

Research Update:

GMG Community School District, IA Series 2025 GO School Bonds Assigned 'A' Rating; Outlook Is Stable

August 26, 2025

Overview

- S&P Global Ratings assigned its 'A' rating to [GMG Community School District](#) (CSD), Iowa's roughly \$10 million series 2025 general obligation (GO) school bonds.
- The outlook is stable.

Rationale

Security

The bonds are secured by the district's unlimited ad valorem tax GO pledge. Voters approved \$12.3 million in debt in 2024, and this is the first issuance, with the remainder to be issued in 2026. Proceeds will be used to add academic spaces to existing facilities.

Credit highlights

The rating reflects the district's recent deficits and low reserve position, which we expect will improve in the near term, as well as its more limited economic metrics and increasing debt burden.

Recent significant operating deficits in 2023 and 2024 caused reserves to decline to 3% of revenues. In fiscal 2025, the district implemented expenditure cuts, including position reductions and sharing of the superintendent position with a neighboring district, and began using the cash reserve levy. With these measures, management expects reserves will increase to \$750,000, or approximately 11% of revenues, in 2025 and \$950,000, or approximately 14% of revenues, in 2026. With the continued use of the cash reserve levy, we expect reserves will improve to a level comparable with those of peers.

Recent deficits were due to declining enrollment, an inability to access the cash reserve levy, and turnover in key personnel. Enrollment is a key generator of state education funding in Iowa, with increases or decreases affecting revenue. In fiscal 2024, the number of total students served, which includes open enrolled students, decreased by 3% from 2023, reflecting a total 6%

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decrease since fiscal 2021. While enrollment has stabilized at 448 total students served, management expects they will continue to see modest declines, with 424 students projected in 2029. We expect this is likely given the declining population trend in the district and in Tama County, where the district is primarily located, which is projected to lose 4% of its population in the next 10 years.

The rating reflects our view of the district's:

- Rural agricultural economy, resulting in a gross county product that lags the national average, with a population of less than 5,000. The top 10 taxpayers represent 33% of the tax base and, while this concentration presents potential risk, it is partially mitigated as the top taxpayer's operations are primarily focused on wind-based power generation, which we view as more stable. Also, the district's local incomes are a strength relative to peers, supporting the current rating.
- Reserves, which are currently well below peers and management's informal reserve target of 10%-15%, though we expect reserves will return to compliance with this target, based on projections.
- Realistic budgeting practices, with regular budget monitoring as management provides monthly budget-to-actual reports to the board. The district also forecasts revenues, expenditures, and the fund balance for multiple years, and discusses with the school board and maintains a three-year capital plan that is updated annually, as well as formal debt and investment policies. Its cybersecurity practices align with those of peers.
- Increased debt per capita and costs of debt and liabilities, though we expect costs will remain below 20% of revenues with the current issuance. Overall, we expect the debt burden will be manageable with the full issuance of the \$12.3 million voter-approved debt.
- For more information, see "[Institutional Framework Assessment: Iowa Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We view the district's environmental, social, and governance credit factors as neutral within our credit rating analysis.

Outlook

The stable outlook reflects our expectation that the district will achieve at least break-even results in most years and maintain reserves in accordance with its fund balance target.

Downside scenario

We could lower the rating if financial performance does not improve, according to management's projections, and reserves remain thin.

Upside scenario

We could raise the rating if the district increases and maintains reserves at levels commensurate with those of higher-rated peers, if the debt burden moderates on a per capita basis, and if the economy expands, leading to stronger economic metrics.

GMG Community School District, Iowa--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.40
Economy	4.5
Financial performance	3
Reserves and liquidity	4
Management	2.00
Debt and liabilities	3.50

GMG Community School District, Iowa--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	59	--	59	61
County PCPI % of U.S.	81	--	81	88
Market value (\$000s)	379,474	331,953	327,410	323,622
Market value per capita (\$)	224,143	196,074	195,352	176,843
Top 10 taxpayers % of taxable value	32.8	24.3	34.4	34.7
County unemployment rate (%)	4.5	4.3	4.3	3.6
Local median household EBI % of U.S.	102	102	99	99
Local per capita EBI % of U.S.	100	100	97	90
Local population	1,693	1,693	1,676	1,830
Financial performance				
Operating fund revenues (\$000s)	--	5,727	5,478	5,722
Operating fund expenditures (\$000s)	--	6,582	6,081	6,015
Net transfers and other adjustments (\$000s)	--	(22)	(22)	(14)
Operating result (\$000s)	--	(877)	(625)	(307)
Operating result % of revenues	--	(15.3)	(11.4)	(5.4)
Operating result three-year average %	--	(10.7)	(4.7)	(1.2)
Enrollment	--	452	464	464
Reserves and liquidity				
Available reserves % of operating revenues	--	3.0	15.9	27.8
Available reserves (\$000s)	--	169	871	1,590
Debt and liabilities				
Debt service cost % of revenues	--	10.0	10.1	9.9
Net direct debt per capita (\$)	6,150	376	800	1,100
Net direct debt (\$000s)	10,412	637	1,340	2,013
Direct debt 10-year amortization (%)	39	100	--	--
Pension and OPEB cost % of revenues	--	5.0	5.0	4.0
NPLs per capita (\$)	--	814	1,019	793
Combined NPLs (\$000s)	--	1,378	1,708	1,450

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.

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Ratings List

New Issue Ratings

US\$9,995,000 GMG Community School District, Iowa, General Obligation School Bonds, Series 2025, dated: Date of delivery, due: June 01, 2045

Long Term Rating A/Stable

New Rating

Local Government

GMG Comnty Sch Dist, IA Unlimited Tax General Obligation A/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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