

Research Update:

Tipton Community School District, IA 2026 School Infrastructure Sales, Services, And Use Tax Revenue Bonds Rated 'A'

March 12, 2026

Overview

- S&P Global Ratings assigned its 'A' rating to [Tipton Community School District](#), Iowa's nearly \$8.5 million series 2026 school infrastructure sales, services, and use tax revenue bonds.
- The outlook is stable.

Rationale

Security

The bonds are secured by a first lien on state-collected sales-and-services tax revenue for school infrastructure, and a cash-funded debt service reserve passing the standard three-prong test. We rate the bonds under our "Priority-Lien Tax Revenue Debt," Oct. 22, 2018, criteria, which considers pledged revenue strength and stability and the district's creditworthiness.

Iowa's Secure an Advanced Vision for Education legislation establishes a statewide one-cent sales tax for school infrastructure authorized through Jan. 1, 2051, and which exceeds final bond maturity on June 1, 2046. The Iowa Department of Revenue distributes the one-cent statewide sales tax revenue to each school district on a monthly per-pupil basis. The per-pupil calculation compares actual in-district certified enrollment with total statewide enrollment. All districts receive the same amount of per-pupil revenue, most recently \$1,323 in fiscal 2025. Projected per-pupil revenue for fiscal 2026 is \$1,358.

The district intends to use series 2026 bond proceeds to fund HVAC improvements and renovations to the district's buildings.

Credit highlights

We view the district's sales tax credit profile as stable, reflecting the statewide collection base, expectations of a stable upward trend in statewide sales tax collections, and ability to withstand moderate revenue stress while maintaining sufficient bond coverage. Based on our stress

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scenarios, we determine the district would still have 1x maximum annual debt service (MADS) coverage with 618 students, or a loss of 192, or a 24% decrease. In addition, if certified student enrollment were to remain constant at 810, we calculate that per-pupil revenue could decrease to \$1,009 and that the district would still have 1x MADS coverage.

Factors incorporated into our analysis include:

- **Very strong economic fundamentals:** Because pledged revenue is derived from a statewide base and allocated by enrollment, we use the state as the economic foundation, which provides diversification and limits exposure to local economic volatility. Iowa's population (about 3.2 million) and employment growth have trailed those of the nation, although unemployment has historically remained below the U.S. rate. Per-capita effective buying income equals 93% of the national level.
- **Low revenue volatility:** Macroeconomic volatility reflects historical volatility of taxed activity and social, demographic, political, and other structural factors. Sales tax collections have historically exhibited relatively stable performance across economic cycles at the state level. At the microeconomic level, we see no offsetting risks. Under the funding formula, districts with modest enrollment declines have generally reported flat-to-growing year-over-year revenue and stable debt service coverage (DSC), supporting revenue stability even in localized demographic softness.
- **Weak-to-adequate coverage and liquidity:** Based on a 1.25x additional bonds test (ABT), fiscal 2025 collections provide 1.31x MADS coverage, which is structured to increase slightly after fiscal 2029 to 1.32x and remain level through maturity in 2046 with no assumed growth; MADS occurs in fiscal 2029. The bonds are secured by a cash-funded debt service reserve passing the standard three-prong test.
- **A close relationship between the priority-lien pledge and the obligor's pledge** because the flow of funds leads to a one-notch upward limitation compared with the district's general creditworthiness. The close linkage with the district's general creditworthiness does not constrain the pledged revenue structure's credit factors.
- **The obligor's creditworthiness reflects sound finances** due to conservative budgeting and proactive management, resulting in healthy available reserves of \$2 million for fiscal 2024. The district serves areas of Cedar County with high local personal income metrics, which surpass national and county averages. The district has nearly \$1.5 million in outstanding GO debt. The district has one privately placed issuance, the series 2023 school infrastructure sales, services, and use tax revenue bonds with \$2.6 million outstanding. In our view, this debt does not represent a contingent liquidity risk as it does not contain permissive events of default or acceleration provisions. The district plans to go to voters for approval in November for \$14 million in GO bonds to fund additional capital improvements to district infrastructure. The overall debt profile is moderate on a per-capita and market value basis.

Environmental, social, and governance

We view the district's environmental, social, and governance factors as neutral within our credit rating analysis. Cyber security practices align with those of peers.

Outlook

The stable outlook reflects our view that pledged revenue will likely provide sufficient annual DSC due to the absence of debt plans, rising per-pupil allocations, and external liquidity provided by the district's debt service reserve fund.

Downside scenario

Although unlikely, we could lower the rating if statewide sales tax collections were to decrease or if enrollment were to drop to such a degree that pledged revenue also significantly deteriorated, leading to lower-than-expected DSC.

Upside scenario

In our opinion, a higher rating during the two-year outlook is unlikely due to a relatively low ABT. However, we could raise the rating if bond provisions were to strengthen, reinforcing our view of the obligor's commitment to maintain adequate coverage through additional debt issuance.

Tipton Community School District, Iowa--key credit metrics

	Metric
Economic data	
Economy	Very Strong
EBI level per capita % of U.S.	93
Statewide revenue base	Yes
Population (obligor)	3,216,993
Population (MSA)	N.A.
Financial data	
Revenue volatility	Low
Coverage and liquidity	Weak - Adequate
Baseline coverage assessment	ABT
MADS coverage (x)	1.31
MADS year	2029
Annual debt service coverage (x)	2.50
2-year pledged revenue change (%)	5.10
Bond provisions	
ABT (x)	1.25
ABT type	MADS
ABT period	Historical
DSRF type	Lowest of 3-pronged test
Obligor relationship	
Obligor linkage	Close
PL rating limit (number of notches above OC)	1

Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. MSA--Metropolitan statistical area. MADS--Maximum annual debt service. ABT--Additional bonds test. DSRF--Debt service reserve fund. PL--Priority lien. OC--Obligor creditworthiness. N.A.--Not available. 3-pronged test--MADS, 10% of principal, or 125% of average annual debt service.

Ratings List

New Issue Ratings

Tipton Community School District, IA 2026 School Infrastructure Sales, Services, And Use Tax Revenue Bonds Rated 'A'

Ratings List

US\$8,465,000 Tipton Community School District, Iowa, School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2026, dated: Date of Delivery, due: June 1, 2046

Long Term Rating A/Stable

New Rating

Local Government

Tipton Comnty Sch Dist, IA School Infrastructure Sales Tax 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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