S&P Global
Ratings

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Research Update:

Prairiland Independent School District, TX Series 2026 Unlimited Tax Building Bonds Assigned 'A+' Rating

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Overview

- S&P Global Ratings assigned its 'AAA' long-term rating and 'A+' underlying rating to Prairiland Independent School District, Texas' $6.2 million series 2026 unlimited tax school building bonds.
- At the same time, S&P Global Ratings affirmed its 'A+' underlying rating on the district's general obligation (GO) bonds outstanding.
- The outlook is stable.

Rationale

Security

Revenue from an unlimited ad valorem tax levied on all taxable property within the district secures the bonds. Bond proceeds will be used for various renovation and construction projects to school buildings and to purchase school buses.

The 'AAA' rating reflects our view of the district's eligibility for, and participation in, the Texas Permanent School Fund (PSF) bond guarantee program, which provides for the payment of debt service on bonds guaranteed by the program, secured by the assets of the PSF of the State of Texas. The outlook on the long-term rating is stable, reflecting the strength of the PSF program. (For more information, see "Texas Permanent School Fund Bond Guarantee Program Rating Affirmed At 'AAA'," Aug. 27, 2025.)

Credit highlights

The rating further reflects our view of the district’s conservative budgeting practices and growing economy that, despite some one-time capital-related spend-downs, have supported the maintenance of high reserves. These reserves somewhat offset a concentrated tax base stemming from several solar farms either recently opened or under development and an elevated debt profile.

While the local economy is historically somewhat limited, supported by agriculture and oil and gas activities, the property tax base has experienced strong growth with the addition of multiple solar farms. Subsequently, taxpayer concentration has also increased as the solar farms contribute a significant amount of the net taxable assessed valuation. Eventually, as a result of the relatively rapid depreciation of solar farms, we expect the tax base may become volatile in out-years. However, we believe that the district will likely maintain stable enrollment and very strong reserves, mitigating the tax base's concentration and volatility.

Fiscal years 2024 and 2025 yielded deficits, solely as a result of large transfers out to the capital projects fund to provide additional construction funding to the 2023 bond issuance. Officials note that fiscal 2026 results trended favorably against the deficit budget and anticipate a $900,000 surplus for the year, primarily as a result of large lost revenue payments from the solar farms through economic incentive agreements. The district adopted a slight deficit budget for fiscal 2027 as well, but officials expect actual results to be at least break-even. Given the district's track record of stable finances outside of one-time capital spending, we expect it will maintain very strong reserves for the foreseeable future, but we will monitor how salary increases and proposed changes in state funding could pressure finances. The district has no authorized but unissued debt remaining and does not intend to approach voters for additional authorization over the next two years.

The rating further reflects our view of the district's:

- Stable economic fundamentals. The district benefits from a consistently growing economy that serves as a bedroom community to Paris, Texas. Ongoing modest residential development alongside several solar farms under development supports our expectations for growth in the near term.
- Healthy operating history outside of capital spending and our expectation that reserves will remain very healthy, both nominally and as a percentage of the budget, through the outlook horizon. We have included the committed fund balance for capital in our calculation of available reserves as committed reserves are not tied to any immediate projects and can be made available by a vote of the board.
- Mostly informal planning with a history of strong budget practices using historical trend analysis. The district shares monthly budget-to-actual reports and investment reports with the board. Its informal target is to hold three months of reserves in general fund balance, which we expect will be exceeded through the outlook period. However, the district has no formal financial or capital planning practices or a debt policy. Our view of the district's cybersecurity policies and practices is in line with our view of its credit fundamentals.
- Elevated debt burden on a per capita basis, although we believe costs will remain affordable considering the lack of additional debt plans.
- Predictable state funding and some autonomy in the district's ability to raise revenue and cut expenditures. For more information on our institutional framework assessment for Texas school districts, see "Institutional Framework Assessment: Texas Local Governments," Sept. 9, 2024.

Outlook

The stable outlook reflects our opinion that the district will maintain sizable reserves supported by conservative budgeting practices and a growing, albeit concentrated, tax base.

Downside scenario

We could lower the rating if the district's finances deteriorate materially, either from large one-time expenditures or an emerging structural imbalance, weakening reserves to levels that no longer offset the concentrated tax base.

Upside scenario

Assuming all other rating factors remain stable or improve, we could raise the rating if the district's local economy significantly expands and diversifies, increasing economic metrics to levels we view as comparable to those of higher-rated peers alongside the implementation of more sophisticated management practices.

Prairiland Independent School District, Texas--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.15
Economy	5.5
Financial performance	3
Reserves and liquidity	1
Management	3.00
Debt and liabilities	3.25

Prairiland Independent School District, Texas--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	--	--	81	82
County PCPI as % of U.S.	--	--	73	74
Market value ($000s)	1,442,828	1,466,924	1,007,407	907,776
Market value per capita ($)	--	241,231	168,125	152,337
Top 10 taxpayers as % of taxable value	--	19.2	20.7	63.7
County unemployment rate (%)	--	4.1	4.0	4.4
Local median household EBI as % of U.S.	--	91	94	93
Local per capita EBI as % of U.S.	--	80	83	81
Local population	--	6,081	5,992	5,959
Financial performance				
Operating fund revenue ($000s)	--	13,627	13,920	12,609
Operating fund expenditures ($000s)	--	13,515	13,724	12,435
Net transfers and other adjustments ($000s)	--	(534)	(2,350)	0
Operating result ($000s)	--	(422)	(2,154)	174
Operating result as % of revenue	--	(3.1)	(15.5)	1.4
Operating result three-year average %	--	(5.7)	1.0	6.4
Enrollment	--	1,105	1,119	1,099
Reserves and liquidity				
Available reserves as % of operating revenue	--	67.1	68.8	92.9
Available reserves ($000s)	--	9,146	9,572	11,716
Debt and liabilities				

Prairiland Independent School District, Texas--key credit metrics

Debt service cost as % of revenue	--	13.4	11.3	9.6
Net direct debt per capita ($)	5,035	4,108	4,112	3,701
Net direct debt ($000s)	30,615	24,980	24,637	22,056
Direct debt 10-year amortization (%)	50	47	50	--
Pension and OPEB cost as % of revenue	--	1.5	1.6	1.2
NPLs per capita ($)	--	449	451	358
Combined NPLs ($000s)	--	2,731	2,701	2,133

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$6,230,000 Prairiland Independent School District, a political subdivision of the State of Texas located in Lamar and Red River Counties, Texas, Unlimited Tax School Building Bonds, Series 2026, dated: October 15, 2026, due: February 15, 2039	
Long Term Rating	AAA/Stable
Underlying Rating for Credit Program	A+/Stable
Ratings Affirmed	
Local Government	
Prairiland Indpt Sch Dist, TX Unlimited Tax General Obligation	A+/Stable

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.

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 https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.