

**CREDIT OPINION**

20 November 2025



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# Decorah Community School District, IA

## New issuer

### Summary

[Decorah Community School District, IA](#) (Aa3) benefits from a robust revenue raising flexibility and solid economic base, balanced against modestly declining enrollment. Leverage and fixed costs will materially increase given debt plans. General fund reserves will likely decline through fiscal 2026 but rebound given expenditure reductions and the district's plan to increase its cash reserve levy.

### Credit strengths

- » Resident income above national median
- » Growing full value per capita
- » Robust revenue raising flexibility

### Credit challenges

- » General fund reserves will likely decline through fiscal 2026 but rebound given expenditure reductions and the district's plan to increase its cash reserve levy
- » Leverage will materially increase given debt plans
- » Modestly declining enrollment trend

### Rating outlook

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

### Factors that could lead to an upgrade

- » Economic growth that leads to strengthening of the full value per capita or resident income levels closer to higher-rated peers
- » Moderation of long-term liabilities ratio near 125% coupled with sustained maintenance of available fund balance ratio above 25%

### Factors that could lead to a downgrade

- » Failure to rebuild general fund balance closer to 15% of revenue
- » Sustained increase in long-term liabilities ratio approaching 300%
- » Material economic contraction lowering resident income and full value per capita

## Key indicators

Exhibit 1

### Decorah Community School District, IA

	2021	2022	2023	2024	Aa Medians
<b>Economy</b>					
Resident income	104.4%	102.0%	106.8%	N/A	118.5%
Full value (\$000)	\$1,370,611	\$1,440,356	\$1,704,209	\$1,745,147	\$4,184,901
Population	13,149	12,827	12,511	N/A	32,217
Full value per capita	\$104,237	\$112,291	\$136,217	N/A	\$123,578
Enrollment	1,665	1,655	1,663	1,640	4,143
Enrollment trend	-1.7%	-2.2%	-2.0%	-0.5%	-1.0%
<b>Financial performance</b>					
Operating revenue (\$000)	\$24,453	\$24,861	\$24,759	\$25,140	\$76,434
Available fund balance (\$000)	\$4,051	\$4,100	\$3,892	\$3,517	\$21,177
Net cash (\$000)	\$6,160	\$6,141	\$5,841	\$5,615	\$26,035
Available fund balance ratio	16.6%	16.5%	15.7%	14.0%	29.2%
Net cash ratio	25.2%	24.7%	23.6%	22.3%	35.9%
<b>Leverage</b>					
Debt (\$000)	\$8,928	\$6,703	\$5,570	\$3,668	\$52,318
ANPL (\$000)	\$48,609	\$37,891	\$19,734	\$23,463	\$107,625
OPEB (\$000)	\$1,635	\$1,174	\$1,175	\$997	\$8,874
Long-term liabilities ratio	242.0%	184.1%	107.0%	111.9%	301.4%
Implied debt service (\$000)	\$874	\$626	\$468	\$387	\$3,696
Pension tread water (\$000)	\$1,254	\$531	\$953	\$1,057	\$1,705
OPEB contributions (\$000)	\$129	\$113	\$104	\$48	\$363
Fixed-costs ratio	9.2%	5.1%	6.2%	5.9%	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, Decorah Community School District, IA's financial statements and Moody's Ratings

## Profile

Decorah Community School District is located primarily in Winneshiek County in northeastern Iowa, approximately 90 miles north of Cedar Rapids and 10 miles south of the Minnesota state line.

## Detailed credit considerations

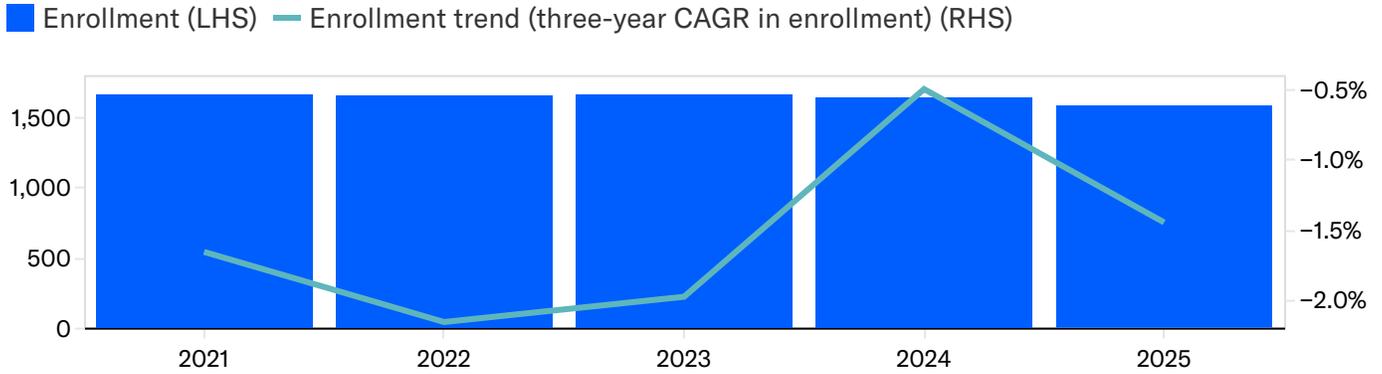
The district's credit profile reflects its robust revenue raising flexibility and rural economic base that benefits from the institutional presence of Luther College and a resident income ratio above the national median. Enrollment has decreased at a three-year CAGR of -1.5% and will likely continue to modestly decrease given an aging population.

The credit profile also incorporates a solid financial position that will likely decline through fiscal 2026 but rebound given expenditure reductions and the district's plan to increase its cash reserve levy. General fund balance will likely decline to below 10% of revenue through fiscal 2026, but the district will likely increase its cash reserve levy in fiscal 2027 to rebuild general fund reserves closer to 15%. Reserves inclusive of the general fund, debt service fund, and the management levy fund will likely remain more robust at near 18% through fiscal 2026, though still trail similarly rated peers. Leverage will increase to be closer to 250% of fiscal 2024 operating revenue as the district issues debt over the next few years as authorized in a recent referendum of up to \$38 million.

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.

**Economy**

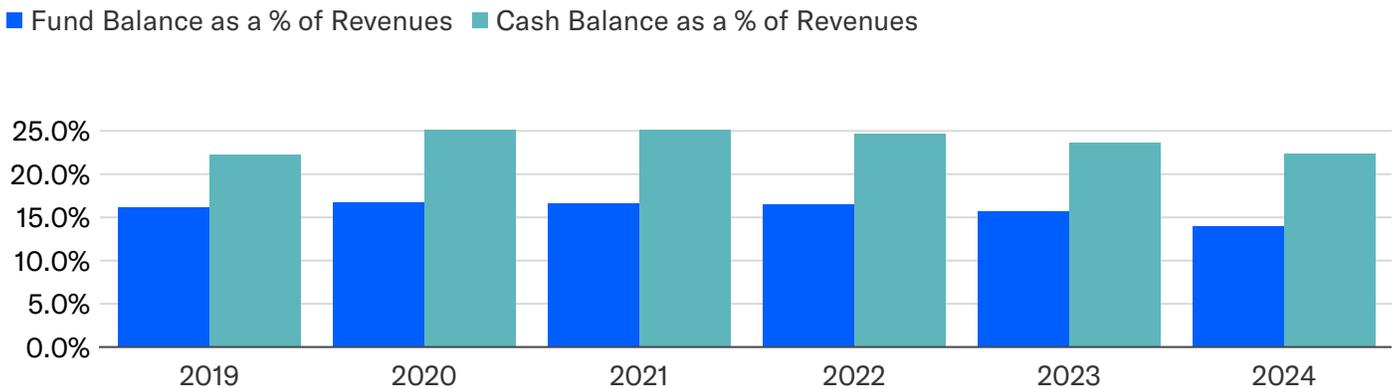
Exhibit 2  
**Modestly declining enrollment trend**



Source: Moody's Ratings

**Financial operations**

Exhibit 3  
**Reserves will likely decline but rebound given robust revenue raising flexibility**



Source: Moody's Ratings

**Leverage**

Iowa school districts participate in the Iowa Public Employees' Retirement System (IPERS). Government contributions in aggregate to IPERS amounted to 9% of payroll as of fiscal 2024, higher than our tread water indicator of 8%. We project that Iowa school districts' ANPLs will increase by 20% in fiscal 2025, driven in part by salary increases which exceeded actuarial assumptions. While results will vary across US public pension systems, we generally expect local governments' fiscal year 2026 ANPLs to fall by around 20% based on our aggregate estimates.

**ESG considerations**

**Environmental**

Environmental risks are factored into our assessment of the district's credit quality but are not major drivers at this time.

### Social

Social considerations such as wealth and income are factors in the district's credit quality and are discussed in the detailed credit considerations. Population has increased around 6% over the last decade. However, the district's median age (43) is above the nation (39), and residents of school-age make up a lower share of population (around 12%) than the nation (around 17%). Unemployment in the Winneshiek County, where the district is located, is low at 3.4% as of July 2025, below the state rate of 4.1% and national rates 4.6%.

### Governance

Transparency and disclosure practices, including timely release of audits, are sound. The district benefits from solid budget management, reflected in maintenance of adequate liquidity levels.

Iowa school districts have a strong ability to match revenues to expenditures. The state controls the bulk of school district revenue for Iowa school districts through per-pupil revenue limits adopted in the state budget. The state typically provides for regular and predictable increases in funding but has at times held funding flat. Districts can increase taxes with strong flexibility. Districts can use a cash reserve levy when capacity is available to maintain an adequate level of operating reserves to mitigate operating pressures. While the levy has no rate cap, school districts must limit the levy such that the combination of levy revenue and unexpended fund balance does not exceed 20% the prior year's expenditures.

## 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 4

### Decorah Community School District, IA

	Measure	Weight	Score
<b>Economy</b>			
Resident Income (MHI Adjusted for RPP / US MHI)	106.8%	10.0%	Aa
Full value per capita (full valuation of the tax base / population)	139,489	10.0%	Aa
Enrollment trend (three-year CAGR in enrollment)	-1.5%	10.0%	A
<b>Financial performance</b>			
Available fund balance ratio (available fund balance / operating revenue)	14.0%	20.0%	A
Net cash ratio (net cash / operating revenue)	22.3%	10.0%	Aa
<b>Institutional framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	148.6%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	5.9%	10.0%	Aaa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
<b>Assigned Rating</b>			<b>Aa3</b>

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

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

## Appendix

Exhibit 5

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
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
<b>Financial performance</b>		
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
<b>Leverage</b>		
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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