Research Update:

Cherokee County School District, GA Series 2026A/B GO Refunding Bonds Assigned ‘AA+’ Rating; Outlook Stable

April 2, 2026

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating and 'AA' underlying rating to Cherokee County School District, Ga.'s $90 million series 2026A general obligation (GO) bonds and $36.8 million series 2026B GO refunding bonds.
- At the same time, we affirmed our 'AA+' long-term rating and 'AA' underlying rating on the district's GO debt outstanding.
- The outlook is stable.

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Rationale

Security

The underlying rating solely reflects the district's credit quality. The district's full faith and credit, including its ability to levy ad valorem property taxes without limitation as to rate or amount, secures its 2026 bonds and GO bonds outstanding. Proceeds of a 1% education special-purpose local option sales tax (SPLOST) may be used to pay principal and interest on the bonds. Should such revenue be insufficient, the bonds are payable from the district's unlimited taxing authority. The 2026A bond proceeds will finance the remainder of capital projects related to new and existing school facilities as part of a $290 million authorization for SPLOST VI. The 2026B bond will be used towards refunding the series 2018 bonds for net present value savings.

The long-term rating reflects our assessment of the district's eligibility for, and participation in, the Georgia State Aid Intercept Program. The program rating is one notch below our GO rating on Georgia, reflecting our view that:

- Strong state support for the program and consistent, well-established state aid funding partly mitigate state aid appropriation risks.

- Maximum annual debt service (MADS) coverage on all parity debt by state aid payments, currently 4.02x in 2026 and 2.70x for stressed semiannual coverage as of Feb. 1, 2028, will likely remain strong.
- State aid distribution flow and debt service payment dates result in a moderate assessment of timing and administrative risks.

Credit highlights

The rating reflects our view of the district's economy, track record of positive results, and maintenance of a healthy level of reserves. Cherokee County School District's large economic base is supported by growth and proximity to the Atlanta-Sandy Springs-Roswell metropolitan statistical area (MSA), which continues to expand. Due to the county's residential nature, its economic output lags national averages by a wide margin, though per capita income metrics remain above those of the nation. The district's positive net operating performance and maintenance of reserves continue to exceed its fund balance policy threshold of 15% of expenditures, which we view as a credit strength. The district's debt profile is manageable on a per capita basis, in our view, and costs are overstated in fiscal year 2025 because of defeasance of roughly $25 million of debt. Furthermore, costs are structured to amortize rapidly, exceeding 90% in the next ten-years, a credit positive in our view. Similarly, we will continue to monitor the district's pension and other postemployment benefit (OPEB) profile as costs are likely to escalate; this, along with weaker economic metrics, potentially constrain the rating.

The district has produced consecutive surpluses that management attributes to conservative budgeting practices. Fiscal 2025 is the latest year in more than a decade of operationally positive results, with ample levels of available fund balance in the general fund. While the district intends to use a portion of reserves for one-time capital projects so as to maintain fund balance at around 15% of expenditures, in line with its policy and the state's requirement, we believe it will likely regenerate some of that utilization with positive operational results. The district changed its budgeting practices in fiscal 2020 whereby it started collecting its SPLOST for capital projects directly in its capital reserve fund and then transferring the required amounts into its debt service fund for payments. As a result, the majority of the district's debt is managed outside the general fund.

The adopted fiscal 2026 budget totals $603 million, or about a 3% increase over the fiscal 2025 budget. The biggest budget consideration was providing additional compensation increases for teachers and staff to keep pace with competitive salaries in neighboring districts, along with cost-of-living increases. Management reports results in line with the budget to date, with another surplus expected at fiscal year-end 2026. Overall, we expect the district to remain structurally balanced while maintaining its reserve cushion.

The underlying rating reflects our opinion of the following:

- The district, coterminous with Cherokee County just north of Atlanta, features a predominantly residential economy with rural areas. It benefits from regional labor opportunities, leading to incomes above national averages, though economic activity remains below average due to its residential nature.
- The district offers educational services through 23 elementary, seven middle, and six high schools, along with specialized centers such as a preschool, evening high school, special-education school, alternative school, and virtual academy. Enrollment has remained stable and is expected to stay flat despite population growth trends due to competition from charter schools. State aid, which comprises 43% of revenue and driven by the enrollment-based

Quality Based Education (QBE) formula, is anticipated to remain predictable. Overall, regional economic strength and growth are expected to support the rating.

- Ample reserves, with a ten-year track record of positive general fund operating results. Given that property taxes account for 48% of the district's budget, we believe this robust tax base growth continues to support the district's revenue-generating ability. We note that the district successfully opted out of the Georgia House Bill 581 homestead tax exemption, which we view as a revenue positive because it supports the district's ability to raise property tax rates.
- Financial management policies and practices are comprehensive and forward-looking, in our view, and include conservative budgeting practices using historical revenue and expenditure trends with regular monthly monitoring, as well as a multiyear financial forecast that includes scenario planning and is reviewed as part of its annual budget along with long-term capital planning and planning for the ESPLOST program. Its reserve policy is to maintain 12%-15% of unassigned fund balance as a proportion of the prior year's budgeted expenditures. The district also has a formal investment and debt management policy, where debt service may not exceed 12% of expenditures, with the provision that if SPLOST revenue is used, that figure can increase to 15%; historically, the district has adhered to this policy.
- Increasing debt service carrying charge costs that we expect will remain manageable because of debt policy guardrails. Rapid amortization and one-time debt pre-payments in fiscal 2025 result in manageable per capita liabilities. Including this issuance, the district has $565 million in direct debt outstanding and the renewal of the SPLOST program is due in March 2026. Although the district has historically issued tax anticipation notes annually to bridge a gap in timing for receipt of property tax revenue, it has not had to do so since 2020 thanks to improved cash flow. We view the district's pension and OPEB liabilities as elevated, with significant liabilities analogous to its size, and funding levels that fall short of our minimum and static funding progress calculations. While the discount rate improved to 6.9% in fiscal 2023 from 7.25% in fiscal 2022, it remains likely, in our view, that it could lead to some escalating cost-trajectory risk.
- For more information on our institutional framework assessment for Georgia school districts, see "Institutional Framework Assessment: Georgia Local Governments," Sept. 10, 2024.

Environmental, social, and governance

We have analyzed environmental, social, and governance factors and view them as neutral within the credit-rating analysis.

Outlook

The stable outlook on the underlying rating reflects the district's participation in the larger Cherokee County economy, which remains robust, as well as its consistent finances and rapid debt amortization.

Downside scenario

We could lower the rating if the district's financial performance deteriorates, leading to sustained drawdowns in reserves to levels no longer comparable with those of similarly rated peers.

Upside scenario

We could raise the rating if the district's economic indicators were to improve to levels we consider consistent with those of higher-rated peers while it maintains solid finances.

Cherokee County School District, Georgia--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.17
Economy	3.5
Financial performance	2
Reserves and liquidity	1
Management	1.35
Debt and liabilities	3

Cherokee County School District, Georgia--Key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	50	49
County PCPI % of U.S.	--	--	102	101
Market value ($000s)	--	42,570,855	42,628,889	40,495,922
Market value per capita ($)	--	146,956	147,157	143,650
Top 10 taxpayers % of taxable value	--	2.5	2.4	2.9
County unemployment rate (%)	--	2.7	2.9	2.7
Local median household EBI % of U.S.	--	--	127	124
Local per capita EBI % of U.S.	--	--	110	106
Local population	--	--	289,684	281,907
Financial performance				
Operating fund revenues ($000s)	--	667,122	650,967	578,419
Operating fund expenditures ($000s)	--	649,895	623,722	556,891
Net transfers and other adjustments ($000s)	--	(5,338)	(15,372)	(11,403)
Operating result ($000s)	--	11,889	11,873	10,125
Operating result % of revenues	--	1.8	1.8	1.8
Operating result three-year average %	--	1.8	3.7	4.1
Enrollment	--	42,031	42,016	41,855
Reserves and liquidity				
Available reserves % of operating revenues	--	21.0	18.5	14.9
Available reserves ($000s)	--	140,314	120,320	86,352
Debt and liabilities				
Debt service cost % of revenues	--	10.4	6.0	6.6
Net direct debt per capita ($)	1,950	1,635	1,515	1,271
Net direct debt ($000s)	564,966	473,580	438,753	358,386
Direct debt 10-year amortization (%)	85	100	100	--
Pension and OPEB cost % of revenues	--	10.0	9.0	10.0
NPLs per capita ($)	--	1,735	1,735	2,074
Combined NPLs ($000s)	--	502,692	502,692	584,581

Cherokee County School District, Georgia--Key credit metrics

	Most recent	2025	2024	2023

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$36.83 mil GO rfdg bnds due 08/01/2033	
Long Term Rating	AA+/Stable
Underlying Rating for Credit Program	AA/Stable
US$90.000 mil GO bnds ser 2026A due 8/1/2038	
Long Term Rating	AA+/Stable
Underlying Rating for Credit Program	AA/Stable
Ratings Affirmed	
Local Government	
Cherokee Cnty Sch Dist, GA Enhanced State Aid Intercept Program	AA+/Stable
Cherokee Cnty Sch Dist, GA Unlimited Tax General Obligation	AA/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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