

Research Update:

Bremond Independent School District, TX Series 2025 School Building Bonds Assigned 'A-' Rating; Outlook Stable

July 23, 2025

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating (based on credit enhancement) and 'A-' underlying rating to [Bremond Independent School District](#) (ISD), Texas' roughly \$9.1 million series 2025 unlimited-tax school building bonds.
- At the same time, we affirmed our 'A-' rating on the district's existing general obligation (GO) debt.
- The outlook is stable.
- The ratings are based on the application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

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Rationale

Security

Revenue from an unlimited ad valorem tax levied on all taxable property in the district secures the bonds.

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](#)," July 3, 2024 on RatingsDirect.

Officials intend to use series 2025 bond proceeds for the construction and improvement of school facilities.

Credit highlights

In our view, the rating is supported by the district's increasing assessed value (AV) in recent years, despite heavy taxpayer concentration, as well as by its interest and sinking (I&S) tax rate, which provides flexibility to cover its substantially increasing debt service. The rating is

constrained, however, by fluctuating operating performance and general fund reserves below \$2 million, significantly less than districts with similar taxpayer concentration.

Bremond ISD, located roughly 48 miles southeast of Waco in Robertson and Falls counties, has a local economy centered on mineral and electric production. The top ten taxpayers make up 45% of total AV and are concentrated in the oil-and-gas and power industries, which can cause swings in AV, population, and consequently, enrollment, which introduces greater risk to revenues. We note, however, that the tax base has been increasing since fiscal 2022.

In recent years, the district has had fluctuating operating results, with a surplus in fiscal 2022, a deficit in 2023, and a surplus in fiscal 2024. This follows reserve drawdowns for seven consecutive years as a result of a local power plant closure that affected revenues, combined with inflationary cost increases. Fiscals 2022 and 2024 were bolstered by Elementary & Secondary School Emergency Relief (ESSER) funds. Given the expiration of one-time federal funds, future reviews will focus on the district's ability to maintain at least balanced results.

Officials report that the district expects to break even in fiscal 2025 as the basic per-pupil allotment has seen a slight increase for the first time since 2019. However, enrollment has been declining, which directly affects revenue and could therefore add budgetary pressure, though officials expect it to stabilize in the near term. Available reserves are below similarly rated peers with comparable levels of taxpayer concentration, limiting the district's flexibility during revenue swings related to industry volatility.

Post-issuance, current costs of debt and liabilities increase materially, but we do not expect this to result in budgetary pressure for the district, as it has additional flexibility to raise the I&S tax rate, if needed, to help with debt service costs, though it currently has no plans to do so. The district has no additional debt plans and, in our opinion, pension costs are manageable.

The rating reflects our assessment of the following:

- Concentrated tax base that has been increasing for several years but is subject to fluctuation in times of price volatility; local incomes are below those of the county and the nation, and population is below 5,000.
- Long history of deficit operating results, somewhat stabilized in recent years due to one-time federal stimulus funds, and breakeven results expected for fiscal 2025. Reserves are under \$2 million and considerably below those of similarly concentrated districts.
- Historical information is used in developing revenue and expenditure assumptions, and monthly budget-to-actual reports are provided to the board, as well as investment holdings. The district has a formal fund balance policy of three months' expenditures. It lacks formal long-term financial and capital plans and a debt-management policy. It takes measures to mitigate cyber risk.
- There are no additional debt plans, but we view debt as elevated, particularly on a per capita basis. Pension costs are manageable. The district's net pension liability was funded at 78% in fiscal 2024, with a 7% discount rate, which we view as high but not an outlier in the state portfolio.
- For more information on our institutional framework assessment for Texas schools, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

Our analysis reflects elevated environmental risk, as the district's taxpayer concentration in electric/power plants and oil-and-gas could result in tax base contraction, population and subsequent enrollment loss, and disruptions in revenue. We typically view the maintenance of high reserves as a mitigant to elevated energy transition risk, but we note reserves, particularly on a nominal basis, might not be sufficient to mitigate this risk. We view social and governance risks are neutral in our analysis.

Outlook

The stable outlook reflects our expectation that reserves will not materially decrease, even with increased debt service costs.

Downside scenario

We could lower the rating if the district reverts to sustained deficit operations, or if a one-time drawdown decreases its reserves materially.

Upside scenario

We could consider raising the rating if the district achieves breakeven-to-surplus results on a sustained basis, without the use of one-time funds, and if its reserves improve nominally and relative to those of higher-rated peers, particularly districts with similar levels of tax base concentration.

Bremond Independent School District, Texas--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.27
Economy	4.0
Financial performance	3
Reserves and liquidity	2
Management	3.35
Debt and liabilities	4.00

Bremond Independent School District, Texas--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	215	--	215	200
County PCPI % of U.S.	84	--	84	84
Market value (\$000s)	368,033	351,811	310,436	276,555
Market value per capita (\$)	164,668	157,410	138,898	122,641
Top 10 taxpayers % of taxable value	45.4	47.0	42.9	44.0
County unemployment rate (%)	4.4	4.3	4.0	4.0
Local median household EBI % of U.S.	75	--	75	69
Local per capita EBI % of U.S.	83	--	83	78
Local population	2,235	--	2,235	2,255

Bremond Independent School District, Texas--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Financial performance				
Operating fund revenues (\$000s)	--	6,605	6,315	6,214
Operating fund expenditures (\$000s)	--	6,354	6,537	5,880
Net transfers and other adjustments (\$000s)	--	(45)	92	11
Operating result (\$000s)	--	206	(130)	345
Operating result % of revenues	--	3.1	(2.1)	5.6
Operating result three-year average %	--	2.2	0.6	(0.3)
Enrollment	--	506	512	498
Reserves and liquidity				
Available reserves % of operating revenues	--	22.1	19.9	22.3
Available reserves (\$000s)	--	1,463	1,258	1,387
Debt and liabilities				
Debt service cost % of revenues	--	12.0	12.3	12.3
Net direct debt per capita (\$)	5,951	2,262	2,873	3,143
Net direct debt (\$000s)	13,301	5,055	6,421	7,088
Direct debt 10-year amortization (%)	69	100	--	--
Pension and OPEB cost % of revenues	--	2.0	2.0	2.0
NPLs per capita (\$)	--	775	755	749
Combined NPLs (\$000s)	--	1,732	1,688	1,688

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\$9.1 mil unltd tax sch bldg bnds ser 2025 dtd 08/15/2025 due 08/15/2040

Long Term Rating AAA/Stable

Underlying Rating for Credit Program A-/Stable

Ratings Affirmed

Local Government

Bremond 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.

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