

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns initial Aa3 issuer rating to Decorah Community School District, IA; assigns Aa3 to GO bonds

20 Nov 2025

New York, November 20, 2025 -- Moody's Ratings (Moody's) has assigned an initial Aa3 issuer rating to Decorah Community School District, IA. Concurrently, we have assigned a Aa3 rating to the district General Obligation School Bonds, Series 2025 with a proposed par amount of roughly \$10 million. Inclusive of the current sale, the district will have around \$12 million of total debt outstanding.

RATINGS RATIONALE

The Aa3 issuer rating reflects the district's 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. Governance is a key driver of this initial rating, reflecting robust revenue raising flexibility.

The rating 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.

The district's GOULT bonds are rated Aa3, the same level as the issuer rating, based on the district's full faith and credit pledge and authorization to levy a dedicated property tax that is unlimited as to rate or amount.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- 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 OF THE RATINGS

- 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

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. The district has a population of approximately 12,500 and serves over 1,500 students.

METHODOLOGY

The principal methodology used in these ratings was US K-12 Public School Districts published in July 2024 and available at <https://ratings.moody.com/rmc-documents/425431>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at <https://ratings.moody.com/rmc-documents/435880>.

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