

Research Update:

# Monticello Community School District, IA Series 2025 GO Bonds Rated 'A+'; Existing Debt Rating Affirmed; Outlook Stable

November 5, 2025

## Overview

- S&P Global Ratings assigned its 'A+' long-term rating to [Monticello Community School District](#), Iowa's \$9.8 million series 2025 general obligation (GO) school bonds.
- At the same time, we affirmed our 'A+' long-term rating on the district's existing GO debt.
- The outlook is stable.

## Rationale

### Security

The series 2025 GO bonds are secured by the district's unlimited ad valorem tax GO pledge.

### Credit highlights

The rating reflects the district's stable local economy, well-managed finances, and prudent management policies and practices. Offsetting these strengths are its below-average gross county product per capita and debt that we expect will increase to an elevated, although manageable, level with future issuance plans.

Declining enrollment and adjustments to staffing have resulted in fluctuating financial performance for the district. In fiscal 2023, it experienced a deficit of approximately \$611,000, or 4.7% of general fund revenue. This was largely attributable to increased teacher salaries and the unavailability of the cash reserve levy for fiscal years 2022 and 2023. More recently in fiscal 2024, the district was able to access its cash reserve and levied about \$584,000, resulting in a surplus of about \$193,000 or 1.4% of general fund revenue. The district levied \$800,000 for fiscal 2025 and expects a similar amount to be utilized in fiscal 2026, resulting in projected surpluses for the next few fiscal years. Unaudited fiscal 2025 results show a nearly \$405,000 surplus, or 2.9% of

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operating revenue, with reserves improving to \$1.9 million, or 14%. The district has a 5%-15% fund balance policy and management aims for reserves to be about 15%.

Following this issuance, the district anticipates issuing an additional \$5.2 million in GO bonds and \$15 million in sales tax bonds by the end of fiscal 2026, a portion of which will refund the existing sales tax bonds. These issuances could increase the district's net direct debt per capita to approximately \$5,900 from \$3,500. However, we believe the debt burden will remain manageable and within rating thresholds, supported by the absence of significant future capital needs beyond these planned issuances and local income and market value metrics that compare favorably with those of similarly rated school districts. We also note a substantial portion of the district's debt will be secured by a statewide 1% sales tax, distributing the tax burden across a broader population .

The rating further reflects our view of the following:

- A limited local economy with gross county product per capita below the national average, offset by local income levels on par with the nation.
- Management's expectation of positive financial performance over the next few fiscal years due to the use of its cash reserve levy, strengthening the district's thin available reserve balance.
- Financial policies and practices that support fiscal planning. This is highlighted by robust five-year financial forecasting that is updated monthly, monthly budget-to-actual reporting, 10-year capital equipment planning with limited detail, investment and debt policies consistent with statutory requirements, and formal solvency ratio targets of 10%-15% that it has been compliant with. The district's cybersecurity practices mitigate risk.
- An elevated but manageable debt and liabilities profile accounting for additional planned issuances. We expect fixed costs could increase to just under 20% of total governmental fund revenue with these issuances. The state pension system is well funded, mitigating long-term fixed cost pressures.
- For 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 environmental, social, and governance factors and consider them neutral in our credit rating analysis.

## **Outlook**

The stable outlook reflects our expectation that the district's sound financial management will continue to underpin its operations, offsetting the effects of its elevated debt profile.

## **Downside scenario**

We could take a negative rating action if the district issues debt exceeding currently anticipated levels or demonstrates a sustained inability to achieve projected financial stability.

## Upside scenario

We could raise the rating if the local tax base expands substantially, supporting improved wealth and income that we consider commensurate with those of higher-rated peers, coupled with enrollment stabilization that supports more-predictable state revenue and moderation in debt levels.

### Monticello Community School District, Iowa--credit summary

<b>Institutional framework (IF)</b>	<b>2</b>
Individual credit profile (ICP)	3.15
Economy	5.0
Financial performance	2
Reserves and liquidity	3
Management	2.00
Debt and liabilities	3.75

### Monticello Community School District, Iowa--key credit metrics

	Most recent	2024	2023	2022
<b>Economy</b>				
Real GCP per capita % of U.S.	48	--	48	47
County PCPI % of U.S.	79	--	79	83
Market value (\$000s)	841,057	683,537	678,732	649,810
Market value per capita (\$)	125,944	102,357	102,404	99,925
Top 10 taxpayers % of taxable value	9.6	10.3	10.1	10.5
County unemployment rate (%)	4.2	3.7	3.4	3.2
Local median household EBI % of U.S.	100	100	94	97
Local per capita EBI % of U.S.	98	98	94	102
Local population	6,678	6,678	6,628	6,503
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	13,577	12,938	12,634
Operating fund expenditures (\$000s)	--	13,388	13,549	13,544
Net transfers and other adjustments (\$000s)	--	4	--	2
Operating result (\$000s)	--	193	(611)	(908)
Operating result % of revenues	--	1.4	(4.7)	(7.2)
Operating result three-year average %	--	(3.5)	(4.0)	(3.6)
Enrollment	--	972	988	990
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	10.1	8.1	14.0
Available reserves (\$000s)	--	1,377	1,042	1,768
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	10.7	13.7	14.2
Net direct debt per capita (\$)	3,562	2,580	2,796	3,042
Net direct debt (\$000s)	23,784	17,231	18,529	19,784
Direct debt 10-year amortization (%)	46	73	--	--
Pension and OPEB cost % of revenues	--	5.0	5.0	5.0

**Monticello Community School District, Iowa--key credit metrics**

	Most recent	2024	2023	2022
NPLs per capita (\$)	--	525	655	589
Combined NPLs (\$000s)	--	3,504	4,343	3,828

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\$9.8 mil GO sch bnds ser 2025 due 05/01/2045

Long Term Rating A+/Stable

**Ratings Affirmed**

**Local Government**

Monticello Comnty Sch Dist 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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