

Research Update:

Denver City Independent School District, TX Series 2026 Unlimited-Tax Refunding Bonds Assigned 'AA-' Rating

March 19, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating (based on credit enhancement) and 'AA-' underlying rating to [Denver City Independent School District](#) (ISD), Texas' approximately \$35.5 million series 2026 unlimited-tax refunding bonds.
- We also affirmed our 'AA-' underlying rating on the district's general obligation debt outstanding.
- The outlook is stable.

Rationale

Security

Revenue from an unlimited ad valorem tax levied on all taxable property in the district secures the bonds. Proceeds from the series 2026 bonds will be used to refinance a portion of the district's debt outstanding for interest rate savings.

The long-term enhanced rating reflects our view of the district's eligibility for, and participation in, the Texas Permanent School Fund bond guarantee program. For more information, see "[Texas Permanent School Fund Bond Guarantee Program Rating Affirmed At 'AAA'](#)," Aug. 27, 2025.

Credit highlights

The underlying rating reflects the district's healthy reserves, which are somewhat offset by negative operating performance for three of four years, declining enrollment, and a concentrated economy in oil and gas, which we view as volatile industries.

The rural school district is located in eastern Texas, approximately 75 miles southwest of Lubbock, and serves Denver City. Taxable assessed value (AV) has been volatile recently given the district's significant taxpayer concentration in volatile industries. Nine of the district's top 10

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taxpayers are in the oil and gas industry. We anticipate the district will likely continue to experience AV swings given the volatility of oil and gas and the otherwise limited economic development within district boundaries. The district is projecting a 2% enrollment decline over the next few years following a trend of declining enrollment. The district noted that should financial pressures emerge following these declines, budgetary balance will be held through attrition.

The district has experienced deficits in three of the past four fiscal years. Stagnant state funding caused deficits in fiscal years 2022 and 2023. Insurance claim recoveries following damage from hailstorms in fiscal years 2022 and 2024 improved the district's financial position in fiscal year 2024. However, a deductible payment related to one of these hailstorms resulted in a deficit for fiscal year 2025. The district currently has approximately \$13.8 million in its committed fund balance for construction, which could be reclassified with board approval to address financial pressures, and is further supported by significantly higher general fund reserves than its peers, allowing for substantial budgetary flexibility. The district has budgeted for a \$3.7 million deficit in fiscal year 2026, but is currently performing better than projected due to conservative budgeting practices. It currently has no plans to spend down its general fund reserves.

The rating reflects our opinion of the following credit factors:

- The district's tax base is stable with elevated taxpayer concentration in oil and gas, which we view as volatile industries. Median household economic buying income as a percentage of the U.S and county remains comparable with those of peers.
- Healthy reserves provide the district with additional budgetary flexibility if needed. Enrollment has dropped recently, and management projects a 2% enrollment decline over the next few years.
- Key management practices and policies include conservative revenue and expenditure assumptions based on three years of historical analysis, budgetary practices with year-to-date budget-to-actual comparisons presented monthly to the school board, a formal investment policy with monthly updates on performance and holdings to the board, and an informal reserve policy of maintaining three months' operating expenditures in fund balance, which the district is currently exceeding. The district currently lacks a debt management policy and long-term financial and capital improvement plans. Cyber practices are in line with those of peers.
- While the district's net debt per capita remains elevated, we anticipate direct debt will moderate given the district has no future debt plans at this time.
- For more information on our institutional framework assessment for Texas school districts, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

Although the district has experienced severe storms such as hail, we view the district's environmental, social, and governance factors relative to its economy, management, financial measures, and debt and liability profile as neutral in our credit analysis.

Outlook

The stable outlook reflects S&P Global Ratings' view that Denver City ISD's reserve position will remain healthy and management will use its ability to reclassify its committed funds with board approval should budgetary pressures arise.

Downside scenario

If the district's reserves were to decline significantly due to structural imbalance or a decline in the tax base, we could lower the rating.

Upside scenario

We could raise the rating if the district were to realize sustained economic growth and diversification outside of oil and gas while maintaining its moderate debt burden

Denver City Independent School District, Texas--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.20
Economy	5.0
Financial performance	3
Reserves and liquidity	1
Management	3.00
Debt and liabilities	4.00

Denver City Independent School District, Texas --key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	431	--	431	426
County PCPI % of U.S.	81	--	81	88
Market value (\$000s)	1,311,883	1,549,222	1,724,779	1,624,823
Market value per capita (\$)	236,375	279,139	310,771	287,936
Top 10 taxpayers % of taxable value	58.3	62.2	66.3	66.1
County unemployment rate (%)	3.4	3.4	3.5	3.4
Local median household EBI % of U.S.	112	--	112	107
Local per capita EBI % of U.S.	108	--	108	100
Local population	5,550	--	5,550	5,643
Financial performance				
Operating fund revenues (\$000s)	--	21,251	22,638	21,473
Operating fund expenditures (\$000s)	--	22,781	22,145	23,368
Net transfers and other adjustments (\$000s)	--	1	(291)	(156)
Operating result (\$000s)	--	(1,529)	202	(2,051)
Operating result % of revenues	--	(7.2)	0.9	(9.6)
Operating result three-year average %	--	(5.3)	(8.7)	(10.0)
Enrollment	--	1,474	1,505	1,557
Reserves and liquidity				
Available reserves % of operating revenues	--	178.6	174.4	182.9
Available reserves (\$000s)	--	37,947	39,477	39,275
Debt and liabilities				
Debt service cost % of revenues	--	19.9	23.3	14.6
Net direct debt per capita (\$)	7,448	8,513	9,105	10,122

Denver City Independent School District, Texas --key credit metrics

	Most recent	2025	2024	2023
Net direct debt (\$000s)	41,334	47,249	50,534	57,120
Direct debt 10-year amortization (%)	49	54	47	--
Pension and OPEB cost % of revenues	--	2.0	2.0	2.0
NPLs per capita (\$)	--	1,000	1,000	1,013
Combined NPLs (\$000s)	--	5,550	5,550	5,718

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$35,520,000 Denver City Independent School District, (A Political Subdivision of the State of Texas Located in Yoakum County), Unlimited Tax Refunding Bonds, Series 2026, dated: May 06, 2026, due: February 15, 2041

Long Term Rating	AAA/Stable
Underlying Rating for Credit Program	AA-/Stable

Ratings Affirmed

Local Government

Denver City Indpt Sch Dist, TX Unlimited Tax General Obligation	AA-/Stable
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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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