May 10, 2016

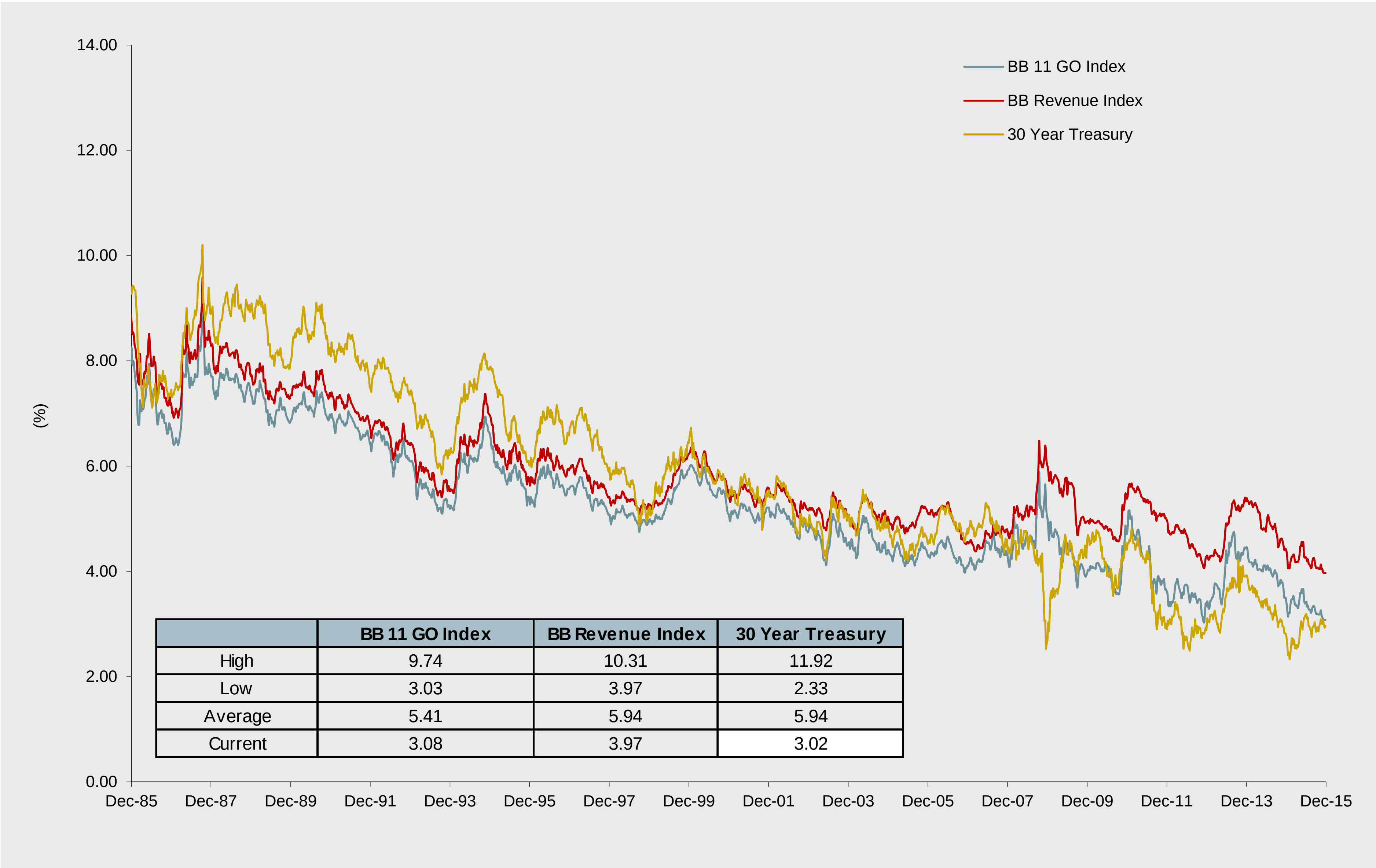
Unlimited Tax Refunding Bonds, Series 2016

Final Post Pricing Results

ESTRADA • HINOJOSA
INVESTMENT BANKERS

Dallas • Austin • Chicago • Houston • Miami • New York • San Antonio • San Diego

Bond Buyer Indices vs. 30 Year Treasury: 30 Year History



	BB 11 GO Index	BB Revenue Index	30 Year Treasury
High	9.74	10.31	11.92
Low	3.03	3.97	2.33
Average	5.41	5.94	5.94
Current	3.08	3.97	3.02

Source: Bond Buyer

ESTRADA • HINOJOSA
INVESTMENT BANKERS

Financing Team

➢ **Issuer**	**EAGLE PASS INDEPENDENT SCHOOL DISTRICT**
➢ **Financial Advisor**	Estrada Hinojosa & Co., Inc.
➢ **Bond Counsel**	Escamilla & Poneck PC
➢ **Underwriters**	William Blair Stephens Frost Bank Hilltop Securities
➢ **Underwriters Counsel**	Bracewell
➢ **Rating Agency**	Standard & Poor's Fitch
➢ **Bond Insurance**	PSF TEA Guarantee
➢ **Paying Agent**	Bank of Texas
➢ **Verification Agent**	Arbitrage Group

Sources and Uses of Funds

Par Amount	$ 40,060,000.00
Premium	6,033,392.85
Total	$ 46,093,392.85

Cash Deposit	$ 0.93
Open Market Purchases	45,591,612.05
Cost of Issuance	265,025.27
Underwriter's Discount	236,754.60
Total	$ 46,093,392.85

Note: Cost of issuance includes Attorney General Fees, Bond Counsel Fees and Expenses, Escrow Agent Fees, Financial Advisors Fees and Expenses, Paying Agent Fees, Rating Agency Fees, and Verification Agent Fees.

Credit and Rating Enhancement

UNDERLYING RATING

Standard & Poor's (S&P)	"A" Upgraded
Fitch	"A+"

WITH PERMANENT SCHOOL FUND GUARANTEE (PSF)

Standard & Poor's (S&P)	"AAA"
Fitch	"AAA"

* Eagle Pass Independent School District received a "AAA" by virtue of the PSF Guarantee Program provided by TEA. This rating represent the highest quality rating assigned by S&P and Fitch for long-term debt. This rating is based upon the insurance and not the District's stand-alone financial condition.

Eligible Bonds to be Refunded

- As shown in the chart below, current rates offer significant savings on a maturity-by-maturity basis versus the existing interest rates.

Series	Maturity Date	Existing Coupon	Par Amount	Call Date	Call Price	Current Rates	Rate Difference
U/L Tax School Building Bonds, Series 2008							
	8/15/2019	4.000%	$565,000	8/15/2018	100%	0.920%	3.080%
	8/15/2020	4.000%	585,000			1.040%	2.960%
	8/15/2021	4.000%	610,000			1.170%	2.830%
	8/15/2022	4.000%	635,000			1.380%	2.620%
	8/15/2025	4.125%	715,000			1.590%	2.535%
	8/15/2026	4.250%	745,000			1.780%	2.470%
	8/15/2027	4.250%	775,000			1.930%	2.320%
	8/15/2028	4.250%	810,000			2.050%	2.200%
	8/15/2023	4.150%	660,000			2.150%	2.000%
	8/15/2024	4.150%	685,000			2.250%	1.900%
	8/15/2029	4.500%	845,000			2.350%	2.150%
	8/15/2030	4.500%	880,000			2.420%	2.080%
	8/15/2031	4.500%	920,000			2.860%	1.640%
	8/15/2032	4.500%	960,000			2.600%	1.900%
	8/15/2033	5.000%	1,005,000			3.000%	2.000%
	8/15/2034	5.000%	1,055,000			2.700%	2.300%
	8/15/2035	5.000%	1,110,000			3.100%	1.900%
	8/15/2036	5.000%	1,165,000			3.150%	1.850%
	8/15/2037	5.000%	1,220,000			3.210%	1.790%
	8/15/2038	5.000%	1,285,000			3.270%	1.730%
			$17,230,000				

Eligible Bonds to be Refunded (continued)

Eligible Bonds to be Refunded							
Series	Maturity Date	Existing Coupon	Par Amount	Call Date	Call Price	Current Rates	Rate Difference
U/L Tax School Building Bonds, Series 2008A							
	8/15/2019	4.000%	$765,000	8/15/2018	100%	0.920%	3.080%
	8/15/2020	4.250%	795,000			1.040%	3.210%
	8/15/2021	4.375%	830,000			1.170%	3.205%
	8/15/2022	4.500%	870,000			1.380%	3.120%
	8/15/2023	4.625%	905,000			1.590%	3.035%
	8/15/2024	4.625%	950,000			1.780%	2.845%
	8/15/2027	4.750%	1,090,000			1.930%	2.820%
	8/15/2025	4.750%	990,000			2.050%	2.700%
	8/15/2026	4.750%	1,040,000			2.150%	2.600%
	8/15/2028	5.000%	1,140,000			2.250%	2.750%
	8/15/2029	5.000%	1,195,000			2.350%	2.650%
	8/15/2030	5.000%	1,255,000			2.420%	2.580%
	8/15/2031	5.000%	1,320,000			2.860%	2.140%
	8/15/2032	5.000%	1,385,000			2.600%	2.400%
	8/15/2033	5.000%	1,455,000			3.000%	2.000%
	8/15/2034	5.000%	1,530,000			2.700%	2.300%
	8/15/2035	5.000%	1,605,000			3.100%	1.900%
	8/15/2036	5.000%	1,685,000			3.150%	1.850%
	8/15/2037	5.000%	1,770,000			3.210%	1.790%
	8/15/2038	5.000%	1,860,000			3.270%	1.730%
			$24,435,000				
			$41,665,000	***Total Bonds to be Refunded***			

Savings Summary

FYE 8/31	Prior Debt Service	Refunding Debt Service	Savings	Present Value Savings	FYE 8/31
2016	$984,103	$983,041	$1,061	$1,050	2016
2017	$1,968,205	$1,704,500	$263,705	$256,139	2017
2018	$1,968,205	$1,704,500	$263,705	$249,793	2018
2019	$3,298,205	$3,019,500	$278,705	$257,373	2019
2020	$3,295,005	$3,015,050	$279,955	$252,038	2020
2021	$3,297,818	$3,019,550	$278,268	$244,228	2021
2022	$3,302,105	$3,023,750	$278,355	$238,225	2022
2023	$3,297,555	$3,015,550	$282,005	$235,320	2023
2024	$3,298,309	$3,020,350	$277,959	$226,167	2024
2025	$3,295,944	$3,017,550	$278,394	$220,859	2025
2026	$3,299,425	$3,021,050	$278,375	$215,396	2026
2027	$3,298,363	$3,017,450	$280,913	$211,906	2027
2028	$3,298,650	$3,018,450	$280,200	$206,154	2028
2029	$3,297,225	$3,014,950	$282,275	$202,538	2029
2030	$3,294,450	$3,011,950	$282,500	$197,677	2030
2031	$3,297,100	$3,014,200	$282,900	$193,053	2031
2032	$3,294,700	$3,012,800	$281,900	$187,519	2032
2033	$3,297,250	$3,015,550	$281,700	$182,743	2033
2034	$3,299,250	$3,016,150	$283,100	$178,984	2034
2035	3,300,000	3,018,400	281,600	173,602	2035
2036	3,299,250	3,020,200	279,050	167,650	2036
2037	3,296,750	3,017,800	278,950	163,308	2037
2038	3,302,250	3,021,200	281,050	160,322	2038
	$70,880,115	$64,743,491	$6,136,624	$4,622,043	

Savings Summary	
Net FV Savings from cash flow:	$6,136,624
Net PV Savings from cash flow:	$4,622,043
% Savings of Refunded Bonds:	11.093%
Avg. Annual Savings (FYE 2017-2038):	$278,889
Negative Arbitrage:	$1,607,775

Refunding Summary

- Based on current market PSF rates, significant Net Present Value (NPV) and annual savings can be realized by refunding the District's Unlimited Tax School Building Bonds, Series 2008 and Unlimited Tax School Building Bonds, Series 2008A.

Refunding Summary	
Delivered:	3/17/2016
Par Amount of Refunding Bonds:	$40,060,000
Par Amount of Refunded Bonds:	$41,665,000
Net PV Savings:	$4,622,043
% Savings of Refunded Bonds:	11.093%
Avg. Annual Savings (FYE 2017-2038):	$278,889
Avg. Coupon of Refunded Bonds:	4.836%
True Interest Cost (TIC):	3.035%
Negative Arbitrage:	$1,607,775
Rates as of:	3/17/2016

OFFICIAL STATEMENT

Dated February 18, 2016

NEW ISSUE - Book-Entry-Only

RATINGS:
Standard & Poor's: "AAA/A"
Fitch: "AAA/A+"
PSF Guaranteed
(See "OTHER INFORMATION – Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

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

$40,060,000
EAGLE PASS INDEPENDENT SCHOOL DISTRICT
(Maverick County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2016

Dated Date: February 1, 2016 **Due: August 15, as shown on inside cover**
Interest to accrue from Delivery Date

PAYMENT TERMS . . . The $40,060,000 Eagle Pass Independent School District Unlimited Tax Refunding Bonds, Series 2016 (the "Bonds") will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will accrue from March 17, 2016 (the "Delivery Date") and will be payable on February 15 and August 15 of each year commencing August 15, 2016 until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. DTC will act as securities depository. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof**. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (defined herein) 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 Bonds. See "THE BONDS - Book-Entry-Only System" herein. It will be the responsibility of the Underwriters of the Bonds to complete and file the DTC Eligibility Questionnaire. The initial Paying Agent/Registrar is Bank of Texas, Austin, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and an order adopted by the Board of Trustees (the "Board") of the Eagle Pass Independent School District (the "District") on January 12, 2016 authorizing the issuance of the Bonds (the "Bond Order"). As permitted by Chapter 1207, the Board, in the Bond Order, delegated the authority to certain District officials to execute an "Approval Certificate" evidencing final sales terms of the Bonds. The Approval Certificate was executed on February 18, 2016. The Approval Certificate and the Bond Order are hereinafter referred to as the "Order". The Bonds are direct obligations of the District, payable from an ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order (see "THE BONDS – Authority for Issuance"). **The District has received conditional approval for the Bonds to be additionally secured by the corpus of the Permanent School Fund of the State of Texas, which will automatically become effective when the Attorney General of Texas approves the issuance of the Bonds (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

PURPOSE . . . Proceeds from the sale of the Bonds will be used (1) to refund certain outstanding obligations of the District (the "Refunded Bonds"), as more particularly described in SCHEDULE I – Schedule of Refunded Bonds, in order to achieve debt service savings, and (2) to pay costs related to the issuance of the Bonds (see "PLAN OF FINANCE - Purpose").

See Maturity Schedule, Interest Rates, Initial Yields and CUSIP Numbers on Inside Cover

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by Escamilla & Poneck, LLP, San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, San Antonio, Texas.

DELIVERY . . . The Bonds are expected to be available for initial delivery through the services of DTC, on or about March 17, 2016 (the "Delivery Date").

WILLIAM BLAIR

FROST BANK **STEPHENS INC.** **HILLTOPSECURITIES**

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:

Eagle Pass Independent School District, Texas; School State Program

Primary Credit Analyst:
Joyce Jung, Centennial 303) 721 4189; joyce.jung@standardandpoors.com

Secondary Contact:
Jennifer K Garza (Mann), Dallas (1) 214-871-1422; jennifer.garza@standardandpoors.com

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Summary:

Eagle Pass Independent School District, Texas; School State Program

Credit Profile		
US$41.665 mil unltd tax rfdg bnds ser 2016		
Long Term Rating	AAA/Stable	New
Underlying Rating for Credit Program	A/Stable	New
Eagle Pass Indpt Sch Dist PSF/CRS		
Long Term Rating	AAA/Stable	Current
Underlying Rating for Credit Program	A/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services raised its underlying rating for credit program to 'A' from 'A-' on Eagle Pass Independent School District (ISD), Texas' general obligation bonds. At the same time, Standard & Poor's assigned its 'AAA' long-term rating and 'A' underlying rating for credit program to the district's series 2016 unlimited-tax refunding bonds. The outlook on all ratings is stable.

The upgrade on the underlying rating reflects our opinion of the district's conservative budgeting practices, which have allowed the district to experience better-than-budgeted results and maintain reserves at a very strong level.

The long-term rating reflects our view of the district's eligibility for, and participation in, the Texas Permanent School Fund (PSF) bond guarantee program, which provides the security of a permanent fund of assets that the district can use to meet debt service on bonds guaranteed by the program. (For more information on the program rating, please see our full analysis on the Texas PSF, published July 7, 2015, on RatingsDirect.)

The 'A' underlying rating reflects our view of the district's:

- Stable enrollment;
- Very strong reserve levels, with some taxing flexibility with voter approval; and
- Low debt service carrying charges.

The preceding credit strengths are offset by our view of the district's moderate debt burden as a percentage of market value, high unemployment rate, and low wealth levels.

An unlimited ad valorem tax on all property in the district secures the bonds. Bond proceeds will be used to refund a portion of the district's outstanding bonds.

Economy

Eagle Pass Independent School District serves an estimated population of 60,520. In our opinion, median household effective buying income (EBI) is adequate at 65% of the national level, but per capita EBI is low at 50%. At $34,025 per capita, the 2016 market value totaling $2.1 billion is, in our opinion, low. Net taxable assessed value (AV) grew by a total of 2.8% overall from 2014 to $2.1 billion in 2016, but in 2016 it decreased by 4.5%. The 10 largest taxpayers make up an estimated 12.3% of net taxable AV, which we consider very diverse.

Eagle Pass ISD encompasses approximately 1,289 square miles in Waller County, and is located on the border of Mexico, approximately 140 miles southwest of San Antonio. The district's economy is closely tied to international trade. Eagle Pass has two international bridges that link it with Piedras Negras, which has a population of about 250,000, in the Mexican state of Coahuila. The local economy remains fairly limited to small retail, light manufacturing, and ranching. The district's AV has been relatively stable in the past several years. AV increased 8.1% in fiscal 2014 and 7.7% in 2015, but decreased 4.5% in fiscal 2016 due to the implementation of a homestead exemption in the most recent year. The district anticipates significant AV growth in the coming years, as Dos Republica Coal Mine Co. started coal production in the summer of 2015. The district's tax base is very diverse, with the top 10 taxpayers accounting for 12.3% of fiscal 2016 AV, with the following top taxpayers: Conoco Phillips (2.81%), Fort Duncan Medical Center (1.79%), and AEP Texas Central (1.41%).

Finances

A wealth equalization formula, based on property values and average daily attendance (property wealth per student), determines state funding for all school districts. Therefore, increases or decreases in average daily attendance (enrollment) can lead to increases or decreases, respectively, in the amount of state revenue a district receives.

Enrollment has been fairly stable in the past three years, and the district anticipates enrollment will remain stable for the next two years. The district currently operates 24 educational facilities and has enrollment of 15,076 students.

The district's available fund balance of $18.9 million is very strong in our view, at 15% of general fund expenditures at fiscal year-end (Aug. 31) 2015. The district reported a surplus operating result of 2.1% of expenditures in 2015.

The district has reported operating surpluses for the past three years. It closed fiscal 2015 with a better-than-budgeted-result of a $2.6 million surplus, or 2.1% of operating expenditures, compared to the budgeted $1.1 million deficit, or 1% of operating expenditures. Officials attributed these results to higher-than-anticipated local, state, and federal revenues. As a result, the district was able to increase the available fund balance to $18.9 million, or 15.4% of operating expenditures, from $16.3 million, or 13.7%, in fiscal 2014. For fiscal 2016, the district budgeted a $2.9 million deficit; however, it anticipates only a minor deficit as it has budgeted conservatively and typically spends approximately 90% of the budgeted expenditures. The district has plans to draw down the reserve levels for long-term capital projects, reducing the fiscal 2016 available fund balance to approximately $16.8 million, or 12.6% of operating expenditures. The district, however, plans to build the reserve levels to $17.5 million in fiscal 2017 and $20.5 million in fiscal 2018.

The current total property tax rate of $1.15 per $100 of AV includes a $1.04 maintenance and operations levy and 11 cents for debt service.

Management

We revised our Financial Management Assessment score on the district to "standard" from "good" due to an update in our understanding of the district's informal long-term financial plan assumptions. Management uses historical actual revenue and expenditure figures from a five-year period and provides monthly budget-to-actual reports to the board. The district amends the budget as needed. The district has an informal long-term capital plan that identifies its capital asset needs and rough cost estimates for the next five years, which are expected to be addressed from its maintenance and operations funds. The district has a formal investment and provides a monthly performance report to the board. The district also has an informal reserve policy of maintaining at least one month of operating expenditures. The district currently lacks a debt management policy and a comprehensive, formalized, long-term financial plan.

Debt

As a percentage of market value, we consider overall net debt to be moderate, at 4.2%, and low on a per capita basis at $1,440. Amortization is slower than average, with 47% of the district's direct debt scheduled to be retired within 10 years. Debt service carrying charges were 4.2% of total governmental fund expenditures excluding capital outlay in fiscal 2015, which we consider low.

The district currently does not have authorized but unissued debt or privately placed debt. The district does not plan to issue additional debt over the next two years.

Pension and other postemployment benefit (OPEB) liabilities

In fiscal 2015, the district contributed its annual required contribution of $1.3 million, or 0.9% of total governmental expenditures, toward its pension obligations.

Although pension and OPEB contributions remain a long-term credit consideration, we believe the liability is manageable. The district contributes to the Texas Teacher's Retirement system, a cost-sharing, multiple-employer, defined-benefit pension plan. Utilizing updated reporting standards in accordance with Governmental Accounting Standard Board (GASB) Statement No. 67 & 68, the district's net pension liability as of August 2014 was $13.5 million. The plan maintained a funded level of 83.3%, utilizing the plan's fiduciary net position as a percentage of the total pension liability. The district contributed its full required contribution, which is statutorily determined, and we do not anticipate any increases in costs over the next several years will cause budgetary pressure, given the currently low level of contributions, at 0.9% of total governmental expenditures, and the relatively strong funding plan.

Outlook

The stable outlook on the program rating reflects Standard & Poor's assessment of the Texas PSF guarantee's strength.

The stable outlook on the underlying rating reflects our view that the district will sustain its strong available fund balance and continue to generate better-than-budgeted results. We do not expect to change the rating within the two-year outlook horizon.

Upside scenario

We could raise the rating if the district can sustain strong reserve levels and see a material improvement in its economic indicators and economic depth.

Downside scenario

We could lower the rating if the district's reserve levels were to decrease significantly and its debt burden were to increase without a commensurable increase in the tax base.

Related Criteria And Research

Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: State Credit Enhancement Programs, Nov. 13, 2008
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Ratings Detail (As Of February 11, 2016)		
Eagle Pass Indpt Sch Dist unltd tax rfdg bnds ser 2016		
Long Term Rating	AAA/Stable	Rating Assigned
Underlying Rating for Credit Program	A/Stable	Rating Assigned

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Eagle Pass Independent School District, Texas

Unlimited Tax Bonds

New Issue Report

Ratings

New Issue[a]

Unlimited Tax Refunding Bonds, Series 2016	AAA
Outstanding Debt	
Unlimited Tax Bonds	A+

[a]The 'AAA' rating is based on a guarantee provided by the Texas Permanent School Fund, whose insurer strength is rated 'AAA' by Fitch Ratings. The bonds' underlying rating, reflecting the credit quality before consideration of the guaranty, is 'A+'.

Rating Outlook

Stable

Related Research

Fitch Rates Eagle Pass ISD, TX ULT Rfdg Bonds 'AAA' PSF/'A+' Underlying; Outlook Stable (February 2016)

Eagle Pass Independent School District, Texas (April 2015)

Analysts

Shane Sellstrom
+1 512 215-3727
shane.sellstrom@fitchratings.com

Rebecca Moses
+1 512 215-3736
rebecca.moses@fitchratings.com

New Issue Details

Sale Information: $41,665,000 Unlimited Tax Refunding Bonds, Series 2016, scheduled to sell Feb. 17 via negotiation.

Security: Payable from an unlimited ad valorem tax levied on all taxable property within the Eagle Pass Independent School District (the district).

Purpose: To refund a portion of the district's outstanding debt for interest cost savings.

Final Maturity: Aug. 15, 2038.

Key Rating Drivers

Satisfactory Financial Reserves: Sound reserves have grown as a result of several years of generally positive financial performance. Budget balance has been largely preserved despite state funding reductions in some years.

Concentrated Resource Base: The local economy centers on trade with Mexico and oil and gas production, and top taxpayer concentration is moderately high. The 'A+' underlying rating recognizes the potential tax base volatility driven by economic activity surrounding the Eagle Ford Shale formation, particularly in light of ongoing oil price declines.

Below-Average Demographic Profile: Growth in per capita income has outpaced the state and national levels, but overall wealth indices and educational attainment remain very weak.

Affordable Debt Burden: Outstanding debt levels are moderately low and the carrying costs for debt service and retiree benefits are modest due to state subsidies. The rate of amortization is moderate, and the district's capital needs are limited.

Rating Sensitivities

Financial Flexibility: Continued growth in healthy reserve levels, paired with economic diversification, would lead to positive rating consideration.

Rating History

Rating	Action	Outlook/ Watch	Date
A+	Affirmed	Stable	2/9/16
A+	Affirmed	Stable	1/20/15
A+	Affirmed	Stable	1/31/13
A+	Affirmed	Stable	3/7/11
A+	Revised	Stable	4/30/10
A–	Affirmed	Stable	8/1/08
A–	Affirmed	Stable	1/15/08
A–	Assigned	Stable	3/1/05

Fitch recently published an exposure draft of state and local government tax-supported criteria (Exposure Draft: U.S. Tax-Supported Rating Criteria, dated Sept. 10, 2015). The draft includes a number of proposed revisions to existing criteria. If applied in the proposed form, Fitch estimates the revised criteria would result in changes to less than 10% of existing tax-supported ratings. Fitch expects that final criteria will be approved and published by the end of the first quarter of 2016. Once approved, the criteria will be applied immediately to any new issue and surveillance rating review. Fitch anticipates the criteria to be applied to all ratings that fall under the criteria within a 12-month period from the final approval date.

Related Criteria

Exposure Draft: U.S. Tax-Supported Rating Criteria (September 2015)

Tax-Supported Rating Criteria (August 2012)

U.S. Local Government Tax-Supported Rating Criteria (August 2012)

Credit Profile

This 15,000-student district is located along the U.S.-Mexico border, approximately 150 miles southwest of San Antonio. The county seat, Eagle Pass (GO bonds rated ‘A+’/Stable by Fitch Ratings), serves as the port of entry into Mexico at Piedras Negras, Coahuila.

Economy Linked to Mexico, Energy

The population of the Eagle Pass and Piedras Negras metropolitan area approximates 200,000, providing a solid base for trade and tourism that is complemented by agriculture and oil/gas production in the surrounding Maverick County. A portion of the district’s tax base overlies the Eagle Ford Shale, a large natural gas play spanning southern Texas. Strong drilling activity spurred residential and commercial development in some recent years, as demonstrated by average annual tax base growth of 5% from fiscal years 2010–2015.

However, changes in taxable assessed valuation (TAV) related to the Eagle Ford Shale will likely be affected over at least the near term by price declines in oil. Fitch’s ‘A+’ underlying rating assumes some continued tax base variability due to the district’s participation in this volatile economic sector.

Ongoing retail, hospitality and gaming development helps diversify the district’s tax base to offset further declines in mineral values, which represent 4% of the fiscal 2016 tax roll. TAV declined by 4.5% for fiscal 2016 as a result of a new statewide exemption, but the resulting revenue decline is expected to be offset by additional state funding.

The top 10 taxpayers comprise a slightly elevated 12.3% of fiscal 2016 TAV. There is some energy-industry concentration among the top payers (three out of 10), which exposes the district to economic cyclicality in that sector. The remaining top payers span healthcare, retail, real estate and utilities. The large amount of farm and ranch land in Maverick County makes up the largest share of the tax roll and contributes to a low per capita market value of $61,000.

Enrollment, on which state aid is largely based, has flattened in recent years, with fiscal 2016 enrollment up 0.3% from the prior year. Officials project flat enrollment to continue in the near term.

General Fund Financial Summary

($000, Audited Fiscal Years Ended Aug. 31)

	2011	2012	2013	2014	2015
Revenues	114,570	111,783	117,572	124,069	127,708
Expenditures	107,356	110,167	115,185	118,568	122,664
Operating Surplus	**7,214**	**1,616**	**2,387**	**5,501**	**5,044**
Transfers In	8,149	9,739	12,965	12,501	13,941
Other Sources	10	24	5	5	20
Transfers Out	9,745	12,160	13,296	17,529	16,424
Net Operating Surplus/(Deficit) After Transfers	**5,628**	**(781)**	**2,061**	**478**	**2,581**
Total Fund Balance	15,408	14,627	16,688	17,166	19,747
As % of Spending (Adjusted for Bond Transfers)	13.2	12.0	13.0	12.6	14.2
Unrestricted Fund Balance[a]	14,634	13,606	15,722	16,277	18,925
As % of Spending (Adjusted for Bond Transfers)	12.5	11.1	12.2	12.0	13.6

[a]Reflects GASB 54 classifications: sum of committed, assigned and unassigned. Note: Numbers may not add due to rounding.
Sources: Eagle Pass Independent School District, Lumesis and Fitch.

Persistently High Unemployment

Top employers include the school district, retail, healthcare and a casino, although the area's large migrant-worker labor force has contributed to historically elevated unemployment rates. County unemployment in November 2015 rose to 10.9% from 9.0% year over year and remains well above the state (4.2%) and national (4.8%) rates. Resident wealth levels are below average, with per capita income at about one-half of the state average and individual poverty at nearly twice the national rate.

Budget Practices Add to Reserves

Conservative budgeting practices yielded operating surpluses in five of the past six years despite relatively flat enrollment, with only a modest deficit in fiscal 2012 due to state budget cuts. Increased local and state revenues produced positive results in fiscal years 2013–2015 as the district outperformed budget expectations each year. The general fund produced a surplus of $2.6 million (1.9% of spending) in fiscal 2015, despite a $2.5 million transfer to the capital projects fund. Unrestricted fund balance totaled $18.9 million, or a solid 13.6% of spending. Liquid general fund assets remained satisfactory.

The district's fiscal 2016 proposed budget includes a general fund deficit of $998,000 (0.8% of spending) related to one-time spending items. The district typically budgets conservatively for state funding and maintains a degree of expenditure flexibility in its ability to increase class sizes, which are currently below the state's maximum. Fitch expects that reserves and liquidity will remain sound.

Low Debt Service Burden

Overall debt ratios, including direct and overlapping debt, are low to moderate at $1,984 per capita and 3.2% of market value. Debt service is heavily subsidized by state funds totaling 63% of annual debt service. Net of state subsidies, debt service is only 1.1% of governmental fund spending. The rate of amortization is moderate, with 50% of principal retiring in 10 years.

Debt Statistics

($000)

This Issue	41,665
Total Direct Debt — Net of Refunding	55,625
Net Direct Debt	55,625
Overlapping Debt	64,431
Net Direct and Overlapping Debt	**120,056**
Debt Ratios	
Net Direct Debt Per Capita[a]	919
As % of Market Value[b]	1.5
Net Direct and Overlapping Debt Per Capita[a]	1,984
As % of Market Value[b]	3.2

[a]Population: 60,520 (2015). [b]Market value: $3,698,356,000 (fiscal 2015). Note: Numbers may not add due to rounding.
Sources: Eagle Pass Independent School District, Lumesis and Fitch.

The district maintains a five-year facility plan that includes annual cash funding of improvements as needed. Due to the district's flat enrollment trend, officials indicate no near-term borrowing plans. The current tax rate for debt service is $0.12 per $100 of TAV, which is very competitive with other school districts and affords significant capacity if debt needs were to arise.

Affordable Pension Obligations

The district participates in the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer plan. The state assumes the vast majority of Texas school districts' net pension liabilities and the corresponding employer contributions. However, like all Texas school districts, the district is vulnerable to future policy changes by the state, as evidenced by a relatively modest 1.5% of salary contribution requirement effective fiscal 2015. Legislative changes in 2013 increased the state's annual contributions, although it remains to be seen whether this improves TRS's ratio of assets to liabilities over time.

Under GASB 68, the district reports its share of the TRS net pension liability (NPL) at $13.5 million, with plan fiduciary assets covering 83.25% of total pension liabilities at the plan's 8% investment return rate assumption (approximately 75% based on a more conservative 7% rate assumption). The NPL represents approximately 0.4% of the district's fiscal 2015 market value. Carrying costs for debt service and pension costs totaled a low 5% of governmental fund spending in fiscal 2015, largely reflective of state support.

Texas School Funding Litigation

A Texas district judge ruled in August 2014 that the state's school finance system is unconstitutional. The ruling, which was in response to a consolidation of six lawsuits representing 75% of Texas schoolchildren and was the second such ruling in the past two years, found the system inefficient, inequitable and underfunded. The judge also ruled that local school property taxes are effectively a statewide property tax due to lack of local discretion and, therefore, are unconstitutional.

The Texas attorney general has appealed the judge's latest ruling to the state Supreme Court. If the state school finance system is ultimately found unconstitutional, the Legislature would likely follow with changes to restore its constitutionality. Fitch would consider any changes that include additional funding for schools and more local discretion over tax rates to be a credit positive.

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January 25, 2016

Mr. Gilberto Gonzalez, Superintendent
Eagle Pass Independent School District
1420 Eidson Road
Eagle Pass, Texas 78852-5604

Dear Mr. Gonzalez:

Please be informed that your application for guarantee pursuant to the bond guarantee program (the "Guarantee Program") administered by the Texas Education Agency (the "Agency") of the Eagle Pass Independent School District's (the "District") Unlimited Tax Refunding Bonds, Series 2016, dated February 15, 2016, in the principal amount of $41,665,000.00 (the "Bonds") has been preliminarily approved for guarantee in accordance with the Guarantee Program, subject to the following requirements: (1) the bond rating of the issue must be below the "AAA" category by a nationally recognized municipal bond rating service, (2) the District must include in its Official Statement relating to the Bonds the language set forth in the PSF Bond Guarantee Program Disclosure Language (the "Official Statement Disclosure"), entitled "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" available at the following web link: http://tea.texas.gov/Finance_and_Grants/State_Funding/Facilities_Funding_and_Standards/Bond__Guarantee_Program/, and (3) each Bond must have printed on or attached to it the statement of guarantee in the form of the attachment to this letter entitled "PSF CERTIFICATE" (the "Bond Legend").

The preliminary approval of the Guarantee Program was based upon the capacity of the Permanent School Fund to guarantee bonds according to statutory and regulatory limits. At this time capacity is at a level that interim notifications of the district's intention to move forward with the sale of the bonds are not necessary.

In consideration for the application fee of the District, other valuable consideration with respect to the issuance of the Bonds by the District and the agreement of the District evidenced by the acceptance of the terms of this letter, and in order to induce investors to purchase the Bonds (and for their benefit) the Agency will (1) comply with the terms of the portion of State Board of Education investment policy codified in Section I of the Agency's Investment Procedure Manual ("Section I"), undertaking to provide ongoing information with respect to the Guarantee Program (including, specifically, the Permanent School Fund), and (2) provide or cause to be provided audited annual financial statements for the Guarantee Program, the Permanent School Fund (the "PSF") and the State of Texas to the MSRB (as such term is defined in Section I), when and if available, as required by rule

15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"). Financial data provided in accordance with this agreement will include audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. Financial statements of the PSF will be prepared on a flow of economic resources measurement focus and the accrual basis of accounting in accordance with Statement No. 20 of the Governmental Accounting Standards Board, or such other accounting principles as the Agency is required to employ from time to time pursuant to State law or regulation.

This agreement shall become effective with respect to the Bonds upon the issuance of the Bonds, if the District takes the steps required by this letter for the effectuation of the guarantee of the Bonds by the PSF pursuant to the Guarantee Program, and will remain in effect (and may be enforced in an action for mandamus or specific performance by beneficial owners of the Bonds but not otherwise) so long as the Agency or the State is an "obligated person" with respect to such guarantee within the meaning of Rule 15c2-12.

Because of limitations on Agency staff dedicated to the administration of the Guarantee Program, the Agency will be unable to respond to requests to review and comment upon proposed Official Statement disclosures concerning Rule 15c2-12 undertaking by the Agency or upon the Bond Legend to be printed on or attached to the Bonds. However, the Agency hereby represents to the District for its benefit and the benefit of the underwriters of the Bonds (if the Bonds are being sold in a negotiated sale) or the initial purchasers of the Bonds (if the Bonds are being sold competitively) that the information in the Official Statement Disclosure is accurate as of the date of this letter.

Upon sale of the bonds, please provide written notification to the Office of School Finance within ten (10) calendar days as to whether or not the guarantee is in effect. Should the PSF guarantee be in effect, this notification must include a copy of each of the following:

1. The order of the Board of Trustees certifying the sale of the guaranteed bonds (which is to include a statement that if the guaranteed bonds are defeased, the guarantee of such bonds would be removed in its entirety), and a statement that in case of default, and in accordance with Texas Education Code §45.061, the comptroller of public accounts will withhold the amount paid, plus interest, from the first state money payable to the school district in the following order: Foundation School Fund, Available School Fund,

2. the Official Notice of Sale,

3. the Final Official Statement and

4. for refunded bonds, a present value final savings schedule.

Only after the above items have been received will an original of the Bond Legend to be printed or attached to the Bonds and the "Certificate With Respect To Arbitrage" be sent to your bond counselor with copies to your financial advisor and the rating service(s). Sample copies of these two documents are enclosed for your convenience.

If bonds guaranteed by the Guarantee Program are defeased, the district shall notify the Office of School Finance in writing within ten (10) calendar days of such action. If you have questions, please feel free to contact Cassie Huggins at (512) 463-9232.

Thank you for your cooperation and assistance.

Sincerely,

Lisa Dawn-Fisher

Lisa Dawn-Fisher, Ph.D.
Associate Commissioner School Finance/Chief School Finance Officer

Enclosures

cc: David Gonzalez; Juan Aguilera; Standard & Poors; Fitch

Texas Education Agency

Commissioner Mike Morath

1701 North Congress Avenue • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • tea.texas.gov

CERTIFICATE WITH RESPECT TO ARBITRAGE

Sample

THE STATE OF TEXAS:
TEXAS EDUCATION AGENCY:

The Texas Education Agency hereby certifies with respect to the issuance by Eagle Pass Independent School District (the "District") of the Unlimited Tax Refunding Bonds, Series 2016, dated February 15, 2016, in the principal amount of $41,665,000.00 (the "Bonds") as follows:

1. The Permanent School Fund (the "Fund") created by Article 7, Section 5 of the Texas Constitution is a perpetual state trust fund authorized for the benefit of the public schools of the State of Texas.

2. The Bonds are guaranteed, pursuant to Article 7, Section 5 of the Texas Constitution and Section 45.051, et seq., of the Texas Education Code, by the corpus of the Fund.

3. The Fund has satisfied each of the factual requirements of paragraphs (d)(1)(i) through (d)(1)(iii) of Section 1.148-11(d)(1) of the Treasury Regulations on and after August 16, 1986.

4. Based upon the unaudited records of the Texas Education Agency and the General Land Office, the outstanding amount of the bonds guaranteed by the Fund on the sale date of the bonds did not exceed 500 percent of the total cost of the assets held by the Fund on December 16, 2009.

5. If the Bonds are defeased, the Fund guarantee shall be withdrawn in its entirety.

TEXAS EDUCATION AGENCY

By Lisa Dawn-Fisher, Ph.D.
Associate Commissioner School Finance/Chief School Finance Officer

TEA
Texas Education Agency

Commissioner Mike Morath

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PSF CERTIFICATE

Under the authority granted by Article 7, Section 5 of the Texas Constitution and Subchapter C of Chapter 45 of the Texas Education Code, the payment, when due, of the principal of and interest on the issuance by the Eagle Pass Independent School District of its Unlimited Tax Refunding Bonds, Series 2016, dated February 15, 2016, in the principal amount of $41,665,000.00 is guaranteed by the corpus of the Permanent School Fund of the State pursuant to the bond guarantee program administered by the Texas Education Agency. This guarantee shall be removed in its entirety upon defeasance of such bonds.

[Reference is hereby made to the continuing disclosure agreement of the Texas Education Agency, set forth in Section I of the Agency's Investment Procedure Manual and the Agency's commitment letter for the guarantee. Such disclosure agreement has been made with respect to the bond guarantee program, in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission, for the benefit of the holders and beneficial owners of the bonds.]*

In witness thereof I have caused my signature to be placed in facsimile on this bond.

Mike Morath
Commissioner of Education

This statement authorizes the use of my signature to be placed in facsimile on the above bonds.

*The bracketed paragraph should be omitted from bond issues which aggregate less than $1,000,000, as such offerings are totally exempted from Rule 15c2-12.

Sample

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