MOODY'S
RATINGS

November 2026

Navigating the Credit Rating Process

Learning Objectives

1. What does a Moody's credit rating represent?
2. What are the steps involved in Moody's credit rating process?
3. How does Moody's evaluate the credit quality of K -12 school districts?
4. What are the biggest challenges for Florida K -12 school districts?

1. Moody's Credit Ratings

Moody's Credit Ratings

What does a Moody's credit rating represent?

- Moody's credit ratings represent our forward-looking opinion of the relative credit risk of financial obligations issued by a range of entities (governments, corporations, financial institutions, etc.).

- Moody's defines credit risk as the risk that an entity may not meet its contractual financial obligations as they come due and any estimated financial loss in the event of default or impairment.

Source: Moody's "Rating Symbols and Definitions: published on January 2, 2025

Moody's Credit Ratings

Long-Term Rating Scale

- Long-term ratings are assigned to issuers or obligations with an original maturity of eleven months or more.
- Ratings Baa and above are considered investment grade.
- Ratings Ba and lower are considered speculative grade.

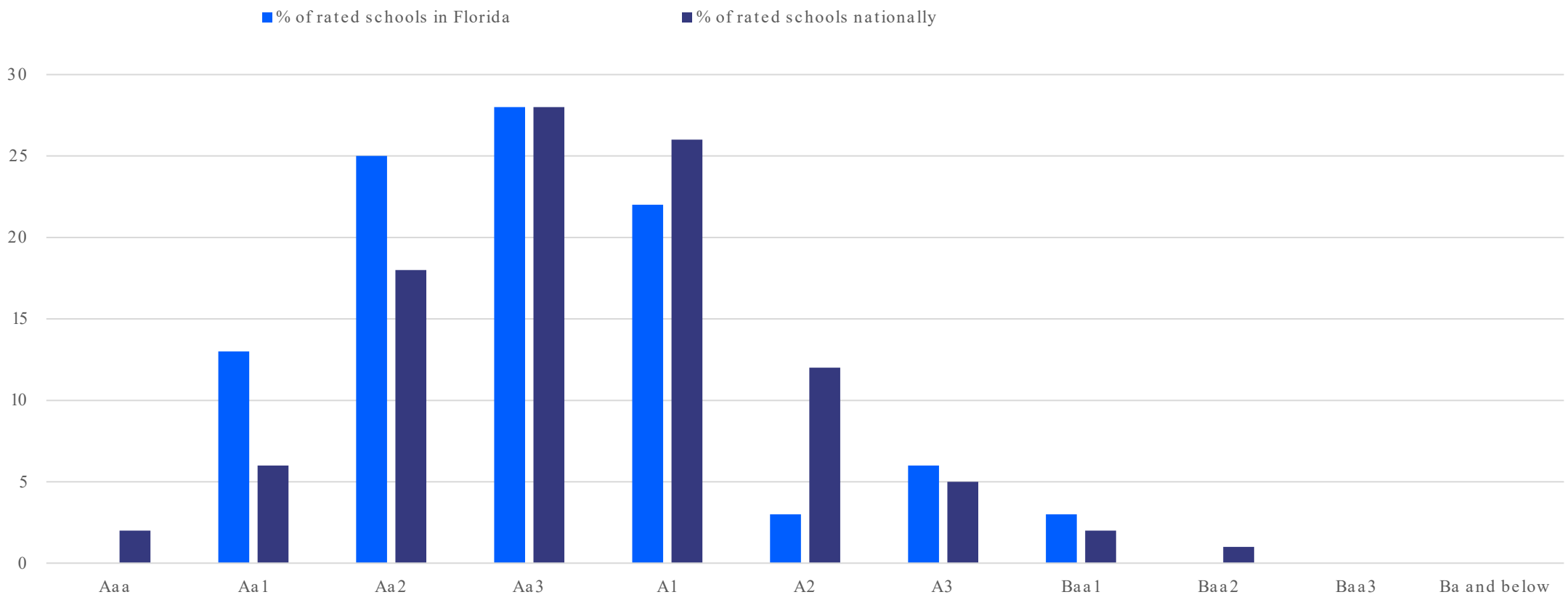
Global Long-Term Rating Scale	
Aaa	Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.*

Source: Moody's "Rating Symbols and Definitions: published on January 2, 2025

Florida K-12 district ratings slightly exceed national peers

..Aa2 median, though all are solidly investment grade



Ratings as of 9/17/2026

Source: Moody's Ratings

2. Moody's Credit Rating Process

Moody's Credit Rating Process

ratings.moodys.io/ratings#rating-process



Step 1: Rating Request

- Issuer's team requests rating
- Moody's assigns analytical team based on sector and security type



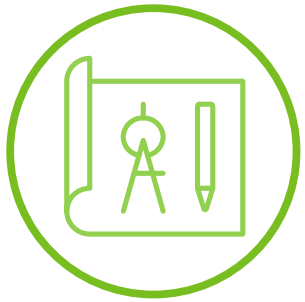
Step 2: Information Gathering

- Issuer provides POS, audit, and supporting materials
- Moody's conducts initial review, sends questions to be covered in the rating call



Step 3: Rating Call / Meeting

- Issuer's leadership team meets with Moody's
- Discuss issuance, the issuer's credit story, and forward-looking expectations



Step 4: Rating Committee

- Moody's analytical team creates a credit profile, convenes committee
- Rating committee reviews the credit, votes and assigns the final credit rating



Step 5: Deliver Rating

- Moody's analytical team communicates rating to the issuer
- Draft press release and credit opinions sent to issuer for review

3. Moody's Approach to Assigning Ratings to K-12 School Districts

Methodology Framework



Scorecard Indicated Rating

The methodologies used to rate cities, counties, and K-12 school districts include a scorecard with key metrics that are standard across the sector.



Additional Considerations

In a rating committee, however, additional factors and forward-looking information are considered that might not be fully reflected in the scorecard.



Assigned Rating

As a result, the final assigned rating does not always match the scorecard indicated outcome.

Scorecard factor: Economy

K-12 Public School Districts

	Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Factor: Economy (30%)									
Resident Income (MHI Adjusted for RPP / US MHI) [1]	10%	≥ 120%	100% - 120%	80% - 100%	65% - 80%	50% - 65%	35% - 50%	20% - 35%	< 20%
Full Value per Capita (Full Valuation of the Tax Base / Population) [2]	10%	≥ $180,000	$100,000 - $180,000	$60,000 - $100,000	$40,000 - $60,000	$25,000 - $40,000	$15,000 - $25,000	$9,000 - $15,000	< $9,000
Enrollment Trend (Three-Year CAGR in Enrollment) [3]	10%	2% - 4%	0% - 2% or > 4%	(2)% - 0%	(5)% - (2)%	(8)% - (5)%	(11)% - (8)%	(14)% - (11)%	< (14)%

- We adjust a District's median household income by regional price parity to incorporate cost of living variations across the country

- A district's enrollment trend is often a direct input into determining a district's state aid revenue, though this can vary from state to state

Scorecard factor: Finances

K-12 Public School Districts

	Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Factor: Financial Performance (30%)									
Available Fund Balance Ratio (Available Fund Balance / Operating Revenue) [4]	20%	≥ 25%	17.5% - 25%	10% - 17.5%	5% - 10%	0% - 5%	(5)% - 0%	(10)% - (5)%	< (10)%
Net Cash Ratio (Net Cash / Operating Revenue) [5]	10%	≥ 25%	17.5% - 25%	10% - 17.5%	5% - 10%	0% - 5%	(5)% - 0%	(10)% - (5)%	< (10)%

- → Fund balance ratio's Numerator includes:
  - → Assigned and unassigned fund balance in the General and Debt Service Funds
- → Denominator includes the combined revenue of the General and Debt Service Funds

Scorecard factor: Institutional Framework

Institutional Framework	Factor Weight	Score	Description
Florida School Districts	10%	Baa	The state provides or allows for increases to the bulk of the school district's revenue, although the timing or amount of the increases may vary or the state sometimes holds this revenue flat, modestly reduces this revenue or occasionally delays disbursements; or the school district cannot generate meaningful additional locally determined operating revenue.

Scorecard factor: Leverage

K-12 Public School Districts

	Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Factor: Leverage (30%)									
Long-term Liabilities Ratio ((Debt + Adjusted Net Pension Liabilities + Adjusted Net Other Post Employment Benefits) / Operating Revenue) [6]	20%	≤ 125%	125% - 250%	250% - 400%	400% - 550%	550% - 700%	700% - 850%	850% - 1,000%	> 1,000%
Fixed-costs Ratio (Adjusted Fixed Costs / Operating Revenue) [7]	10%	≤ 15%	15% - 20%	20% - 25%	25% - 30%	30% - 35%	35% - 45%	45% - 55%	> 55%

- Long-term liabilities includes:
  - All debt obligations
  - Moody's adjusted net pension liability
  - Moody's adjusted net OPEB liability

- To enhance comparability of pension liabilities between rated entities, Moody's applies a standardized discount rate to adjust liabilities

Other Considerations

Other Considerations



→ The assigned rating can differ from the scorecard-indicated rating

→ Rating committee assesses considerations not reflected in the scorecard

→ Other considerations can include (but are not limited to):

- Strengths or weaknesses related to economic concentration
- Fund specific financial considerations
- Strengths or weaknesses related to component units
- Environmental, social, or governance considerations

Issuer and Instrument Ratings



Issuer Rating

Fundamental credit quality

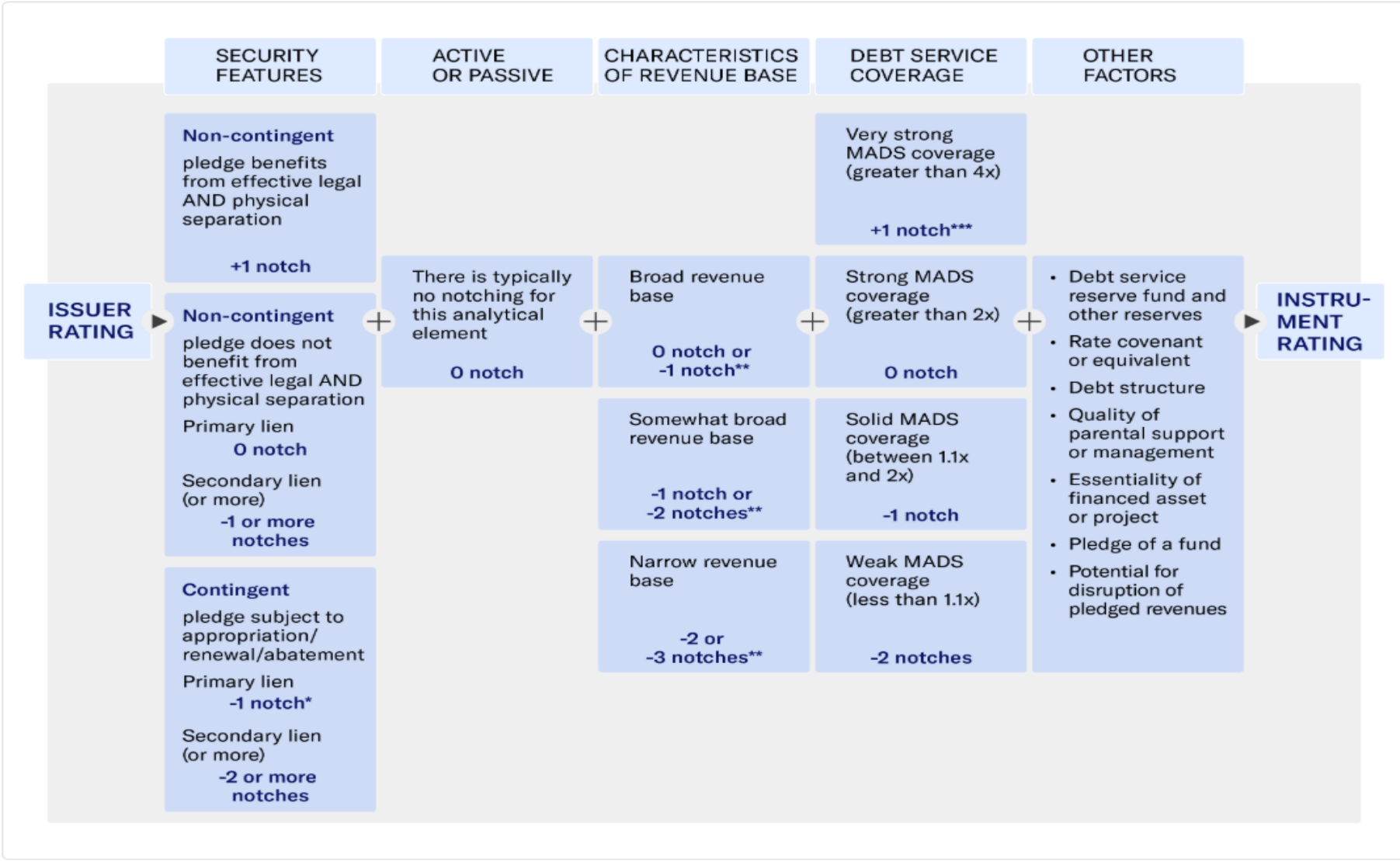
Instrument Considerations

Evaluation of the legal security of a specific bond

Instrument Rating

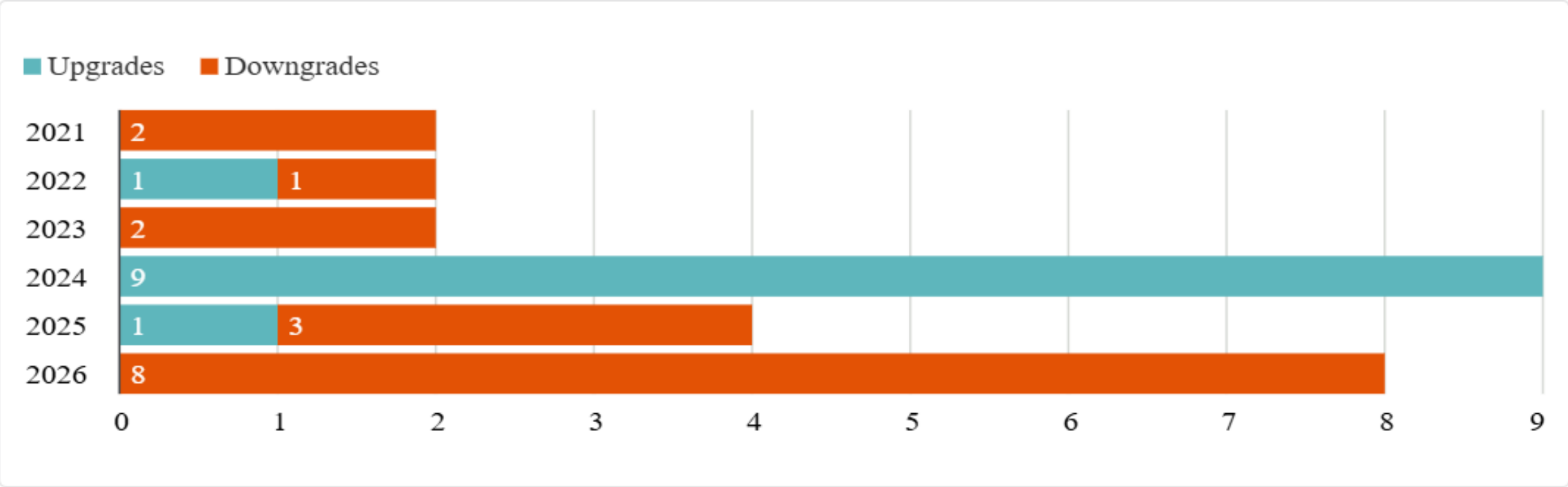
Assigned to a specific bond and placed in relation to the issuer rating

Special Tax Instrument Ratings



4. Florida K-12 Update

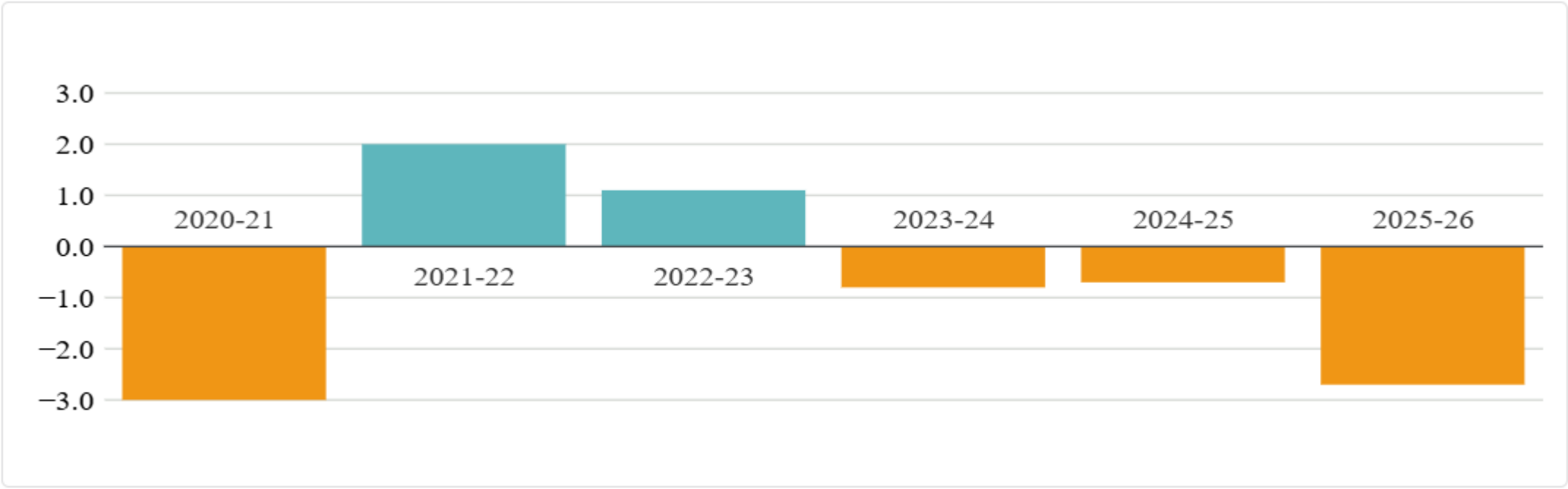
Downgrades have outpaced upgrades over the last 18+months



Source: Moody's Ratings

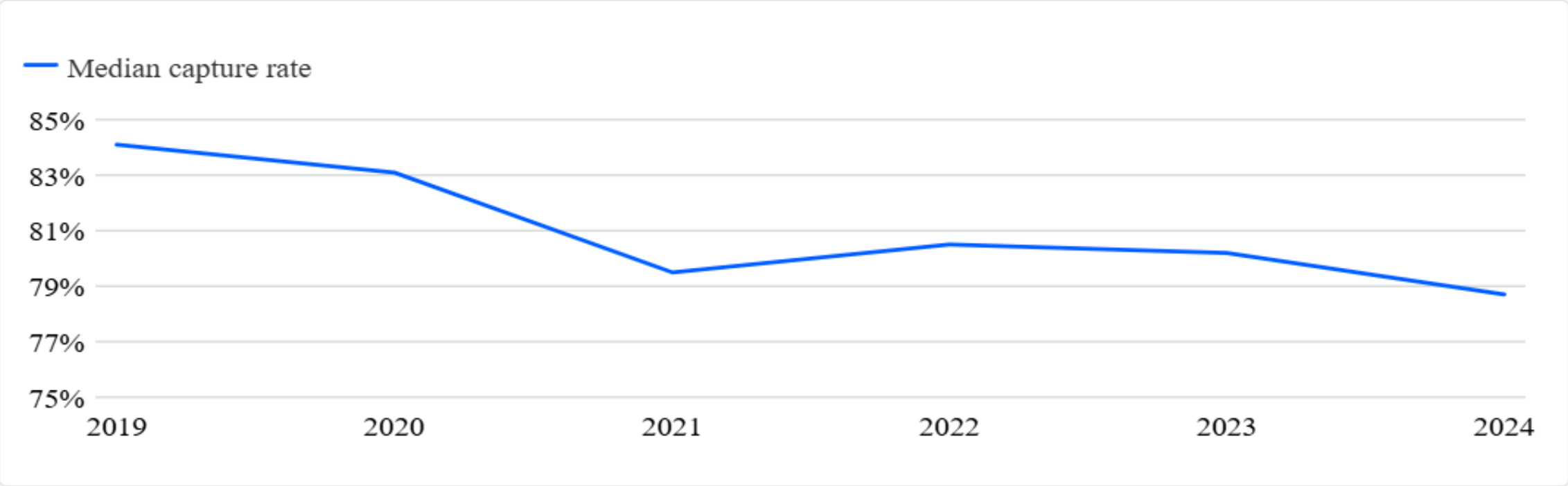
Enrollment declines are worsening in Florida…

Percentage change in enrollment



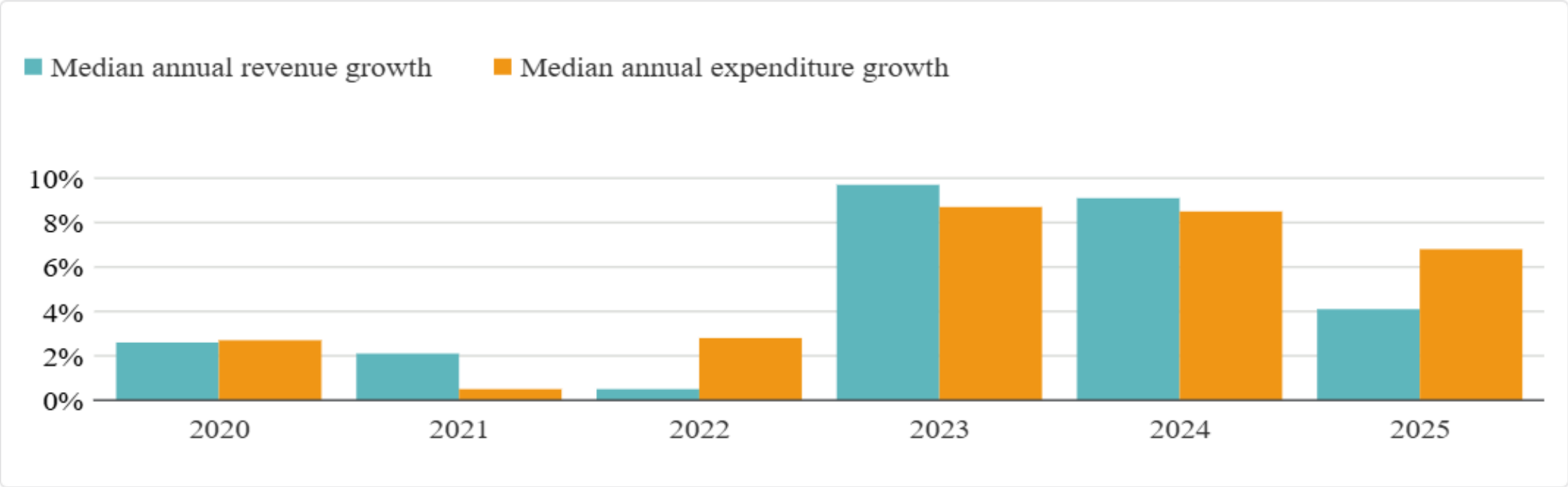
Source: Florida Department of Education; Moody's Ratings

..and capture rates are declining too



Source: Florida Department of Education; Moody's Ratings

Median expenditure growth outpaced revenue growth in 2025



Source: Districts' audited financial statements and Moody's Ratings

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