

CREDIT OPINION

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Send Your Feedback

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Indianola Community School District, IA

Update following upgrade

Summary

[Indianola Community School District](#) (Aa2) benefits from solid resident incomes, stable enrollment, and solid reserves. Leverage is low and below peer medians.

Credit strengths

- » Solid resident incomes
- » Stable enrollment
- » Healthy reserves

Credit challenges

- » Leverage is slightly elevated with additional debt plans
- » Full value per capita slightly trails higher rated peers

Rating outlook

We do not assign outlooks to local governments with this amount of debt.

Factors that could lead to an upgrade

- » Sustained maintenance of available fund balance ratio above 40%
- » Maintenance of long-term liabilities ratio below 250% and fixed-costs ratio under 15%

Factors that could lead to a downgrade

- » Reduction of available fund balance ratio approaching 15%
- » Substantial and sustained increase in the leverage ratio to levels approaching 400%

Key indicators

Exhibit 1

Indianola Community School District, IA

	2021	2022	2023	2024	Aa Medians
Economy					
Resident income	120.3%	123.2%	119.9%	N/A	118.5%
Full value (\$000)	\$1,790,906	\$1,838,398	\$2,298,769	\$2,355,978	\$4,184,901
Population	20,569	20,431	20,339	N/A	32,217
Full value per capita	\$87,068	\$89,981	\$113,023	N/A	\$123,578
Enrollment	3,612	3,644	3,665	3,634	4,143
Enrollment trend	-0.2%	-0.3%	0.0%	0.2%	-1.0%
Financial performance					
Operating revenue (\$000)	\$49,184	\$49,514	\$53,094	\$53,284	\$76,434
Available fund balance (\$000)	\$10,731	\$12,032	\$13,597	\$15,151	\$21,177
Net cash (\$000)	\$14,936	\$14,029	\$16,353	\$18,510	\$26,035
Available fund balance ratio	21.8%	24.3%	25.6%	28.4%	29.2%
Net cash ratio	30.4%	28.3%	30.8%	34.7%	35.9%
Leverage					
Debt (\$000)	\$40,989	\$36,390	\$41,618	\$47,159	\$52,318
ANPL (\$000)	\$105,493	\$80,511	\$42,099	\$51,410	\$107,625
OPEB (\$000)	\$2,402	\$1,805	\$1,651	\$1,721	\$8,874
Long-term liabilities ratio	302.7%	239.7%	160.8%	188.2%	301.4%
Implied debt service (\$000)	\$3,321	\$2,875	\$2,541	\$2,891	\$3,696
Pension tread water (\$000)	\$2,738	\$1,132	\$2,039	\$2,271	\$1,705
OPEB contributions (\$000)	\$161	\$120	\$116	\$128	\$363
Fixed-costs ratio	12.6%	8.3%	8.8%	9.9%	9.8%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Indianola Community School District, IA's financial statements and Moody's Ratings

Profile

Indianola Community School District is located in Warren County in central Iowa, approximately 12 miles south of Des Moines (Aa2 stable). The district enrolls over 3,600 students across six school facilities, serving a population of over 20,000.

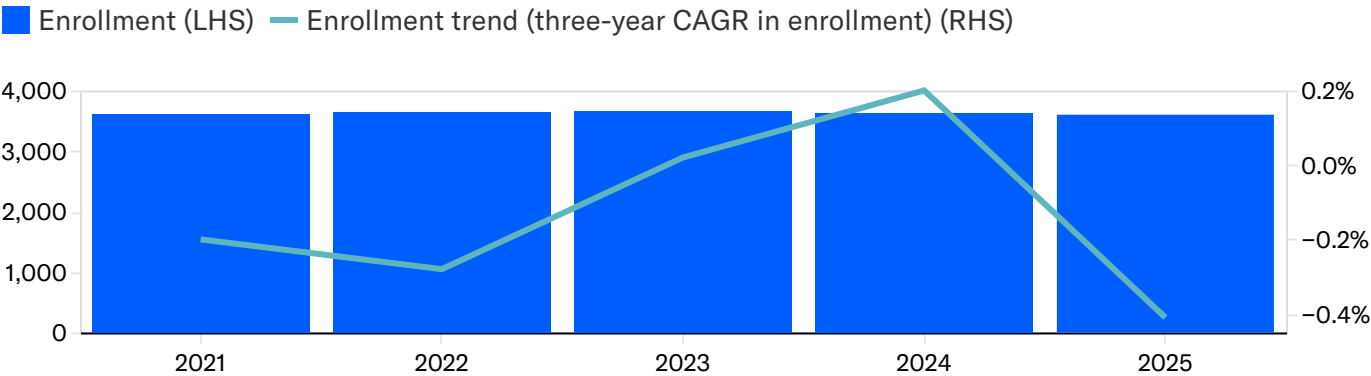
Detailed credit considerations

The district benefits from a solid economic base and stable reserves. The district's available fund balance ratio is strong at around 28%. The district's location near Des Moines will continue to support a solid economic base, with resident income ratio around 120% and recent growth bringing full value per capita near \$116,000. Enrollment has been stable in the last three years with a CAGR of 0% and will likely remain relatively stable in the near-term. Leverage has historically been modest and in line with peer medians.

The district's available fund balance ratio will likely remain near 25% because operations were balanced in fiscal 2025, according to unaudited draft financials. Management also projects balanced operations in fiscal 2026. The district targets a general fund balance of at least 15% of expenditures. Inclusive of the current roughly \$13 million issuance for improvements at the high school, the district's leverage ratio will increase to roughly 230% of fiscal 2024 operating revenue and is likely to increase further as the district issues the remaining portion of the debt voters authorized. The district will have roughly \$22 million in bonding authority left for the high school project. While management expects to phase this debt in over the next two years, the long-term liabilities ratio will likely remain below 300%.

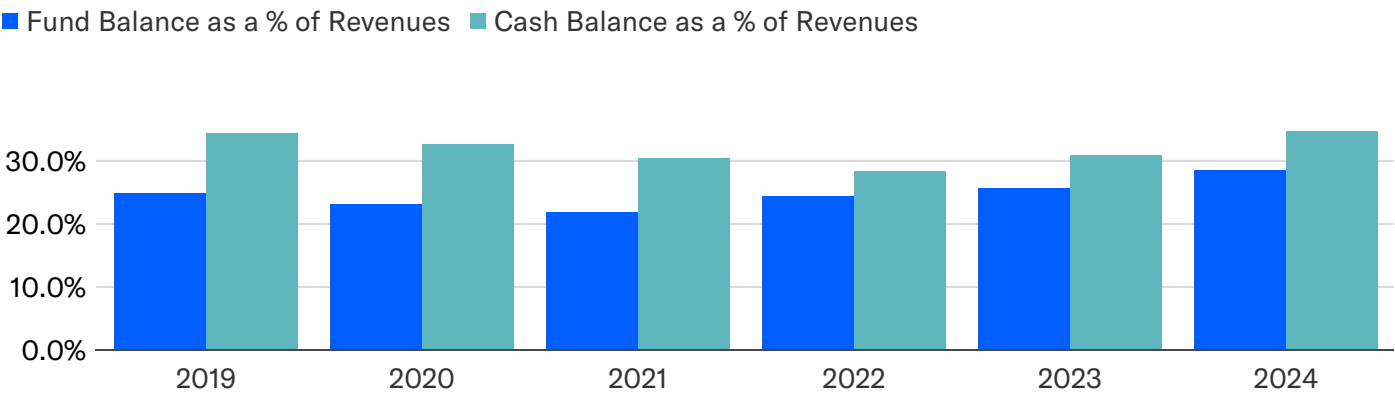
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Exhibit 2
Enrollment



Source: Moody's Ratings

Exhibit 3
Financial Trends

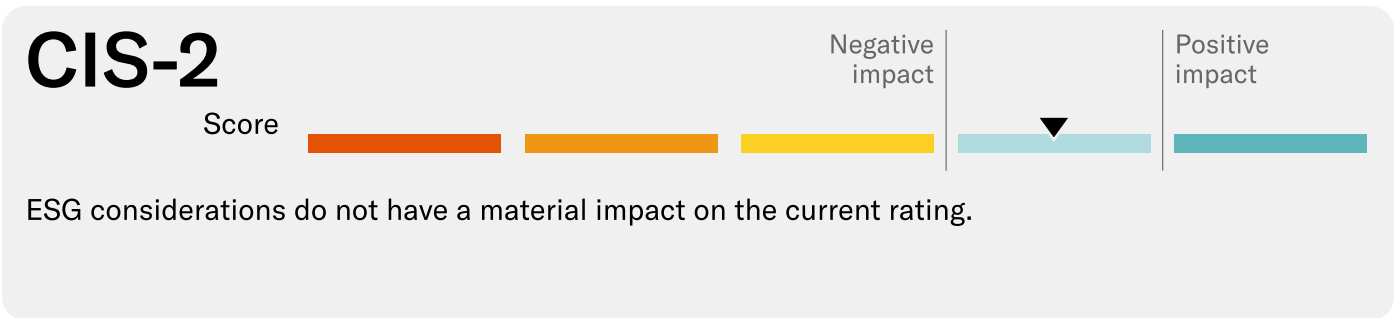


Source: Moody's Ratings

ESG considerations

Indianola Community School District, IA's ESG credit impact score is CIS-2

Exhibit 4
ESG credit impact score

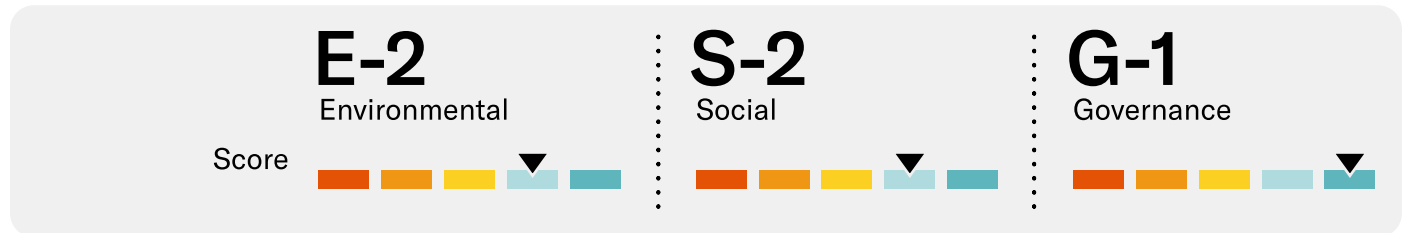


Source: Moody's Ratings

Indianola CSD's issuer profile score is (**CIS-2**), reflecting neutral to low exposure in environmental and social risk and positive exposure in governance.

Exhibit 5

ESG issuer profile scores



Source: Moody's Ratings

Environmental

The district's environmental issuer profile score is (**E-2**). The district is at above-average risk for heat stress, but buildings are air conditioned.

Social

The district's social issuer profile score is (**S-2**). The district's population has increased modestly in recent years. While property wealth lags peers, the district's resident income levels, labor force participation, and education levels are all strong.

Governance

The district's governance issuer profile score is (**G-1**). Management shows solid budgeting practices, and conducts monthly variance reporting and five-year financial forecasting. The state typically provides for regular and predictable increases in funding but has at times held funding flat. Most districts have headroom to meaningfully increase property taxes by a board vote and districts at statutory limits may seek a voter override. The state funding framework results in reserves that usually remain within a narrow band. The district is levying slightly less than authorized currently.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits.

Exhibit 6

Indianola Community School District, IA

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	119.9%	10.0%	Aa
Full value per capita (full valuation of the tax base / population)	115,836	10.0%	Aa
Enrollment trend (three-year CAGR in enrollment)	-0.4%	10.0%	A
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	28.4%	20.0%	Aaa
Net cash ratio (net cash / operating revenue)	34.7%	10.0%	Aaa
Institutional framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	229.4%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	9.9%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
Assigned Rating			Aa2

The complete list of outstanding ratings assigned to the Indianola Community School District, IA is available on their [issuer page](#). Details on the current ESG scores assigned to the Indianola Community School District, IA are available on their [ESGView page](#).

Sources: US Census Bureau, Indianola Community School District, IA's financial statements and Moody's Ratings

Appendix

Exhibit 7

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
Financial performance		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Ratings

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