

Research Update:

South O'Brien Community School District, IA Series 2025 School Capital Loan Notes Rated 'A'; Outlook Stable

September 16, 2025

Overview

- S&P Global Ratings assigned its 'A' rating to [South O'Brien Community School District](#) (CSD), Iowa's anticipated \$5.57 million series 2025 general obligation (GO) school capital loan notes.
- We also affirmed our 'A' rating on the district's GO bonds outstanding.
- The outlooks are stable.

Rationale

Security

The district's unlimited ad valorem property tax pledge secures the series 2025 notes. The proceeds of the notes will be used to supplement the financing for prior bonds issued to build, furnish, and equip additions to the junior high and high school facilities.

Credit highlights

The rating reflects our view of South O'Brien CSD's historically healthy operating performance, resulting in strong available reserves compared to general fund revenue, and conservative management. Offsetting these strengths are the district's elevated debt burden and limited economy, which reflects a more-rural community dominated by the agricultural industry. While not a materially sizable risk given they are stable utilities or utility-like, we note that MidAmerican Energy (wind farms) and Dakota Access (pipeline) are the leading taxpayers, resulting in a concentrated tax base with the top 10 payers accounting for 42.8% of taxable value.

The district had strong operational performance over the past four fiscal years, with its most recent surplus of \$267,068 in fiscal 2024. The positive results are largely due to increases in total students served, leading to higher state aid revenue, coupled with slight decreases in staffing expenses. The district anticipates continued positive financial performance in fiscal years 2025

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and 2026, supported by increased state aid revenue that aligns with the state's mandated salary increases for certified staff; we view this as likely.

Enrollment is a key generator of state funding in Iowa, with any fluctuations correlating directly to changes in state aid revenue. The district's enrollment has varied, largely because of open enrollment and the transient population served. Certified enrollment declined to 576 from 584, a loss of eight students (1.4%) between 2021-2022 and 2025-2026 (count date October 2024). The severity of these declines has softened significantly since the previous count date in October 2023. Management's projections indicate a relatively stable trajectory for enrollment, ensuring a consistent basis for state aid apportionment and supporting the district's financial planning.

The rating further reflects our view of the district's:

- Limited local economy dependent on agriculture, coupled with a highly concentrated taxbase, offset by gross county product and county level economic metrics comparable with those of peers.
- Consistent operating surpluses from prudent budgeting and outperforming expectations.
- Robust available reserves, albeit nominally low, with no plans to drawdown over the near term.
- Management policies and practices that are characterized by its use of monthly budget-to-actual reporting to the school board, long-term financial planning updated annually, and a capital plan updated as needed. There are also investment management and informal fund balance policies, and practices and prevention efforts for cyber incidences with on-site technology staff and contractors.
- Elevated debt, with increasing current costs, coupled with a well-funded pension plan, with manageable costs. Following this issuance, the district will have no remaining authorization, and management indicates no additional debt plans in the next two to three years.
- For more information on our institutional framework assessment for Iowa school districts, see ["Institutional Framework Assessment: Iowa Local Governments,"](#) Sept. 9, 2024.

Environmental, social, and governance

We assessed South O'Brien CSD's environmental, social, and governance factors relative to the district's economy, management, finances, and debt and liability profile; we view them as neutral in our credit rating analysis.

Outlook

The stable outlook reflects our expectation that the district will maintain its stable, albeit limited, economy, and a stronger available reserves position, supported by conservative budget assumptions.

Downside scenario

We could lower the rating if the district reports persistent operational deficits, leading to a decline in reserves to levels we consider comparable to those of peers at the current rating level. Given several below-average credit factors, strong financial performance and maintenance of reserves are critical to maintaining the rating.

Upside scenario

We could raise the rating if the district's economy significantly improves through diversification to levels commensurate with those of higher-rated peers, or if the district materially builds and maintains reserves at higher levels, supported by robust financial policies and practices, and moderation of debt.

South O'Brien Community School District, IA--Credit summary

| | |
|-------------------------------------|----------|
| Institutional framework (IF) | 2 |
| Individual credit profile (ICP) | 2.81 |
| Economy | 4.0 |
| Financial performance | 2 |
| Reserves and liquidity | 2 |
| Management | 2.30 |
| Debt and liabilities | 3.75 |

South O'Brien Community School District, IA--Key credit metrics

| | Most recent | 2024 | 2023 | 2022 |
|--|-------------|---------|---------|---------|
| Economy | | | | |
| Real GCP per capita % of U.S. | 96 | -- | 96 | 99 |
| County PCPI % of U.S. | 92 | -- | 92 | 102 |
| Market value (\$000s) | 1,087,592 | 865,572 | 809,029 | 760,466 |
| Market value per capita (\$) | 260,813 | 214,996 | 200,951 | 184,983 |
| Top 10 taxpayers % of taxable value | 42.8 | 42.5 | -- | -- |
| County unemployment rate (%) | 2.7 | 2.3 | 2.6 | 2.4 |
| Local median household EBI % of U.S. | 99 | 99 | 97 | 90 |
| Local per capita EBI % of U.S. | 94 | 94 | 96 | 93 |
| Local population | 4,170 | 4,026 | 4,026 | 4,111 |
| Financial performance | | | | |
| Operating fund revenues (\$000s) | -- | 8258 | 8136 | 8325 |
| Operating fund expenditures (\$000s) | -- | 8571 | 7950 | 7870 |
| Net transfers and other adjustments (\$000s) | -- | (41) | (8) | (347) |
| Operating result (\$000s) | -- | 267 | 258 | 204 |
| Operating result % of revenues | -- | 3.2 | 3.2 | 2.5 |
| Operating result three-year average % | -- | 3.0 | 2.4 | 0.8 |
| Enrollment | -- | 528 | 525 | 557 |
| Reserves and liquidity | | | | |
| Available reserves % of operating revenues | -- | 19.8 | 16.6 | 13.7 |
| Available reserves (\$000s) | -- | 1,633 | 1,354 | 1,142 |
| Debt and liabilities | | | | |
| Debt service cost % of revenues | -- | 14.1 | 0.1 | 0.2 |
| Net direct debt per capita (\$) | 7,081 | 3,892 | 57 | 2 |
| Net direct debt (\$000s) | 29,530 | 15,668 | 230 | 9 |
| Direct debt 10-year amortization (%) | 56 | 42 | 50 | -- |
| Pension and OPEB cost % of revenues | -- | 3.0 | 4.0 | 10.0 |

South O'Brien Community School District, IA--Key credit metrics

| | Most recent | 2024 | 2023 | 2022 |
|------------------------|-------------|-------|-------|-------|
| NPLs per capita (\$) | -- | 477 | 591 | 533 |
| Combined NPLs (\$000s) | -- | 1,918 | 2,378 | 2,192 |

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\$5.57 mil GO sch cap loan nts ser 2025 due 06/01/2033

Long Term Rating A/Stable

Ratings Affirmed

Local Government

South O'Brien Community School District, 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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