

CREDIT OPINION

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North Iowa Area Community College

Update to credit analysis

Summary

[North Iowa Area Community College, IA's](#) (GOULT Aa2, issuer rating A2, [dorm revenue A3 stable](#)) benefits from its large rural tax base in northern Iowa characterized by a strong financial position and recent enrollment growth following historical declines. Overall leverage will remain moderate inclusive of an upcoming issuance.

Credit strengths

- » Large and stable tax base
- » Flexibility to increase tuition and fees, both key sources of operating revenue
- » Stable financial operations evidenced by the long-term maintenance of strong operating reserves relative to operating budget

Credit challenges

- » Moderate reliance on state aid exposes the college to future revenue reductions should fiscal pressure arise at the state level
- » Dorm revenue debt has historically required general fund support to maintain debt service coverage at or above 1.1x, though dorm occupancy has recently improved and support was not required for the first time

Rating outlook

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

Factors that could lead to an upgrade

- » Continued expansion of the college's tax base and strengthening of resident income
- » Sustained bolstering of operating reserves and liquidity
- » Upgrade of the college's dorm revenue debt rating

Factors that could lead to a downgrade

- » Sustained reduction in available reserves or liquidity
- » Growth in the combined debt or pension burden to above 3x operating revenue
- » Downgrade of the college's dorm revenue debt rating

Key indicators

Exhibit 1

North Iowa Area Community College, IA	2020	2021	2022	2023	2024
Economy/Tax Base					
Total Full Value (\$000)	\$13,927,713	\$14,633,968	\$15,132,959	\$18,073,044	\$18,333,180
Population	162,372	162,372	162,372	162,372	-
Full Value Per Capita	\$85,777	\$90,126	\$93,199	\$111,306	N/A
Median Family Income (% of US Median)	91.5%	90.4%	92.7%	90.0%	N/A
Finances					
Operating Revenue (\$000)	\$42,173	\$46,275	\$50,543	\$52,688	\$58,903
Fund Balance (\$000)	\$50,718	\$49,683	\$67,389	\$73,019	\$50,701
Cash Balance (\$000)	\$48,513	\$44,012	\$60,468	\$64,451	\$43,193
Fund Balance as a % of Revenues	120.3%	107.4%	133.3%	138.6%	86.1%
Cash Balance as a % of Revenues	115.0%	95.1%	119.6%	122.3%	73.3%
Debt/Pensions					
Net Direct Debt (\$000)	\$47,205	\$43,940	\$60,388	\$64,221	\$47,940
3-Year Average of Moody's ANPL (\$000)	\$22,743	\$26,520	\$28,143	\$24,288	\$18,825
Net Direct Debt / Full Value (%)	0.3%	0.3%	0.4%	0.4%	0.3%
Net Direct Debt / Operating Revenues (x)	1.1x	0.9x	1.2x	1.2x	0.8x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.2%	0.2%	0.2%	0.1%	0.1%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.5x	0.6x	0.6x	0.5x	0.3x

Financial metrics based on the college's full accrual financial statements. Cerro Gordo County, IA is used as a proxy for median family income. Population is the combined population of the 11 counties in the college's service area from the 2020 Census.

Source: Sources: US Census Bureau, US Bureau of Economic Analysis, North Iowa Area Community College, IA's financial statements and Moody's Ratings.

Profile

North Iowa Area Community College serves a 11 county area in northern Iowa with a main campus located in Mason City. The college provides career and technical education to over 2,000 full time equivalent students.

Detailed credit considerations

The college's credit profile reflects its large rural tax base and strong financial position supported by prudent budgetary management. Its \$18 billion tax base grew at an average annual rate of 6% over the last five years. Although rural in nature, the regional economy benefits from employment opportunities in the healthcare, manufacturing and agricultural sectors. Median family income for Cerro Gordo County, the largest county in the college's area, is about 90% the national figure. Like many community colleges across the state, enrollment had been declining historically, but the college has seen material growth in recent years reflecting the addition of new programs aligned with regional workforce demand. Management reports this growth has continued, with enrollment in fall 2025 up 5.6% so far. Future enrollment will likely be moderated by an aging population in the region, mitigated by increased outreach to high school students.

The college's financial reserves will remain strong, supported by conservative budgeting and revenue raising flexibility that is derived from its ability to increase tuition. The college maintained robust reserves in fiscal 2024 (year-end June 30) with net current assets equal to about 86% of revenue. According to preliminary results, general fund balance is likely to decline in fiscal 2025 given a transfer for physical plant expenses, though operations are estimated to have ended with a modest surplus excluding the transfer. Reserves will likely remain robust, with the fiscal 2026 budget projecting the use of a portion of accumulated fund balance in the plant fund for capital projects.

The college has historically supported its dorm revenue debt with transfers from the general fund to maintain debt service coverage at or above 1.1x, but management reports that improved dorm occupancy led to the first year where support was not required. Dorm occupancy is largely composed of student-athletes and has benefited from expansions of the college's athletic program.

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The college's leverage will remain moderate inclusive of the upcoming general obligation issuance to finance new jobs training programs, with no material debt plans over the next year. The college may approach voters in several years for a bond referendum as it pays down its existing general obligation bonds.

ESG considerations

Environmental

Environmental considerations are not material to the college's credit profile. According to Moody's ESG Solutions, Cerro Gordo County is at high risk for heat and water stress compared to counties nationally, but the college itself has little direct exposure to these factors. In the near term, the college's reserves would be sufficient to mitigate potential damage to district facilities in the event of a natural disaster.

Social

Social considerations are material to the college's credit profile and are discussed in the detailed credit considerations section. The social considerations for the North Iowa Area Community College include a large tax base with average resident income and wealth levels and below average poverty. The college's population has remained relatively flat over the past decade.

Governance

Management has been active in its pursuit to meet the demands of their service area and job training partners by adjusting their programmatic offerings. Management has maintained positive operating performance by way of timely expenditure reductions and conservative revenue assumptions. The college adheres to an informal fund balance policy that calls for at least 16% of fund balance in reserve.

State operating appropriations are the college's largest source of operating revenue. Tuition and fees are its secondary source of revenue. Property taxes comprised a moderate portion of college-wide revenue. The college levies at the operating property tax cap of 0.2025 per \$1000 and also has a voter authorized Plant Fund levy of 0.2025 per \$1000 that can be used for capital and maintenance expenditures.

Rating methodology and scorecard factors

The US Special Purpose District General Obligation Debt Methodology includes a scorecard, a tool providing a composite score of a 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 special purpose district credits.

The difference between the scorecard indicated outcome and the assigned rating reflects that a portion of reserves will likely be drawn down for capital projects over the next few years. It also reflects the consistent support of dorm revenue debt with transfers from the general fund to maintain debt service coverage, though improved dorm occupancy recently led to the first year where support was not required.

Exhibit 2

North Iowa Area Community College, IA		
Scorecard Factors and Subfactors	Measure	Score
Economy/Tax Base (30%)		
Tax Base Size: Full Value (in 000s)	\$18,333,180	Aaa
Full Value Per Capita	\$112,909	Aa
Median Family Income (% of US Median)	90.0%	Aa
Finances (30%)		
Fund Balance as a % of Revenues	86.1%	Aaa
5-Year Dollar Change in Fund Balance as % of Revenues	30.6%	Aaa
Cash Balance as a % of Revenues	73.3%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	21.3%	Aa
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	1.1x	Aaa
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	0.3%	Aaa
Net Direct Debt / Operating Revenues (x)	0.8x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	0.1%	Aaa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	0.3x	Aaa
	Scorecard-Indicated Outcome	Aaa
	Assigned Rating	Aa2

Operating revenues, fund balance and cash are on a full accrual basis.

Source: US Census Bureau, North Iowa Area Community College's audited financial statements and Moody's Ratings

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