

Research Update:

East Marshall Community School District, IA Series 2026 GO Bonds Rated 'A'; Outlook Stable

March 10, 2026

Overview

- S&P Global Ratings assigned its 'A' rating to [East Marshall Community School District](#) (CSD), Iowa's anticipated \$15 million series 2026 general obligation (GO) school bonds.
- The outlook is stable.

Rationale

Security

The district's GO pledge secures the series 2026 bonds.

Bond proceeds will be used for construction of new school additions, renovating existing spaces, and making HVAC improvements to district buildings.

Credit highlights

The 'A' rating on the district reflects our expectation of reserve draws from \$3.0 million in fiscal 2024 to \$1.7 million in fiscal 2026, funded by deficit spending in three consecutive audited years, which we still view as strong relative to its budget size. The rating also reflects limited expected growth in its local economy and elevated debt costs that we do not believe will significantly affect operations.

East Marshall CSD's local economy is characterized by a local tax base with a diversified employer makeup, but it is concentrated among the larger taxpayers--notably a windmill company and railroad company--and has a nominal population of 3,700 residents. Although local employment is rooted in manufacturing and agriculture--which is typical for Iowa schools--many residents commute to nearby communities, which bolsters local incomes to be in line with broader Marshall County and national averages.

Financial performance before fiscal 2023 was supported by one-time funding from the Elementary and Secondary School Emergency Relief Fund of \$1 million and the district's favorable expense environment during the pandemic. However, following a trend of recent enrollment declines, the district's revenue budget significantly eroded between fiscal 2023 and fiscal 2024, resulting in a substantial deficit and a \$1.05 million draw on reserves in the most recent audited year. Although the new management team has addressed budget pressures by

Primary Contact

Tyler Livesey
Chicago
1-609-426-7533
tyler.livesey
@spglobal.com

Secondary Contact

Andrew J Truckenmiller
Chicago
+ 1 (312) 233 7032
andrew.truckenmiller
@spglobal.com

decreasing staffing to align with enrollment levels and closing a middle school one year earlier than planned, East Marshall CSD is projecting deficits of \$1.2 million and \$60,000 in fiscal years 2025 and 2026, respectively; this will draw down reserves to approximately \$1.7 million from \$3.0 million, or a 43% decrease. Although the district has adopted a long-term financial plan and has taken sufficient short-term action, in our view, to reduce its general fund budget, we believe consistently achieving breakeven or surplus results is necessary to improve our overall view of both the district's financial performance and long-term budget management.

East Marshall CSD has been approved to issue \$19.8 million in GO debt with approximately \$4.8 million of that amount planned for issuance in 2027. Furthermore, the district will pursue a maximum of \$7.5 million in school infrastructure sales, services, and use tax bonds, which adds a 20% cost escalation and a tax base burden of \$7,000 on a per capita basis, which we view as very high.

The rating further reflects our view of the following factors:

- The district has a stable, but limited economy heavily reliant on manufacturing and agriculture. East Marshall CSD's proximity to Des Moines and Cedar Rapids allows the district to act as a bedroom community to broader metropolitan statistical areas. However, stagnant population and moderate tax base growth limit overall expansion of the economy.
- Financial performance is characterized as volatile over the long term due to decreasing enrollment levels, which impede the district's ability to consistently match general fund operations to revenues. While management's budget reduction measures are sufficient for stabilization in the short term, the district has not yet realized consistent, positive performance that we would consider balanced.
- We expect reserves to be drawn to \$1.7 million from \$3.0 million on a nominal basis, which significantly weakens operational flexibility should deficit spending continue, or one-time costs arise. However, compared with budgeted revenues, reserves remain strong at approximately 20%.
- We view management practices as sufficient for short-term budget planning, and we recognize that the district has developed a long-term financial plan to project future costs. However, recent financial performance will require consistent improvement to enhance our overall view of its budget practices. Cybersecurity practices align with those of peers.
- Debt and liabilities costs could rise to 20%, which we view as high compared with the district's total governmental funds revenues. We also view pension contributions as a large driver of overall debt and liabilities costs at 30% (following issuance of new debt).
- For more information, see "[Institutional Framework Assessment: Iowa Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

East Marshall CSD faces elevated physical risks from tornadoes, which is typical for Iowa school districts; however, this is mitigated by the district's sufficient insurance coverage for these type of risks. Social and governance factors are neutral within our analysis.

Outlook

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The stable outlook reflects our view that, despite budgetary pressure, the district has made sufficient adjustments to the general fund to manage debt cost escalation and work towards operating stability in future fiscal years.

Downside scenario

We could lower the rating if East Marshall CSD continues engaging in deficit spending and, coupled with increased debt and liabilities costs, keeps drawing reserves to levels we view as not commensurate with the current rating.

Upside scenario

We could raise the rating if positive financial performance leads to higher nominal reserve levels, coupled with a material reduction in debt, or, although we view this as unlikely, if economic metrics were to materially improve to a level we view as indicative of a higher rating.

East Marshall Community School District, Iowa--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.18
Economy	5.0
Financial performance	3
Reserves and liquidity	2
Management	2.65
Debt and liabilities	3.25

East Marshall Community School District, Iowa--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	66	--	66	68
County PCPI % of U.S.	70	--	70	74
Market value (\$000s)	575,182	472,718	457,598	450,012
Market value per capita (\$)	153,587	126,226	122,189	120,809
Top 10 taxpayers % of taxable value	24.7	24.2	23.0	--
County unemployment rate (%)	6.0	5.7	5.7	4.9
Local median household EBI % of U.S.	105	105	102	95
Local per capita EBI % of U.S.	93	93	93	87
Local population	3,745	3,745	3,745	3,725
Financial performance				
Operating fund revenues (\$000s)	--	8,546	9,954	9,150
Operating fund expenditures (\$000s)	--	9,573	9,186	8,827
Net transfers and other adjustments (\$000s)	--	(20)	(20)	(29)
Operating result (\$000s)	--	(1,047)	748	294
Operating result % of revenues	--	(12.3)	7.5	3.2
Operating result three-year average %	--	(0.5)	8.2	7.8
Enrollment	--	525	567	576

East Marshall Community School District, Iowa--key credit metrics

	Most recent	2024	2023	2022
Reserves and liquidity				
Available reserves % of operating revenues	--	34.8	40.4	35.3
Available reserves (\$000s)	--	2,977	4,019	3,231
Debt and liabilities				
Debt service cost % of revenues	--	2.8	6.6	6.9
Net direct debt per capita (\$)	4,346	470	468	681
Net direct debt (\$000s)	16,277	1,762	1,753	2,536
Direct debt 10-year amortization (%)	42	100	100	100
Pension and OPEB cost % of revenues	--	5.0	4.0	4.0
NPLs per capita (\$)	--	703	703	657
Combined NPLs (\$000s)	--	2,632	2,632	2,448

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\$15,000,000 East Marshall Community School District, Iowa, General Obligation School Bonds, Series 2026, dated: Date of Delivery, due: June 1, 2046

Long Term Rating A/Stable

New Rating

Local Government

East Marshall 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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