

Research Update:

# Badger Independent School District No. 676, MN's Series 2026A GO School Building Bonds Assigned 'AAA' Rating

January 5, 2026

## Overview

- S&P Global Ratings assigned its 'AAA' long-term rating (based on credit enhancement) and 'A-' underlying rating to [Badger Independent School District No. 676](#), Minn.'s \$5.3 million series 2026A general obligation (GO) school building bonds.
- The outlook is stable.

## Rationale

### Security

Revenue from the district's unlimited ad valorem property tax secures the GO bonds. Proceeds will be used for various capital projects to address deferred maintenance needs.

The long-term rating reflects our assessment of the district's eligibility for, and participation in, Minnesota's School District Credit Enhancement Program. The outlook mirrors and moves in tandem with that on the Minnesota GO rating. For more information, see "[Minnesota Credit Enhancement Programs](#)," July 10, 2024 on RatingsDirect.

### Credit highlights

The rating reflects our opinion of the district's sound local economy, albeit with a limited population base, flagging financial performance, nominally low reserves, and manageable debt-and-liabilities profile. Although the district tends to outperform the budget, we note the trend of deficit budgets as a material credit weakness.

The district has reported mixed operating results in recent years, with a surplus in fiscal 2025 following deficits in 2023 and 2024 resulting from capital outlay for deferred maintenance and escalating costs tied to inflationary pressures and compensation. Fiscal 2026 projections show a deficit of \$174,000 (3.8% of revenue), inclusive of approximately \$80,000 in one-time costs for the adoption of a new language arts curriculum. We expect additional operating levies passed in

### Primary Contact

**Alex C Swanson**  
Englewood  
303-721-4323  
alex.swanson  
@spglobal.com

### Secondary Contact

**Coral Schoonejans**  
Englewood  
1-303-721-4948  
coral.schoonejans  
@spglobal.com

2024 and 2025 to increase financial cushion and help balance operations in the coming years, as officials indicate that these will bring in about \$218,000 and \$100,000 annually, respectively, with an inflationary factor built in.

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

- Limited tax and employment base. Located in Badger, Minn., the district has a largely agricultural local economy, with some major employers in manufacturing and health care in the surrounding area. Per capita and median effective buying income are in line with county and national averages. We consider the lack of ongoing development a vulnerability in our evaluation of the local economy.
- Mixed financial performance, with an overall trend of deficits. The stable enrollment and the district's conservative approach to budgeting have contributed to positive variances in revenue in recent years. Nonetheless, we note ongoing cost pressures and capital outlay as potential sources of credit pressure, which the additional operating levies passed in 2024 and 2025 have somewhat mitigated. We consider reserves of less than \$1 million nominally low and an ongoing source of credit pressure.
- Management practices, highlighted by conservative and realistic budgetary assumptions, quarterly reporting of budget-to-actual performance, maintenance of an annually updated 10-year facilities plan, compliance with state requirements on debt management and investments, and an informal target of 20% of expenditures in unassigned fund balance, which the district is short of. Management is taking steps to mitigate cyber security risk.
- Manageable debt-and-liabilities profile, with carrying charges that we expect will remain consistent. A portion of the district's tax base consists of agricultural properties, which results in a share of the debt service being supported by payments from the state on behalf of the Ag2School tax credit, which was enacted in 2017. The tax credit does not have a sunset clause, and the state reimburses districts by 70% of eligible debt that would otherwise be paid by agricultural property owners. Approximately 45% of the district's debt is supported by the Ag2School credit, which we used to calculate net direct debt. The district has no firm plans for further debt, although management notes some additional capital needs in the coming years. Net pension liabilities per capita are somewhat elevated, and we have incorporated this into our analysis.
- For more information on our institutional framework assessment for schools, see: "[Institutional Framework Assessment: Minnesota Local Governments](#)," Sept. 10, 2024.

## **Environmental, social, and governance**

We view environmental, social, and governance factors as neutral in our credit analysis.

## **Outlook**

The stable outlook reflects our expectation that the recently passed operating levies will allow the district to achieve and maintain balanced operations.

## **Downside scenario**

We could lower the rating if the district were unable to maintain structural balance, resulting in further deterioration of the nominally low fund balance.

## Upside scenario

We could raise the rating if the district were to build fund balances to levels comparable to those of higher-rated peers.

### Badger Independent School District No. 676, Minnesota--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.21
Economy	3.0
Financial performance	3
Reserves and liquidity	4
Management	3.30
Debt and liabilities	2.75

### Badger Independent School District No. 676, Minnesota--key credit metrics

	Most recent	2025	2024	2023
<b>Economy</b>				
Real GCP per capita as % of U.S.	--	--	--	126
County PCPI as % of U.S.	--	--	--	88
Market value (\$000s)	--	303,127	262,860	188,701
Market value per capita (\$)	--	264,278	229,172	165,237
Top 10 taxpayers as % of taxable value	--	17.5	--	--
County unemployment rate (%)	--	3.7	3.4	2.7
Local median household EBI as % of U.S.	--	--	98	94
Local per capita EBI as % of U.S.	--	--	92	86
Local population	--	--	1,147	1,142
<b>Financial performance</b>				
Operating fund revenue (\$000s)	--	4,300	4,030	3,656
Operating fund expenditures (\$000s)	--	4,245	4,145	4,194
Net transfers and other adjustments (\$000s)	--	78	16	(34)
Operating result (\$000s)	--	133	(99)	(572)
Operating result as % of revenue	--	3.1	(2.5)	(15.6)
Operating result three-year average %	--	(5.0)	--	--
Enrollment	--	221	218	214
<b>Reserves and liquidity</b>				
Available reserves as % of operating revenue	--	14.0	10.4	15.9
Available reserves (\$000s)	--	602	420	582
<b>Debt and liabilities</b>				
Debt service cost as % of revenue	--	0.3	0.2	0.2
Net direct debt per capita (\$)	2,623	62	12	19
Net direct debt (\$000s)	3,009	71	14	22

**Badger Independent School District No. 676, Minnesota--key credit metrics**

	Most recent	2025	2024	2023
Direct debt 10-year amortization (%)	28	59	100	100
Pension and OPEB cost as % of revenue	--	4	4	5
NPLs per capita (\$)	--	1,600	1,600	2,296
Combined NPLs (\$000s)	--	1,835	1,835	2,622

Financial data may reflect analytical adjustments and is 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. EBI--Effective buying income. GCP--Gross county product. NPL--Net pension liability. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

**Ratings List**

**New Issue Ratings**

US\$5.340 mil GO sch bldg bnds ser 2026A dtd 1/29/2026 due 2/1/2046

Long Term Rating AAA/Stable

Underlying Rating for Credit Program A-/Stable

**New Rating**

**Local Government**

Badger Indpt Sch Dist #676, MN State Standing Appropriation Program AAA/Stable

Badger Indpt Sch Dist #676, MN 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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