

**Rating Action: Moody's assigns Aa2 ENH rating to Beulah Public School District 27, ND's GO bonds**

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13 Feb 2020

New York, February 13, 2020 -- Moody's Investors Service has assigned a Aa2 enhanced rating to Beulah Public School District 27, ND's \$2.4 million General Obligation Building Fund Bonds, Series 2020A.

**RATINGS RATIONALE**

The Aa2 enhanced rating is based on the security provided by the State of North Dakota Department of Public Instruction's (NDDPI) School District Credit Enhancement Program, as established by state statute. The program rating incorporates adequate program mechanics and the credit quality of the State of North Dakota, which has an issuer rating of Aa1 with a stable outlook. For more information on the state's rating and outlook, please see our most recent rating report for the State of North Dakota dated December 20, 2018.

Under the program, established and designed by the State of North Dakota, the bonds are secured by the state's pledge to accelerate state aid that has been appropriated to the district during the current fiscal year should the district be unable to meet debt service requirements. Pursuant to North Dakota code 6-09.4-23, the superintendent of the state Department of Public Instruction (DPI) will intercept aid due to a school district if notified of a potential debt service deficiency. To participate in the program, school districts must adopt a bond resolution and agree to provide a bond counsel opinion as well as file the debt service schedule with the DPI. School districts must also certify to an additional bonds test of two times maximum annual debt service (MADS) based on school aid available to the district. The district has completed all of the pre-sale requirements for participating in the program. Based on fiscal 2019-2020 state aid revenues of \$4.8 million, the projected available state aid on an August 1 principal payment date is approximately 26.8x MADS of \$160,400 which occurs in 2027. In addition, participation in the intercept program is irrevocable as long as the 2020 bonds are outstanding.

**RATING OUTLOOK**

The programmatic rating carries the state's stable outlook.

**FACTORS THAT COULD LEAD TO AN UPGRADE**

- An upgrade in the state's issuer rating

**FACTORS THAT COULD LEAD TO A DOWNGRADE**

- A downgrade in the state's issuer rating
- Weakening of program mechanics, intercept timing or documentation
- Significant decline in debt service coverage by pledged state aid

**LEGAL SECURITY**

The district's GO bonds are secured by the district's pledge to levy a dedicated property tax

unlimited as to rate and amount. The Series 2020A bonds are additionally secured by the State of North Dakota Department of Public Instruction's (NDDPI) school district credit enhancement program, which is rated Aa2 and carries a stable outlook.

**USE OF PROCEEDS**

The proceeds of the bonds will be used to construct an addition and make renovations to the district's high school.

**PROFILE**

The district is located in west-central North Dakota in Dunn, Mercer and Oliver Counties and

includes the City of Beulah and several other surrounding areas. The City is located near the Missouri River and is approximately 75 miles northwest of Bismarck. The District has a population of approximately 4,605 and covers an area of 668.9 square miles.

#### METHODOLOGY

The principal methodology used in this rating was State Aid Intercept Programs and Financings published in December 2017. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

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