expenses	6,512	6,455	57
Noncurrent Liabilities			
Due Within One Year	453,777	379,191	74,586
Due in More Than One Year	9,299,046	4,344,445	4,954,601
Net Pension Liability (District's Share)	1,391,738	1,812,610	(420,872)
Net OPEB Liability (District's Share)	2,658,435	-	2,658,435
Total Liabilities	14,391,422	6,864,616	7,526,806
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow Related to OPEB	1,112,029	-	1,112,029
Deferred Inflow Related to TRS Pension	345,914	104,499	241,415
Total Deferred Inflows of Resources	1,457,943	104,499	1,353,444
NET POSITION			
Net Investment in Capital Assets	2,843,450	5,802,319	(2,958,869)
Restricted for Federal and State Programs	38,975	137,071	(98,096)
Restricted for Debt Service	1,029	733	296
Restricted for Capital Projects	2,365,239	28,607	2,336,632
Unrestricted	(2,641,257)	1,810,941	(4,452,198)
Total Net Position	$ 2,607,436	$ 7,779,671	$ (5,172,235)

Table II
LA VILLA INDEPENDENT
SCHOOL DISTRICT

REVENUES	**Governmental Activities 2018**	**Governmental Activities 2017**	**Change**
Program Revenues:			
Charges for Services	$ 30,992	$ 55,412	$ (24,420)
Operating Grants and Contributions	347,075	1,465,759	(1,118,684)
General Revenues:			
Property Taxes, Levied for General Purposes	1,146,903	1,155,787	(8,884)
Property Taxes, Levied for Debt Service	134,505	143,145	(8,640)
Grants and Contributions not Restricted	4,724,205	5,726,139	(1,001,934)
Investment Earnings	18,009	13,511	4,498
Total Revenue	6,401,689	8,559,755	(2,158,066)
Expenses:			
Instruction	2,802,359	3,789,097	(986,738)
Instructional Resources and Media Services	83,738	116,738	(33,000)
Curriculum and Instructional Staff Development	174,985	323,470	(148,485)
Instructional Leadership	-	47,620	(47,620)
School Leadership	310,839	484,001	(173,162)
Guidance, Counseling, and Evaluation Services	139,652	269,315	(129,663)
Health Services	77,384	130,164	(52,780)
Student (Pupil) Transporation	99,474	107,765	(8,291)
Food Services	506,230	480,641	25,589
Extracurricular Activities	319,117	499,505	(180,388)
General Adminstration	517,161	661,982	(144,821)
Facilities Maintenance and Operations	1,296,197	1,208,366	87,831
Security and Monitoring Services	71,122	117,600	(46,478)
Data Processing Services	151,056	175,337	(24,281)
Community Services	332	7,836	(7,504)
Debt Service - Interest on Long Terb Debt	175,463	276,360	(100,897)
Debt Service - Bond Issuance Cost and Fees	177,453	163,877	13,576
Other Intergovernmental Charges	9,813	12,381	(2,568)
Total Expenses	6,912,375	8,872,056	(1,959,680)
Change in Net Position	(510,686)	(312,301)	(198,385)
Net Position - Beginning of Year	7,779,671	8,091,972	(312,301)
Prior Period Adjustment Required by GASB 68	(4,661,549)	-	(4,661,549)
Net Position - End of Year	$ 2,607,436	$ 7,779,671	$ (5,172,235)

Figure 1

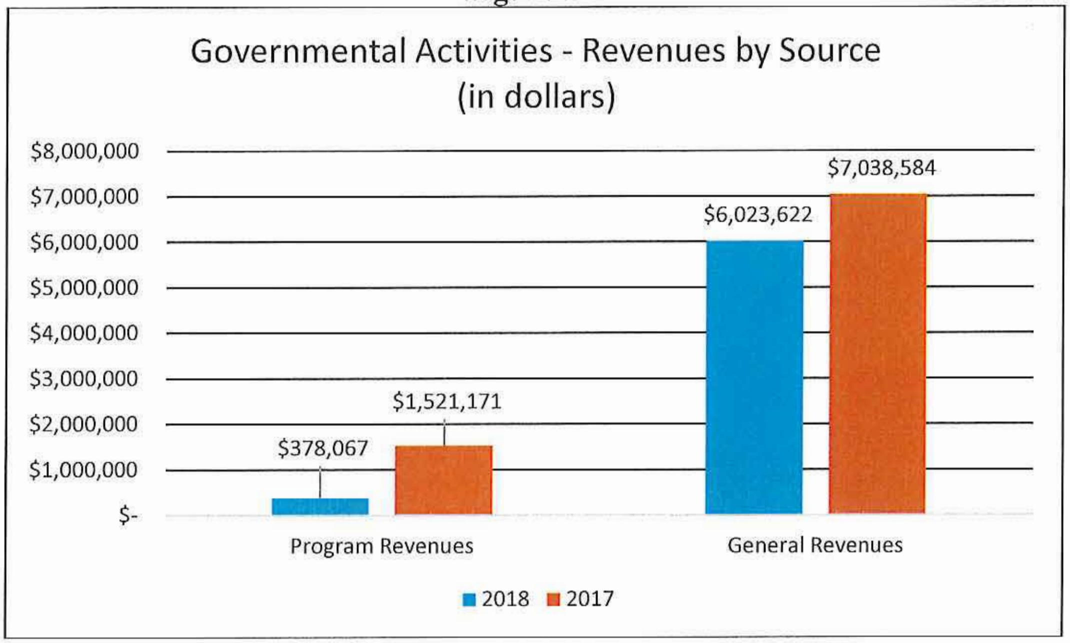
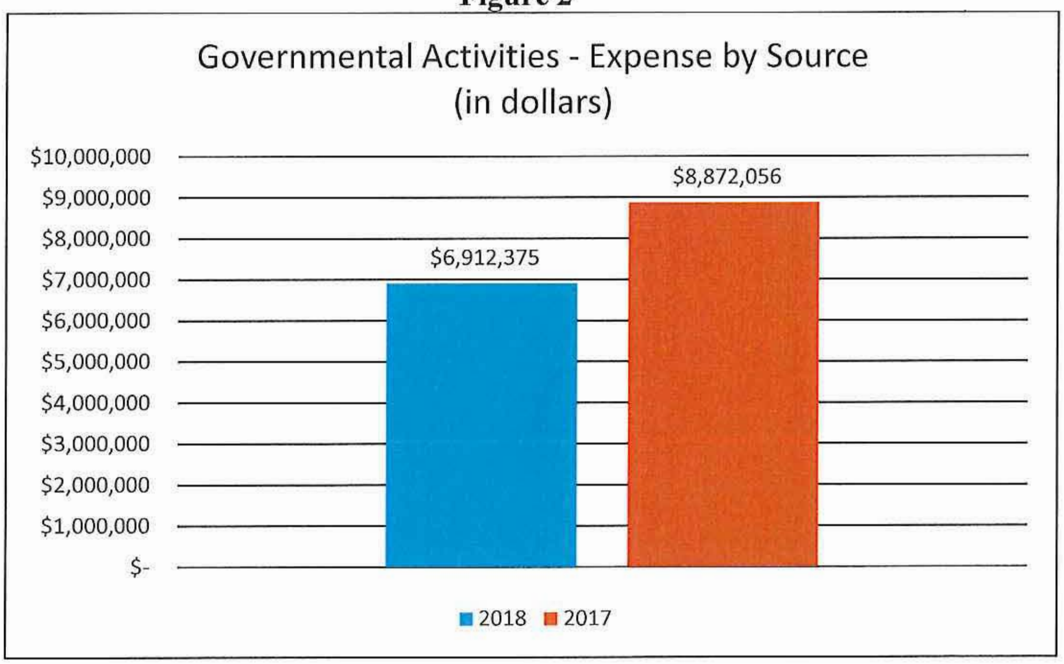


Figure 2



THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of $4,355,409, which represents an increase of $1,552,469 over last year's total of $2,802,940.

The District's General Fund balance of $1,972,129 reported on page 50, differs from the General Fund's budgetary fund balance of $1,307,312 reported in the budgetary comparison schedule, which is a difference of $664,817.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had about $19 million invested in a broad range of capital assets, including land, construction in progress, buildings, and furniture & equipment.

This year's major additions included:

	2018	2017
Land	$ 147,793	$ 147,793
Buildings and Improvements	15,760,365	15,115,773
Furniture and Equipment	1,515,606	1,442,366
Construction in Progress	1,728,532	-
Totals at Historical Costs	19,152,296	16,705,932
Accumulated Depreciation	(6,653,802)	(6,169,977)
Total Capital Assets (Net)	$ 12,498,494	$ 10,535,955

More detailed information about the District's capital assets is presented in Note D (page 29) to the financial statements.

Debt

At year-end, the District had $9,752,822 in bonds and other long-term debt outstanding, which had a net increase from the prior year balance of $4,820,150.

More detailed information about the District's long-term liabilities is presented in Note G (page 31) to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2018-2019 budget tax rates. Some of these factors were the district needs, the campus needs, appraised values and the City of La Villa economy. The following factors are highlights of the budget:

- The Average Daily Attendance (ADA) is projected to remain the same in fiscal year 2018-2019. The District's 2018-19 ADA is projected to be 561, which reflects a 0% increase;
- Any increases in revenue will be attributed to the changes in the ADA;
- The total budget tax rate is $1.4838 which is composed of $1.17 compressed rate for maintenance and operations and $0.3138 for the payment of principal and interest on bonds;
- The appraised value for the 2018-2019 budget was $131,851,147 an increase of approximately $3.7 million compared to prior year appraised values.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show 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 office, at La Villa Independent School District, P O Box 10, La Villa, Texas, 78588.

BASIC FINANCIAL STATEMENTS

LA VILLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 4,508,623
1220	Property Taxes - Delinquent	317,044
1230	Allowance for Uncollectible Taxes	(47,557)
1240	Due from Other Governments	420,801
	Capital Assets:	
1510	Land	147,793
1520	Buildings, Net	10,266,020
1530	Furniture and Equipment, Net	356,149
1580	Construction in Progress	1,728,532
1000	Total Assets	17,697,404
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	97,780
1703	Deferred Resource Outflow Related to TRS OPEB	48,551
1705	Deferred Resource Outflow Related to TRS Pension	613,065
1700	Total Deferred Outflows of Resources	759,396
	LIABILITIES	
2110	Accounts Payable	204,648
2140	Interest Payable	14,410
2160	Accrued Wages Payable	225,390
2177	Due to Fiduciary Funds	119,108
2180	Due to Other Governments	15,406
2190	Due to Student Groups	2,951
2200	Accrued Expenses	6,512
	Noncurrent Liabilities:	
2501	Due Within One Year	453,777
2502	Due in More Than One Year	9,299,046
2540	Net Pension Liability (District's Share)	1,391,738
2545	Net OPEB Liability (District's Share)	2,658,435
2000	Total Liabilities	14,391,421
	DEFERRED INFLOWS OF RESOURCES	
2603	Deferred Resource Inflow Related to TRS OPEB	1,112,029
2605	Deferred Resource Inflow Related to TRS Pension	345,914
2600	Total Deferred Inflows of Resources	1,457,943
	NET POSITION	
3200	Net Investment in Capital Assets	2,843,450
3820	Restricted for Federal and State Programs	38,975
3850	Restricted for Debt Service	1,029
3890	Restricted for Capital Projects	2,365,239
3900	Unrestricted	(2,641,257)
3000	Total Net Position	$ 2,607,436

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

LA VILLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

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	$ 2,802,359	$ 9,039	$ 47,171	$ (2,746,148)
12	Instructional Resources and Media Services	83,738	-	(21,566)	(105,304)
13	Curriculum and Instructional Staff Development	174,985	-	276,715	101,730
23	School Leadership	310,839	-	(89,584)	(400,423)
31	Guidance, Counseling and Evaluation Services	139,652	-	(44,100)	(183,752)
33	Health Services	77,384	-	16,713	(60,671)
34	Student (Pupil) Transportation	99,474	-	(22,582)	(122,056)
35	Food Services	506,230	6,811	474,384	(25,035)
36	Extracurricular Activities	319,117	15,142	(41,835)	(345,810)
41	General Administration	517,161	-	(86,527)	(603,688)
51	Facilities Maintenance and Operations	1,296,197	-	(113,495)	(1,409,692)
52	Security and Monitoring Services	71,122	-	(25,013)	(96,135)
53	Data Processing Services	151,056	-	(23,206)	(174,262)
61	Community Services	332	-	-	(332)
72	Debt Service - Interest on Long-Term Debt	175,462	-	-	(175,462)
73	Debt Service - Bond Issuance Cost and Fees	177,453	-	-	(177,453)
99	Other Intergovernmental Charges	9,813	-	-	(9,813)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 6,912,375	$ 30,992	$ 347,075	(6,534,308)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	1,146,903
DT	Property Taxes, Levied for Debt Service	134,505
GC	Grants and Contributions not Restricted	4,724,205
IE	Investment Earnings	18,009
TR	Total General Revenues	6,023,622
CN	Change in Net Position	(510,686)
NB	Net Position - Beginning	7,779,671
PA	Prior Period Adjustment	(4,661,549)
NE	Net Position--Ending	$ 2,607,436

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

LA VILLA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		10 General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 1,117,301	$ 3,322,897	$ 68,425	$ 4,508,623
1220	Property Taxes - Delinquent	285,339	-	31,705	317,044
1230	Allowance for Uncollectible Taxes	(42,801)	-	(4,756)	(47,557)
1240	Due from Other Governments	158,348	-	262,453	420,801
1260	Due from Other Funds	1,137,501	-	-	1,137,501
1000	Total Assets	$ 2,655,688	$ 3,322,897	$ 357,827	$ 6,336,412
	LIABILITIES				
2110	Accounts Payable	$ 101,847	$ 102,132	$ 669	$ 204,648
2160	Accrued Wages Payable	212,205	-	13,185	225,390
2170	Due to Other Funds	121,544	855,526	279,539	1,256,609
2180	Due to Other Governments	-	-	15,406	15,406
2190	Due to Student Groups	-	-	2,951	2,951
2200	Accrued Expenditures	5,425	-	1,087	6,512
2000	Total Liabilities	441,021	957,658	312,837	1,711,516
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	242,538	-	26,949	269,487
2600	Total Deferred Inflows of Resources	242,538	-	26,949	269,487
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	38,975	-	-	38,975
3480	Retirement of Long-Term Debt	-	-	1,029	1,029
	Committed Fund Balance:				
3510	Construction	-	2,365,239	-	2,365,239
3600	Unassigned Fund Balance	1,933,154	-	17,012	1,950,166
3000	Total Fund Balances	1,972,129	2,365,239	18,041	4,355,409
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 2,655,688	$ 3,322,897	$ 357,827	$ 6,336,412

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

LA VILLA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2018

	Total Fund Balances - Governmental Funds	$	4,355,409
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		-
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $16,695,932 and the accumulated depreciation was ($6,169,977). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position. Note: Beginning Balances related to TRS are NOT included in this amount.		5,705,805
3	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to decrease net position.		2,033,354
4	IIncluded in the items related to debt is the recognition of the District's proportionate share of the net position liablity required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $26613,065, a deferred resource inflow in the amount of $345,914, and a net pension liability in the amount of $1,391,738. This resulted in an increase (decrease) in net position.		(1,124,587)
5	Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $48,551, a deferred resource inflow in the amount of $1,112,029, and a net OPEB liability in the amount of $2,658,435. This resulted in an increase (decrease) in net position.		(3,721,913)
6	The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(483,825)
7	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		(4,156,807)
19	**Net Position of Governmental Activities**	$	2,607,436

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

LA VILLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		10 General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,199,511	$ 7,814	$ 135,281	$ 1,342,606
5800	State Program Revenues	4,959,252	-	211,427	5,170,679
5900	Federal Program Revenues	504,127	-	651,472	1,155,599
5020	Total Revenues	6,662,890	7,814	998,180	7,668,884
	EXPENDITURES:				
	Current:				
0011	Instruction	3,237,238	-	339,889	3,577,127
0012	Instructional Resources and Media Services	108,980	-	-	108,980
0013	Curriculum and Instructional Staff Development	4,740	-	276,704	281,444
0023	School Leadership	543,500	-	1,898	545,398
0031	Guidance, Counseling and Evaluation Services	202,307	-	-	202,307
0033	Health Services	82,693	-	32,981	115,674
0034	Student (Pupil) Transportation	146,979	-	-	146,979
0035	Food Services	583,226	-	-	583,226
0036	Extracurricular Activities	364,617	-	-	364,617
0041	General Administration	662,125	-	-	662,125
0051	Facilities Maintenance and Operations	1,141,649	-	-	1,141,649
0052	Security and Monitoring Services	128,076	-	-	128,076
0053	Data Processing Services	185,662	-	-	185,662
0061	Community Services	332	-	-	332
	Debt Service:				
0071	Principal on Long-Term Debt	-	-	320,001	320,001
0072	Interest on Long-Term Debt	-	-	239,823	239,823
0073	Bond Issuance Cost and Fees	-	-	177,453	177,453
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	2,671,182	-	2,671,182
	Intergovernmental:				
0099	Other Intergovernmental Charges	9,813	-	-	9,813
6030	Total Expenditures	7,401,937	2,671,182	1,388,749	11,461,868
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(739,047)	(2,663,368)	(390,569)	(3,792,984)
	OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	5,000,000	2,175,000	7,175,000
7915	Transfers In	-	-	61,225	61,225
7916	Premium or Discount on Issuance of Bonds	-	-	565,683	565,683
8911	Transfers Out (Use)	(61,225)	-	-	(61,225)
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(2,395,230)	(2,395,230)
7080	Total Other Financing Sources (Uses)	(61,225)	5,000,000	406,678	5,345,453
1200	Net Change in Fund Balances	(800,272)	2,336,632	16,109	1,552,469
0100	Fund Balance - September 1 (Beginning)	2,772,401	28,607	1,932	2,802,940
3000	Fund Balance - August 31 (Ending)	$ 1,972,129	$ 2,365,239	$ 18,041	$ 4,355,409

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

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, 2018

Total Net Change in Fund Balances - Governmental Funds	$	1,552,469
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		-
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to decrease net position.		2,033,354
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(483,825)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(4,494,554)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resoruce outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $147,082. Contributions made before the measurement date and druing the previous fiscal year were also expended and recorde as a reduction in net pension liability. This caused a decrease in net position totatling $141,531. 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 $63,317. The net result in an increase (decrease) in the change in net position.		(57,766)
GASB 75 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 $48,135. 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 poistion totaling $31,784. 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 ($923,285). The net result is an increase (decrease) in the change in net position.		939,636
Change in Net Position of Governmental Activities	$	(510,686)

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

LA VILLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

		Agency Funds
ASSETS		
Cash and Cash Equivalents	$	109,300
Due from Other Funds		119,108
Total Assets	$	228,408
LIABILITIES		
Accounts Payable	$	1,775
Payroll Deductions and Withholdings Payable		167,646
Due to Student Groups		58,987
Total Liabilities	$	228,408

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

NOTES TO THE FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of La Villa Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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.

Other post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

The District applied Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

1. REPORTING ENTITY

The Board of School 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 those funding 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 the reporting entity.

2. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

a. Basis of Presentation

Government-wide Financial Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Additionally, the District reports the following fund type(s):

Special Revenue Funds: The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Capital Projects Fund: The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Permanent Funds: The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custody 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.

Debt Service Funds: The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Other Special Revenue Funds: The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds: These 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.

2. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorder at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use unrestricted resources first, then restricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continue to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

3. FINANCIAL STATEMENT AMOUNTS

a. Cash and Cash Equivalents

For purpose of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

	General Fund	Debt Service Fund	Total
Delinquent Taxes	$ 285,339	$ 31,705	$ 317,044
Allowance for Uncollectible Taxes	(42,801)	(4,756)	(47,557)
Net Taxes	$ 242,538	$ 26,949	$ 269,487

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property 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.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain Payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-40
Building Improvements	20-40
Vehicles	8-10
Office Equipment	5-15
Computer Equipment	5-10

3. FINANCIAL STATEMENT AMOUNTS

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" Line of the government-wide statement of net assets.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget.

Committed fund balance amounts differ from restricted balances in that the constraints of their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

j. 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.

B. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No, 38, "Certain Financial Statement Note Disclosures," violation of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Fund net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

3. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J2 and J3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at it's regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.

B. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

3. Budgetary Data

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	August 31, 2018 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	$ 579,291
Nonappropriated Budget Funds	651,472
All Special Revenue Funds	$ 1,230,763

5. Excess of expenditure over appropriations

The following is a list of the excess of expenditures over appropriations, at the legal control by an individual fund.

Fund	Function	Amount of Excess
None Reported		

C. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $4,617,923 and the bank balance was $4,692,931. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by the FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

C. DEPOSITS AND INVESTMENTS

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 practice, 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.

The District had no investments at August 31, 2018.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement no. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk it they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

C. DEPOSITS AND INVESTMENTS

c. Concentration of Credit Risk

This is the risk that in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

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 investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 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 that 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.

D. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	$ 147,793	$ -	$ -	$ 147,793
Construction In Progress	-	1,728,532	-	1,728,532
Total capital assets not being depreciated	147,793	1,728,532	-	1,876,325
Capital assets being depreciated:				
Buildings and Improvements	15,115,773	644,592	-	15,760,365
Furniture and Equipment	1,432,366	83,240	-	1,515,606
Totals capital assets being depreciated	16,548,139	727,832	-	17,275,971
Less Accumulated Depreciated for:				
Buildings and Improvements	(5,164,148)	(330,197)	-	(5,494,345)
Furniture & Equipment	(1,005,828)	(153,628)	-	(1,159,456)
Total Accumulated Depreciation	(6,169,977)	(483,825)	-	(6,653,802)
Total capital assets being depreciated, net	10,378,162	244,007	-	10,622,169
Governmental Activities capital assets, net	$ 10,525,955	$ 1,972,539	$ -	$ 12,498,494

Depreciation was charged to functions as follows:	
Instruction	$ 291,460
Instructional Resources and Media Services	7,982
School Leadership	15,966
Guidance, Counseling, & Evaluating Services	7,982
Health Services	3,967
Student (Pupil) Transportation	17,466
Food Services	27,964
Cocurricular/Extracurricular Activities	19,981
General Adminstration	35,077
Plant Maintenance and Operation	55,978
Total Depreciation Expense	$ 483,825

E. INTERFUND BALANCES AND ACTIVITIES

1. Transfers To and From Other Funds/Due to and From Other Funds

Transfers to and from other funds and due to and from other funds at August 31, 2018, consisted of the following:

Transfers From	Transfers To	Amount
General Fund	Debt Service Fund	$ 61,225
	Total	$ 61,225

Due From	Due To	Amount
Special Revenue Funds	General Fund	$ 281,239
Debt Service Fund	General Fund	$ 736
Capital Projects Fund	General Fund	$ 855,526
Special Revenue Funds	Fiduciary Fund	$ 35,155
General Fund	Fiduciary Fund	$ 83,953
	Total	$ 1,256,609

F. FUND BALANCES

The District has nonspendable, restricted, committed, and unassigned fund balance as follows.

Restricted Fund Balances:		
Federal or State Funds Grant Restriction	$	38,975
Retirement of Long-Term Debt		1,029
Committed Fund Balances		
Construction		2,365,239
Unassigned:		1,950,166
Total Fund Balance	$	4,355,409

G. LEASE OBLIGATIONS

The District entered into a lease agreement as lessee for financing the acquisition of computers, laptops, document cameras, and projectors with HP Financial Services Company in the amount of $173,818 in fiscal year 2015. The equipment has a five-year estimated useful life. This year, $24,831 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of August 31, 2018, were as follows:

Year ending August 31	Governmental Activities	
2019		-
2020		-
Total minimum lease payments		-
Less: amount representing interest		-
Present value of minimum lease payments	$	-

H. LONG-TERM OBLIGATIONS

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligations Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term Obligations, for the year ended August 31, 2018, are as follows:

Description	Maturity Date	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Outstanding 09/01/17	Increases	Decreases	Ending Balance 8/31/2018	Due within one year
2008 Unlimited Tax Refunding Bonds	8/15/2030	4-4.25%	$ 3,760,000	$ 48,456	$ 2,385,000	$ -	$ 2,385,000	$ -	$ -
2016 Unlimited Tax Refunding Bonds	8/15/2037	2-3.00%	2,160,000	76,450	2,120,000	-	75,000	2,045,000	80,000
2018 Unlimited Tax Refunding Bonds	8/15/2037	2-4.00%	7,175,000	114,916	-	7,175,000	245,000	6,930,000	295,000
Net Premium/Discount					227,936	565,683	47,286	746,332	47,286
Capital Lease Payable			173,818		25,157	-	25,157	-	-
Capital Lease Payable			148,485		62,057	-	30,567	31,490	31,490
Total Long-Term Debt				$ 239,822	$ 4,820,150	$ 7,740,683	$ 2,808,010	$ 9,752,822	$ 453,776
Net Pension Liability					1,812,610	-	420,872	1,391,738	-
Net OPEB Liability					-	2,658,435	-	2,658,435	-
Total Other Long-Term Debt				-	1,812,610	2,658,435	420,872	4,050,173	-
Total Governmental Activities				$ 239,822	$ 6,632,760	$ 10,399,118	$ 3,228,882	$ 13,802,995	$ 453,776

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

	Governmental Activities		
Year Ending August 31,	Principal	Interest	Total
2019	406,490	345,850	752,340
2020	415,000	335,400	750,400
2021	435,000	322,950	757,950
2022	445,000	306,400	751,400
2023	350,000	289,500	639,500
Thereafter	6,955,000	2,444,200	9,399,200
Totals	$ 9,006,490	$ 4,044,300	$ 13,050,790

H. LONG-TERM OBLIGATIONS

3. Advance Refunding of Debt

On December 6, 2007 the District issued Series 2008 bonds totaling $3,760,000 with interest rates ranging from 3.50% to 4.00% to advance refund $1,595,000 of Series 1997 Bonds with an interest rate of 5.30% to 5.60% and $2,165,000 of Series 2000 with interest rates from 4.75% to 5.20%. The net proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, $2,165,000 of Series 2000 and $1,595,000 of Series 1997 bonds are considered to be defeased and the liability for those bonds was removed from long-term debt.

On December 8, 2016 the District issued Series 2016 bonds totaling $2,160,000 with interest rates ranging from 2.00% to 3.00% to advance refund $2,170,000 of Series 2007 Bonds with an interest rate of 4.00% to 4.50%. The net proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, $2,170,000 of Series 2007 bonds are considered to be defeased and the liability for those bonds was removed from long-term debt. As a result of the refunding, the cash flows required to service the old debt amounted to $6,807,681 and the cash flow to service the new debt will amount to $6,548,521. The refunding resulted in a savings of $259,160 and a net present value savings of $10,000 (or 0.463% of the principal amount of the Refunded Bonds) which were used to refund the Series 2007 bonds and to pay costs of issuance.

On February 15, 2018 the District issued Series 2018 bonds totaling $7,175,000 with interest rates ranging from 2.00% to 4.00% to advance refund $2,385,000 of Series 2008 Bonds with an interest rate of 4.00% to 4.52%. The net proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, $2,385,000 of Series 2008 bonds are considered to be defeased and the liability for those bonds was removed from long-term debt. As a result of the refunding, the cash flows required to service the old debt amounted to $13,579,123 and the cash flow to service the new debt will amount to $13,374,667. The refunding resulted in a savings of $204,456 and a net present value loss of $4,790,000 (or 0.667% of the principal amount of the Refunded Bonds) which were used to refund the Series 2008 bonds and to pay costs of issuance.

4. Deferred Charge on Refunding

At the government-wide financial statements (Exhibit A-1), the District reports cumulative charges on refunding as net deferred outflows in the amount of $97,780.

I. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reduction in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. PENSION PLAN OBLIGATIONS

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). It is a defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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 in (A) 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.

J. PENSION PLAN OBLIGATIONS (Continued)

Employee contribution rates are set in state statute, 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 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
La Villa ISD 2018 Employer Contributions		$ 147,082
La Villa ISD 2018 Member Contributions		$ 343,444
La Villa ISD 2017 NECE On-Behalf Contributions		$ 231,693

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, 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 and junior colleges, 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 (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical 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 a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

J. PENSION PLAN OBLIGATIONS (Continued)

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 or charter school 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

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

J. PENSION PLAN OBLIGATIONS (Continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2017

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	0.3%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
La Villa's proportionate share of the net pension liability:	$ 2,346,196	$ 1,391,738	$ 596,998

J. PENSION PLAN OBLIGATIONS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2018, the District reported a liability of $1,391,738 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	$ 1,391,738
State's proportionate share that is associated with the District	2,265,158
Total	$ 3,656,896

The net pension liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was .0043526358%. which was an increase (decrease) of (.0004440861%) from its proportion measured as of August 31, 2016.

Changes 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, 2018, the District recognized pension expense of $377,625 and revenue of $172,777 for support provided by the State.

J. PENSION PLAN OBLIGATIONS (Continued)

At August 31, 2018, 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	$ 20,362	$ 75,055
Changes in actuarial assumptions	63,396	36,293
Difference between projected and actual investment earnings	-	101,427
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	382,225	133,139
Total as August31, 2017 measurement date	465,983	345,914
Contributions paid to TRS subsequent to the measurement date	147,082	-
Total as of fiscal year-end	$ 613,065	$ 345,914

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2019	21,010
2020	109,848
2021	14,185
2022	(12,010)
2023	5,676
Thereafter	(18,640)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The La Villa Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS 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.

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee. Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care2 and TRS-Care 3).

Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs. The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates
Effective Sept. 1, 2016 - Dec. 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	$ -	$ 70	$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

**or surviving spouse*

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Fudning remitted by Employers	1.00%	1.25%

La Villa ISD 2018 Employer Contributions	$ 48,135
La Villa ISD 2018 Member Contributions	$ 30,399
La Villa ISD 2017 NECE On-Behalf Contributions	$ 40,262

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to *(regardless of whether or not they participate in the TRS Care OPEB program)*. When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of $535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $15.6 million in fiscal year 2017 and $182.6 million in fiscal year 2018.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82.*

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

The following assumptions and other inputs used for members of the TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate*	3.42%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases**	3.50%-9.50%**
Healthcare Trend Rates***	4.50%-12.00%***
Election Rates	Normal Retirement : 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

**Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.*
***Includes Inflation at 2.50%*
****Initial trend rates are 7.00% for non-Medicare retirees: 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.*

Other Information:

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Discount Rate:

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. *The Discount Rate can be found int the 2017 TRS CAFR on page 83.* Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contribution entity are made at the statutory required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefits payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% or less than and 1% greater than the discount rate that was used in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
La Villa's proportionate share of the Net OPEB liability:	$ 3,137,614	$ 2,658,435	$ 2,273,284

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
La Villa's proportionate share of the Net OPEB liability:	$ 2,213,413	$ 2,658,435	$ 3,242,361

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2018, the District reported a liability of $2,658,435 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the Net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB liability	$	2,658,435
State's proportionate share that is associated with the District		3,367,635
Total	$	6,026,070

The Net OPEB liability was measured as of August 31, 201 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was .0061132779%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 217 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of $850/$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurement due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of ($2,018,401) and revenue of ($1,126,900) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 55,497
Changes in actuarial assumptions	-	1,056,532
Difference between projected and actual investment earnings	404	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	12	-
Total as of August 31, 2017 measurement date	416	1,112,029
Contributions paid to TRS subsequent to the measurement date	48,135	-
Total as of fiscal year-end	$ 48,551	$ 1,112,029

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	Pension Expense Amount
2019	(146,678)
2020	(146,678)
2021	(146,678)
2022	(146,678)
2023	(146,678)
Thereafter	(378,122)

L. RETIREE HEALTH CARE PLAN

Plan Description. The LA VILLA 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 Teacher Retirement System of Texas 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.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were .55% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2018, 2017, and 2016 the State's contributions to TRS-Care were $30,258, $29,869, and $29,570 and the school district's contributions were $34,454, $25,274, and $25,022, which equaled the required contributions each year.

Medicare on Behalf Payments. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was 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 must be recognized as equal revenues and expenditures/expenses by each reporting entity. The on behalf payments for La Villa Independent School District for 2018, 2017 and 2016 were $14,372, $14,408, and $18,308 respectively.

M. HEALTH CARE COVERAGE

During the year ended August 31, 2018, employees of the District were covered by health insurance plan (the Plan). The District paid premiums of $351 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the licensed insurer is renewable October 1, and terms of coverage and premium costs are included in the contractual provisions.

LA VILLA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
For The Year Ended August 31, 2018

N. COMMITMENTS AND CONTINGENCIES

1. Contingencies

The District participates in grant programs which are governed by various rules 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, refunds of any money received may be required and the collectability of any related receivable 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 basic financial statements for such contingencies.

O. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net Tax Revenue	$ 242,538	$ -	$ 26,949	$ 269,487
Total Deferred Revenue	$ 242,538	$ -	$ 26,949	$ 269,487

P. DUE FROM STATE AGENCIES

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, 2018, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

DUE FROM FUND	STATE ENTITLEMENTS	FEDERAL GRANTS	TOTAL
General	$ 158,348	$ -	$ 158,348
Special Revenue	-	262,453	262,453
Total	158,348	262,453 -	420,801
DUE TO FUND			
Special Revenue	-	15,406	15,406
	$ -	$ 15,406	$ 15,406

Q. REVENUE 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	Capital Projects Fund	Total
Property Taxes	$ 1,137,201	$ -	$ 130,867	$ -	$ 1,268,068
Penalties, Interest and Other Tax-related Income	21,899	-	3,638	-	25,538
Investment Income	9,419	-	776	7,814	18,009
Food Sales	6,811	-	-	-	6,811
Co-curricular Student Activities	15,142	-	-	-	15,142
Other	9,039	-	-	-	9,039
Total	$ 1,199,511	$ -	$ 135,281	$ 7,814	$ 1,342,606

R. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 25, 2019 the date which the financial statements were available to be issued.

S. MAINTENANCE OF EFFORT-HEALTH CARE

For fully insured districts/entities/risk pools, enter the total amount paid by the district for employee health care premiums as reported to TEA per Note K.

a) Total District Premium paid for health care 2017-2018		$ 381,778
b) Subtract any non-medical expenditures		
Life Insurance	$ 522	
Long-Term Disability	-	
c) 2017-2018 Maintenance of Effort		$ 381,256

T. SHARED SERVICE AGREEMENTS

The Center is the fiscal agent for a Shared Service Arrangement ("SSA"), which provides assistance to support various comprehensive professional development plans to the member districts listed below. The fiscal agent provides all services. According to guidance provided in TEA's Resource Guide, the Center has accounted for using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member Districts	Title II Part A	Title III Part A LEP
Gateway Academy	$ 6,858	$ 4,913
Jim Hogg ISD	-	2,098
Lasara ISD	-	1,327
La Villa ISD	-	187
Mid-Valley Academy	8,367	868
San Isidro ISD	-	2,511
San Perlita ISD	-	677
South Texas ISD	-	2,347
Webb CONS ISD	-	433
	$ 15,225	$ 15,361

U. GASB 63

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources are the acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure and that measure is renamed as net position, rather than net assets.

V. GASB 68

GASB 68 – establishes standards for accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria as described in GASB 67. This statement replaces the requirements of GASB Statement 27, Accounting for Pensions by State and Local Governmental Employers. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning pension liability

W. PRIOR PERIOD ADJUSTMENTS

During fiscal year 2018, the District adopted GASB statement No. 75 for *Accounting and Financial Reporting for Post-employment Benefits Other Than Pension.* With GASB 75, the District assumed their proportional share of net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled ($4,661,549) which resulted in a restated beginning net position balance of $3,118,122.

Beginning Net OPEB Liability	$	(4,693,333)
Deferred Resource Outflow Related to TRS OPEB		31,784
Total Prior Period Adjustment	$	(4,661,549)

X. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting. Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on-behalf accruals)
Instruction	$ 46,503	$ (601,387)	$ 647,890
Insturctional Resources and Media Services	(21,566)	(23,316)	1,750
Curriculum Development and Instructional Staff Development	276,715	-	276,715
School Leadership	(89,584)	(98,905)	9,321
Guidance, Counseling and Evaluation Services	(44,100)	(47,678)	3,578
Health Services	16,713	(17,588)	34,301
Student (Pupil) Transportation	(22,582)	(24,415)	1,833
Food Services	474,384	-	474,384
Extracurricular Activities	(41,835)	(45,229)	3,394
General Administration	(86,527)	(93,546)	7,019
Facilities Mainenance and Operations	(113,495)	(122,704)	9,209
Security and Monitoring Services	(25,013)	(27,043)	2,030
Data Processing Services	(23,206)	(25,089)	1,883
	$ 346,407	$ (1,126,900)	$ 1,473,307

APPENDIX D

FORM OF LEGAL OPINION
OF BOND COUNSEL

RICARDO PEREZ LAW FIRM
802 Lindberg, McAllen, Texas 78501
P.O. Box 4629, McAllen, Texas 78502
956-782-2700

September 17, 2019

La Villa Independent School District
500 East Ninth Street
La Villa, Texas 78562

La Villa Independent School District
Maintenance Tax Note, Series 2019

Bond Counsel Opinion

We have acted as Bond Counsel for the La Villa Independent School District (the "District") in connection with the issuance of its Maintenance Tax Note, Series 2019 in the original principal amount of $1,725,000 (the "Note") issued pursuant to a resolution adopted by the Board of Trustees of the District on August 19, 2019 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the tax certificate of the District dated the date hereof (the "Tax Certificate"), certificates of the District, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Note has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Note to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Note, the Resolution and the Tax Certificate, and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note has been duly authorized, executed and delivered by the District and is a valid, binding, and enforceable special obligation of the District, secured by and payable from a pledge of all available funds of the District, including the levy of a maintenance and operations ad valorem tax on all taxable property within the District.

2. Also based on our examination as described above, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Note is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For purposes of the alternative minimum tax imposed on corporations under Section 56 of the Code, interest on the Note is included in computing adjusted current earnings. We express no opinion regarding other federal tax consequences arising with respect to the Note.

In providing the opinion set forth in the foregoing paragraph, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the District. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Note in order for interest on the Note to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Note and the use of the property financed by the Note, limitations on the source of the payment of and the security for the Note, and the obligation to rebate certain excess earnings on the gross proceeds of the Note to the United States Treasury. The Resolution and the District's tax certificate for the Note (the "Tax Certificate") contain covenants (the "Covenants") under which the District has agreed to comply with such requirements. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Note from becoming includable in gross income for federal income tax purposes. We have no responsibility to monitor compliance with the Covenants after the date of issue of the Note.

Certain requirements and procedures contained, incorporated or referred to in the Resolution and Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

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.

This opinion is furnished solely to the addressees, and no one other than the addressees is entitled to rely upon this opinion.

Faithfully yours,

RICARDO PEREZ LAW FIRM

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RBC

Capital
Markets