

Research Update:

# Sikeston R-6 School District, MO GO Bond Rating Lowered To 'A' On Declining Reserves And Limited Local Economy

June 3, 2026

## Overview

- S&P Global Ratings lowered its underlying rating on [Sikeston R-6 School District](#), Missouri's general obligation (GO) bonds to 'A' from 'A+'.
- At the same time, we assigned our 'AA+' long-term rating (based on credit enhancement) and 'A' underlying rating to the district's anticipated \$11.3 million series 2026 GO bonds.
- We also affirmed our 'AA+' long-term rating (based on credit enhancement), where applicable, on the district's outstanding debt.
- The outlook is stable.
- The one-notch downgrade reflects our view of the continued and projected declines in reserves and the district's limited local economy that aligns better with those of 'A' rated peers.

## Rationale

### Security

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

The 'AA+' long-term rating reflects our view of the school district's eligibility for, and participation in, the Missouri Direct Deposit of State Aid program. The state credit enhancement rating is one notch below the issuer credit rating on Missouri given state aid appropriation risk. However, consistent state support, execution of the direct deposit agreement, and maximum annual debt service coverage that we expect will remain strong at 8.1x partially mitigate this risk. For more information, see "[Missouri Credit Enhancement Programs](#)," July 10, 2024.

The 2026 bonds were approved by voters in an April 2026 referendum for the purpose of constructing, improving, furnishing, and equipping school related infrastructure, including additional classrooms for two of the district's elementary schools.

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## Credit highlights

The 'A' underlying rating reflects the district's weakening but still sound financial position, with an anticipated deficit in fiscal 2026 that would reduce cash reserves to about 20% of revenues, as well as a limited local economy and declining enrollment trends. The district's cash reserves decreased following a deficit of about \$2.6 million (6.7% of revenue) in fiscal 2024 and of \$936,000 (2.3%) in fiscal 2025, driven by late reimbursements for capital costs and a lack of cost reductions as expenses outpace revenues. The district anticipates deficits in fiscal 2026 and 2027, which may lead to reserves falling below the district's informal cash reserve target of 25% of operating expenditures. Further contributing to the downgrade is our expectation that the largely rural local economy with limited growth prospects will remain a credit limitation. Located primarily in Scott County, far from a major metropolitan area, the district has some employment concentration in manufacturing. Enrollment trends, a key factor in Missouri state aid allocation, are projected to continue gradually declining.

Management projects that cash reserves will decrease to about \$8.3 million (20% of revenue) by fiscal 2026 year-end, given a roughly \$800,000 (2% of revenue) expected deficit driven by lower-than-anticipated state aid revenues. The district also projects a similarly sized deficit in fiscal 2027 given that enrollment will likely continue to decline and based on the expectation that the state funding formula will not be fully funded next year. The district has no planned cost reductions besides savings from attrition. Despite the weakening performance, we expect that the district's cash reserves will remain nominally strong and credit supportive over the two-year outlook horizon.

Credit fundamentals further supporting the 'A' underlying rating include the following:

- The local economy is limited, with reliance on manufacturing. Scott County's per capita income is 74% of the U.S., and gross county product per capita is a low 67% of the U.S., which we view as more comparable with 'A' rated peers. Market value per capita is only \$67,362, and we don't expect it to improve significantly given limited business expansions and residential development.
- We expect that reserves will continue to decline moderately in the near term. Operations would have been closer to balanced in the past couple of years had the district received timely reimbursement for damages caused by a tornado in 2024. Favorably, the district received about \$2 million in reimbursements in spring 2026 and expects to receive an additional \$300,000 before fiscal year-end; however, a deficit is still projected for fiscal 2026 due to lower-than-anticipated state aid. Unexpected capital costs to fix a faulty new roof will cost the district about \$1 million in fiscal 2027, which will be potentially reimbursed by fiscal 2028 pending a lawsuit filed against the contractor. Finances are reported on a cash basis, which we consider a credit limitation, as reflected in our reserve and liquidity assessment.
- Management performs monthly budget reviews, and the district has a formal minimum fund balance policy equal to 12%-20% of the prior year's operating expenditures. Management is not expecting to meet its informal 25% of expenditures target in fiscal 2026, and this will likely continue in the absence of a plan to rebalance the budget. We view the issuer's cyber risk mitigation measures as consistent with our view of its credit fundamentals.
- Net direct debt per capita is moderately high at \$1,847, including the current issuance. Management reports no plans for new debt during the outlook period, so we do not anticipate debt metrics to worsen during the short term, although the district may issue for a new auditorium afterwards. Pension and other postemployment benefit liabilities are well funded and do not pose medium-term credit risk.

- For more information on our institutional framework assessment for Missouri school districts, see "[Institutional Framework Assessment: Missouri Local Governments](#)," Sept. 10, 2024.

## Environmental, social, and governance

Physical environmental risks are moderately elevated due to recent tornado-related damage to district facilities. However, the district has demonstrated proactive risk management by securing Federal Emergency Management Agency grant funding and maintaining robust insurance coverage. These mechanisms are expected to effectively mitigate the financial impact of these weather events and protect the district's long-term fiscal stability. Social and governance factors are assessed as neutral.

## Outlook

The stable outlook reflects our expectation that, despite anticipated operating deficits for the next couple of years, cash reserves will remain nominally strong and will benefit from reimbursements in fiscal 2026 for tornado damages and from a potential reimbursement for roof-related costs, probably by fiscal 2028.

## Downside scenario

We could lower the rating if reserves deteriorate beyond expectations without a plan to balance rising expenditures and stagnating revenues.

## Upside scenario

We could raise the rating if the district rebuilds reserves to levels comparable with those of higher-rated peers, reflecting sustained operational balance.

## Sikeston R-6 School District, Missouri--credit summary

Institutional framework (IF)	3
Individual credit profile (ICP)	2.99
Economy	5.0
Financial performance	3
Reserves and liquidity	2
Management	2.7
Debt and liabilities	2.25

## Sikeston R-6 School District, Missouri--key credit metrics

	Most recent	2025	2024	2023
<b>Economy</b>				
Real GCP per capita % of U.S.	67	--	67	66
County PCPI % of U.S.	74	--	74	76
Market value (\$000s)	1,344,606	1,265,389	1,231,619	1,211,177
Market value per capita (\$)	67,362	63,393	61,701	60,647
Top 10 taxpayers % of taxable value	11.6	5.0	5.3	4.4
County unemployment rate (%)	4.1	3.8	3.2	2.6

**Sikeston R-6 School District, Missouri--key credit metrics**

	Most recent	2025	2024	2023
Local median household EBI % of U.S.	77	--	77	73
Local per capita EBI % of U.S.	75	--	75	75
Local population	19,961	--	19,961	19,971
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	41,546	39,111	44,094
Operating fund expenditures (\$000s)	--	42,302	41,148	39,813
Net transfers and other adjustments (\$000s)	--	(180)	(585)	(2,168)
Operating result (\$000s)	--	(936)	(2,622)	2,113
Operating result % of revenues	--	(2.3)	(6.7)	4.8
Operating result three-year average %	--	(1.4)	2.0	3.9
Enrollment	--	3,285	3,239	3,312
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	22.0	30.8	33.3
Available reserves (\$000s)	--	9,145	12,059	14,680
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	4.7	4.8	4.6
Net direct debt per capita (\$)	1,847	1,369	1,443	1,512
Net direct debt (\$000s)	36,865	27,330	28,802	30,199
Direct debt 10-year amortization (%)	43	65	60	55
Pension and OPEB cost % of revenues	--	7.0	7.0	6.0
NPLs per capita (\$)	--	1,019	1,299	1,624
Combined NPLs (\$000s)	--	20,343	25,933	32,429

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\$11,300,000 Sikeston R-6 School District, Missouri, General Obligation Bonds, (Missouri Direct Deposit Program), Series 2026, dated: Date of Delivery, due: March 1, 2041

Long Term Rating	AA+/Stable
Underlying Rating for Credit Program	A/Stable

**Downgraded**

	To	From
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**Local Government**

Sikeston R-6 Sch Dist, MO Unlimited Tax General Obligation	A/Stable	A+/Stable
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**Ratings Affirmed**

**Local Government**

Sikeston R-6 Sch Dist, MO Direct Deposit State Aid Program	AA+/Stable
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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

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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.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings referenced herein can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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