

CREDIT OPINION

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Contacts

Heather Correia +1.214.979.6868
AVP-Analyst
heather.correia@moody's.com

Eric Hoffmann +1.415.274.1702
Associate Managing Director
eric.hoffmann@moody's.com

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Americas 1-212-553-1653
Asia Pacific 852-3551-3077
Japan 81-3-5408-4100
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Nebo School District, UT

Update following upgrade to Aa1

Summary

The credit profile of [Nebo School District, UT](#) is strong, and reflects the district's very solid financial position with sizable surpluses reported the past five years, resulting in available reserves and cash of 25% and 32%, respectively. In fiscal 2024, federal sources represented a minimal 4% of total operating revenues and we believe that in the event of cuts, the district could absorb the unfunded costs into their budget without material financial deterioration.

The district serves a growing area of the state, both reflected in ongoing residential and commercial construction, and in terms of positive enrollment trends of 6.6%. Leverage is currently manageable at 187% of operating revenues (fiscal 2024) and, with the exception of a small issuance next summer, management does not anticipate another GO issuance for at least five years.

Credit strengths

- » Very solid financial trends resulting in healthy reserves and liquidity
- » Positive enrollment trends; district serves a growing area of the state

Credit challenges

- » Currently manageable leverage but future debt likely required to address needs of a growing district

Rating outlook

The stable outlook reflects the likelihood that management will continue to budget conservatively, and closely monitor enrollment and staffing, resulting in reserves and liquidity in line with Aa medians.

Factors that could lead to an upgrade

- » Maintenance of available reserves and liquidity above 25% of operating revenues
- » Total leverage below 125% of operating revenues on a consistent basis

Factors that could lead to a downgrade

- » Sustained decline in available reserves and liquidity below 17.5% of operating revenues
- » Material increases in total leverage to greater than 250% of operating revenues

Key indicators

Exhibit 1

Nebo School District, UT

	2021	2022	2023	2024	Aa Medians
Economy					
Resident income	127.8%	131.4%	130.8%	N/A	118.5%
Full value (\$000)	\$17,283,863	\$19,456,298	\$26,981,837	\$28,893,240	\$4,184,901
Population	147,831	151,344	155,300	N/A	32,217
Full value per capita	\$116,916	\$128,557	\$173,740	N/A	\$123,578
Enrollment	35,335	35,454	36,229	43,672	4,143
Enrollment trend	2.5%	2.3%	2.8%	7.3%	-1.0%
Financial performance					
Operating revenue (\$000)	\$311,803	\$336,886	\$373,601	\$469,597	\$76,434
Available fund balance (\$000)	\$82,356	\$90,125	\$102,047	\$115,589	\$21,177
Net cash (\$000)	\$94,436	\$101,816	\$114,555	\$150,900	\$26,035
Available fund balance ratio	26.4%	26.8%	27.3%	24.6%	29.2%
Net cash ratio	30.3%	30.2%	30.7%	32.1%	35.9%
Leverage					
Debt (\$000)	\$221,818	\$215,360	\$380,955	\$412,931	\$52,318
ANPL (\$000)	\$723,935	\$636,558	\$353,862	\$412,971	\$107,625
OPEB (\$000)	\$58,694	\$52,316	\$51,586	\$52,006	\$8,874
Long-term liabilities ratio	322.1%	268.4%	210.5%	186.9%	301.4%
Implied debt service (\$000)	\$16,405	\$15,558	\$15,041	\$26,463	\$3,696
Pension tread water (\$000)	\$18,908	\$15,057	\$24,156	\$27,197	\$1,705
OPEB contributions (\$000)	\$2,134	\$3,078	\$2,893	\$3,384	\$363
Fixed-costs ratio	12.0%	10.0%	11.3%	12.1%	9.8%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Nebo School District, UT's financial statements and Moody's Ratings

Profile

The district covers 1,300 square miles in Utah County south of the City of Provo (Aa1). Nebo operates a total of 47 schools made up of five high schools, an alternative high school, five junior high schools, five middle schools, 30 elementary schools, and an advanced learning center. The District also operates two special purpose programs. Fiscal 2025 in-seat enrollment was around 35,000 and online enrollment was approximately 8,000.

Detailed credit considerations

Economy: growing base, growing enrollment

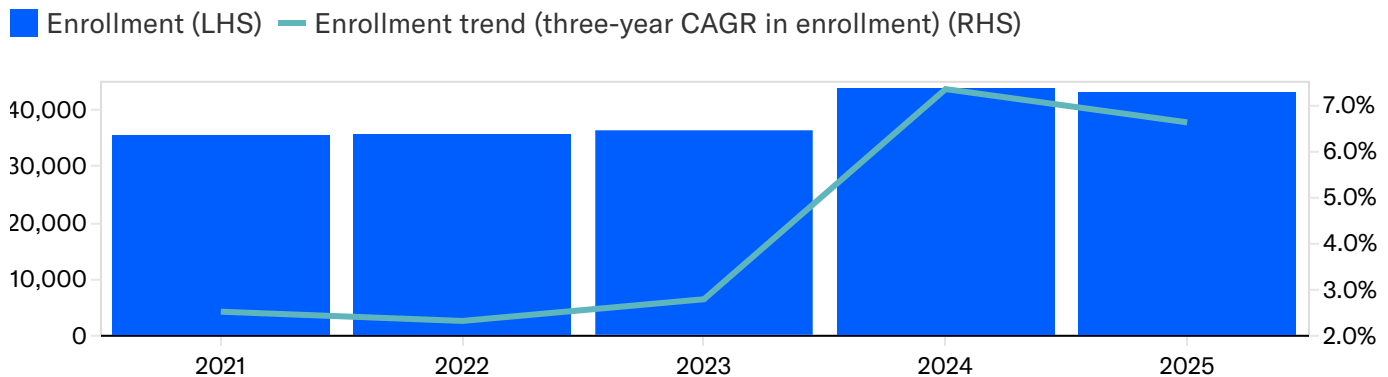
The district's economy will continue to expand driven by its location close to the core of the Provo-Orem, UT MSA and general proximity to Salt Lake City, UT (Aaa stable), the state's capitol and regional economic hub. Favorably, the presence of Utah Valley University and Brigham Young University provide employment and tax base stability. Management reports that residential construction remains ongoing, bringing families to the area. Commercial construction consists of big box retailers and grocery chains, such as Costco and Walmart.

Despite waning birthrates, which has negatively affected the region, management reports notable in-migration to the district, which has translated to positive enrollment trends (6.6% growth including online students; 1.6% growth considering in-person only). Going forward, management is budgeting for an additional 130 students in fiscal 2026, flat enrollment in fiscal 2027 and fiscal 2028 and finally, 250 students per year thereafter (these estimates are for in-person enrollment).

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Exhibit 2

Enrollment spiked due to inclusion of online students; however, in-person students have steadily grown due to ongoing residential development



Source: Moody's Ratings

Financial operations: solid financial position

The district's financial position is very solid, and is a key consideration in the rating upgrade. For the past several years, Nebo has reported sizeable operating surpluses, growing available reserves to \$116 million (fiscal 2024) from \$54 million (fiscal 2018). Management budgets conservatively, and has benefitted from a growing student body, which has translated to significant jumps in state aid and property taxes. Based on unaudited results for fiscal 2025, management is forecasting a general fund deficit of \$10.2 million, which, if realized, would reduce general fund balance to \$105 million, or a still-healthy 23% of budgeted revenues. This draw was planned, and associated with one-time costs related to the opening of two high schools. The district has historically been very conservative with their preliminary projections and we expect they will outperform this estimate.

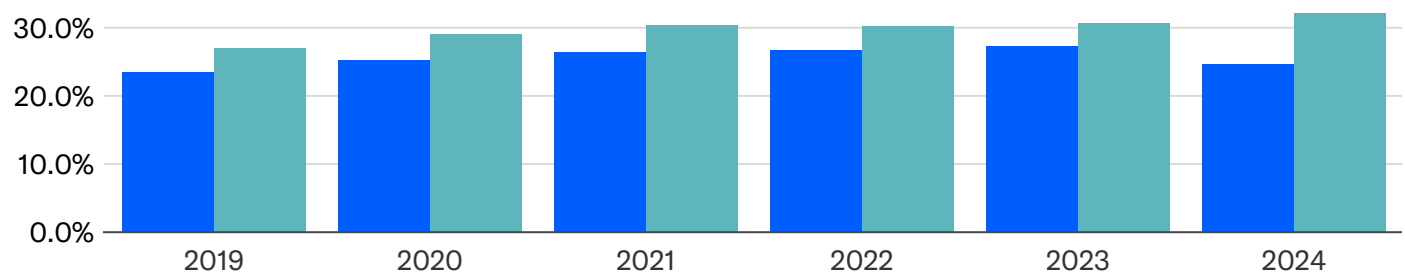
The fiscal 2026 budget forecasts a \$2.6 million general fund deficit, net of transfers. It is common that the district presents a deficit budget.

The district has entered into an agreement with an online provider, which provides an additional \$20 million in net revenue per year. The district has not included this payment in its recurring revenues, and considers these payments "one-time" in nature, earmarked solely for capital outside of operating fund balance. At the end of fiscal 2026, the district will have received \$60 million.

Exhibit 3

Financial Trends are sound

■ Fund Balance as a % of Revenues ■ Cash Balance as a % of Revenues



Source: Moody's Ratings

Liquidity

The district's fiscal 2024 cash position is good at \$151 million, or 32% of operating revenue.

Leverage: manageable leverage; plans to issue next August

Total leverage may increase modestly next year due to one final debt issuance, but should remain below 200% of operating revenues. Including the current sale (\$10 million), Nebo's leverage is around 183% of fiscal 2024 operating revenues. Management has indicated that they will exhaust remaining authorization (\$10 million) in August 2026.

Given current enrollment projections, officials indicate that they may have additional capital needs in five to seven years, but financing is still under discussion.

Debt structure

All GO and lease revenue bonds outstanding are fixed-rate and amortize over the long-term.

Debt-related derivatives

The district has no exposure to derivatives or swaps.

Pensions and OPEB

Utah school districts primarily participate in the school and state segment of the Public Employees Non-Contributory Retirement System, which is administered under the Utah Retirement System (URS) and has consistently been among the best funded retirement systems nationally, translating to comparatively low pension risks for local governments in Utah.

ESG considerations**Environmental**

The local government sector generally has low exposure to environmental risks, though Utah County has high exposure to climate challenges. According to Moody's ESG Solutions, the area has high exposure to potential water stress and wildfires and medium risk to heat stress.

Social

Key social considerations include the district's above average resident income, healthy property wealth and growing enrollment trend.

Governance

Nebo School District is run by a fiscally conservative management team. The board maintains an informal policy to retain a minimum 5% in undistributed reserve as economic stabilization in the event of contingencies.

Utah school districts have an Institutional Framework score ¹ of Aa. Most revenue is controlled by the state and increases have been regular as state income taxes, the primary source of education funding, have grown. Districts can also generate significant additional local revenue through both voter-approved and board-controlled levies for general expenses and capital, and most districts have room below tax rate limits.

Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits.

Exhibit 4

Nebo School District, UT

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	130.8%	10.0%	Aaa
Full value per capita (full valuation of the tax base / population)	186,048	10.0%	Aaa
Enrollment trend (three-year CAGR in enrollment)	6.6%	10.0%	Aa
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	24.6%	20.0%	Aa
Net cash ratio (net cash / operating revenue)	32.1%	10.0%	Aaa
Institutional framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	186.9%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	12.1%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa1
Assigned Rating			Aa1

The complete list of outstanding ratings assigned to the Nebo School District, UT is available on their [issuer page](#). Details on the current ESG scores assigned to the Nebo School District, UT are available on their [ESGView page](#).

Sources: US Census Bureau, Nebo School District, UT's financial statements and Moody's Ratings

Appendix

Exhibit 5

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
Financial performance		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Ratings

Endnotes

- 1 The institutional framework score categorically assesses whether a district has the legal ability to raise the bulk of its operating revenue at the local level or if the state determines the bulk of its operating revenue. Beyond the local versus state categorization, the strength of the institutional framework score is a measure of the district's flexibility in raising additional locally determined operating revenue. See [US K-12 Public School Districts Methodology](#) for more details.

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