

Research Update:

Gilbert Community School District, IA's Series 2025 GO Bonds Assigned 'A+' Rating

November 7, 2025

Overview

- S&P Global Ratings assigned its 'A+' rating to [Gilbert Community School District](#), Iowa's \$6.4 million series 2025 general obligation (GO) bonds.
- The outlook is negative.

Rationale

Security

The district's unlimited property tax GO pledge secures the bonds. The bonds are the second issuance of a total \$35 million in voter-approved GO debt to build a new elementary school, construct additions to the high school, intermediate school, and middle school, renovate portions of these buildings, and relocate a track. After this issuance the district will have \$13.6 million in remaining voter-approved GO bond authorization.

Credit highlights

The negative outlook reflects our view of the district's unaudited fiscal 2025 result, which materially reduced reserves and underperformed expectations, and our view that there is a one-in-three chance that we could lower the rating if the district does not make meaningful progress improving its finances during the two-year outlook period. Following recent deficits due to staff increases to accommodate enrollment growth and limited cash reserve levy-raising flexibility, the district increased its cash reserve levy by \$1.4 million and budgeted for a \$110,000 operating surplus in fiscal 2025. Unaudited fiscal 2025 results, however, show the district instead posted a \$725,000 operating deficit (negative 3% of budgeted revenues), with unrestricted reserves falling to about \$242,000, or 1% of revenues. Management attributed the deficit to higher-than expected special education, utility, and other costs. We also note expenditures exceeded the budget the previous year as well, indicating an emerging pattern of optimistic budgeting that could hinder the district's goal of increasing reserves to its 12%-14% of operating revenue target within the next few years.

Primary Contact

Charlie G Salmans
Chicago
1-312-233-7039
charlie.salmans
@spglobal.com

Secondary Contact

Alison Kaye
Chicago
1-312-233-7162
alison.kaye
@spglobal.com

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While a slight dip in certified enrollment in fiscal 2025 will negatively affect fiscal 2026 state funding, preliminary enrollment data for the current year indicates a 24-student increase in net open enrollment, which will likely lead to higher-than-expected operating revenue. The district is aiming for a balanced-to-positive operating result, supported by a \$940,000 increase in the cash reserve levy, about \$320,000 in spending reductions from leaving certain positions unfilled, and a plan to identify further spending reductions. We view these steps as likely sufficient to balance the budget. The district plans to hold staffing flat and is considering other budgetary options to rebuild reserves to its target range, including potentially an additional increase in the cash reserve levy in fiscal 2027, offering early retirement, and joining a natural gas risk pool. However, it is unclear whether the district will make sufficient budgetary adjustments to materially increase reserves.

Key factors limiting immediate downward movement in the rating are the district's growing enrollment, demonstrated willingness to meaningfully raise its cash reserve levy, and strong economic metrics relative to those of similarly rated school districts. The dip in enrollment in fiscal 2025 might have been related to the state's new private school voucher program, but we do not expect ongoing enrollment pressure from this given management reports nearby private schools end before seventh grade and do not have the physical space to expand. We expect enrollment will continue to grow given the increasing local population (up 23% in the past 10 years) and management reports developers have 2,000-3,000 homes planned in the next five-to-seven years.

The 'A+' rating further reflects our view of the following credit factors:

- Favorable economic profile supported by population growth, significant planned residential development, and local income levels that exceed the U.S. and Story County averages. The district is just outside of Ames, home to Iowa State University, and is about 40 miles north of Des Moines. The university is financially stable and its enrollment has increased in recent years following a period of declines.
- Personnel cost increases and underperformance relative to recent budgets have led to imbalanced operations and thin reserves, reducing the district's ability to meet unforeseen expenses. However, growing enrollment, recent increases in the cash reserve levy, and other budgetary adjustments the district is considering could ultimately restore reserves to the district's informal reserve target range.
- Management practices that have been insufficient to maintain financial stability. These include monthly budget-to-actual and investment reporting to the board and an annually updated five-year financial forecast. Management is taking steps to mitigate cyber risk.
- Debt metrics that are increasing to elevated levels relative to those of similarly rated school districts, with net direct debt per capita and fixed costs of debt and liabilities potentially increasing to slightly more than \$8,000 and around 22% of total governmental fund revenue, respectively, once the \$13.6 million in remaining voter-approved GO bond authorization is issued. The district's private placement debt has no nonstandard events of default or acceleration provisions. Pension costs are manageable.
- 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

The district's environmental, social, and governance factors are neutral in our analysis.

Outlook

The negative outlook reflects our view that there is a one-in-three chance that we could lower the rating within the two-year outlook period.

Downside scenario

We could lower the rating if the fiscal 2026 result underperforms expectations, or if the district is unable to present a concrete and sustainable plan to build stronger reserves in fiscal 2027 and beyond. Further decreases in reserves after fiscal 2025 could lead to a lower rating, potentially by multiple notches.

Upside scenario

We could revise the outlook to stable if the district makes material progress toward rebuilding reserves.

Gilbert Community School District, Iowa--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.76
Economy	1.5
Financial performance	4
Reserves and liquidity	6
Management	3.30
Debt and liabilities	4.00

Gilbert Community School District, Iowa--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita as % of U.S.	87	--	87	90
County PCPI as % of U.S.	77	--	77	80
Market value (\$000s)	1,487,415	1,181,198	1,142,225	1,078,127
Market value per capita (\$)	177,517	140,971	138,150	138,027
Top 10 taxpayers as % of taxable value	7.5	8.2	8.7	8.5
County unemployment rate (%)	2.8	2.3	2.3	2.3
Local median household EBI as % of U.S.	126	126	136	139
Local per capita EBI as % of U.S.	108	108	123	126
Local population	8,379	8,379	8,268	7,811
Financial performance				
Operating fund revenue (\$000s)	--	20,141	19,336	18,845
Operating fund expenditures (\$000s)	--	21,797	20,483	18,792
Net transfers and other adjustments (\$000s)	--	66	(7)	(18)
Operating result (\$000s)	--	(1,590)	(1,154)	35
Operating result as % of revenue	--	(7.9)	(6.0)	0.2
Operating result three-year average %	--	(4.6)	(1.6)	1.4
Enrollment	--	1,646	1,626	1,598

Gilbert Community School District, Iowa--key credit metrics

	Most recent	2024	2023	2022
Reserves and liquidity				
Available reserves as % of operating revenue	--	4.9	13.5	19.3
Available reserves (\$000s)	--	991	2,612	3,646
Debt and liabilities				
Debt service cost as % of revenue	--	13.0	13.4	46.0
Net direct debt per capita (\$)	7,449	2,982	3,366	3,872
Net direct debt (\$000s)	62,418	24,985	27,833	30,242
Direct debt 10-year amortization (%)	34	74	--	--
Pension and OPEB cost as % of revenue	--	4	4	4
NPLs per capita (\$)	--	612	768	677
Combined NPLs (\$000s)	--	5,126	6,354	5,288

Financial data may reflect analytical adjustments and is 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. EBI--Effective buying income. GCP--Gross county product. OPEB--Other postemployment benefits. NPL--Net pension liability. PCPI--Per capita personal income.

Ratings List

New Issue Ratings

US\$6.435 mil GO sch bnds ser 2025 due 06/01/2045

Long Term Rating A+/Negative

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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