



Rating Action: Moody's Ratings assigns Aa3 UND/Aaa ENH to Farmersville ISD, TXs GOs, Series 2025

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New York, July 14, 2025 -- Moody's Ratings (Moody's) has assigned Aa3 underlying and Aaa enhanced ratings to Farmersville Independent School District, TX's Unlimited Tax School Building Bonds, Series 2025 with a proposed par amount of \$48.5 million. We maintain the district's Aa3 issuer and general obligation unlimited tax (GOULT) ratings. Post sale, the district will have roughly \$128.8 million in outstanding GOULT debt.

RATINGS RATIONALE

The Aa3 issuer rating incorporates the district's rapid enrollment growth, which is driving outsized long-term liabilities and fixed costs. Post sale, the long-term liabilities ratio is estimated to increase to around 515% of audited 2024 operating revenue, but revenue growth will reduce the ratio to approximately 475% for the 2025 fiscal year and to about 422% of anticipated 2026 operating revenue. Positively, the district's proximity to the dynamic DFW regional economy is likely to maintain above median resident income (108% of the US adjusted for regional price parity) and robust enrollment growth of about 5-6% annually.

Finally, the rating incorporates the district's solid financial operations despite previous capital outlays that resulted in reserve draws. Fiscal 2024 available fund balance currently sits at roughly 43% and will remain stable for fiscal 2025 at around 42% of revenue. Management plans to maintain solid reserves in the coming fiscal years at approximately 40% of operating revenue.

The Aa3 rating on the district's GOULT bonds is at the same level as the issuer rating, reflecting the unlimited property tax that is dedicated for debt service and levied upon all taxable property within the district.

The Aaa enhanced rating is based on the rating of the Texas Permanent School Fund and the structure and legal protections of the transaction which provide for timely payment by the PSF if necessary. The Texas Permanent School Fund is rated Aaa.

RATING OUTLOOK

We do not assign outlooks to local government issuers with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Reduction of long-term liabilities to below 250% of revenue
- Successful management of enrollment growth reflected in prolonged maintenance of an available fund balance ratio of more than 40%
- Not applicable (enhanced)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Increase of long-term liabilities ratio above 550% of revenue
- A decline in the available fund balance or liquidity ratio below 25%

- Rating downgrade of the Texas Permanent School Fund (enhanced)

PROFILE

Farmersville Independent School District is located in Collin County in northeastern Texas, approximately 35 miles northeast of the City of Dallas. The district's enrollment was 2,397 in 2025.

METHODOLOGY

The principal methodology used in this underlying rating was US K-12 Public School Districts published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425431>. The principal methodology used in this enhanced rating was Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology published in July 2022 and available at <https://ratings.moodys.com/rmc-documents/386295>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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