

Research Update:

# Mount Vernon Community School District, IA School Infrastructure Sales, Services, And Use Tax Revenue Bonds Rated 'A+'

April 3, 2026

## Overview

- S&P Global Ratings assigned its 'A+' long-term rating to [Mount Vernon Community School District](#), Iowa's anticipated \$4.195 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 pledge on a statewide one-cent sales-and-services tax distributed to school districts on a per-pupil basis for school infrastructure. We rate the bonds under our "[Priority-Lien Tax Revenue Debt](#)" criteria, Oct. 22, 2018, which considers pledged revenue strength and stability and the district's creditworthiness.

The district intends to use the bonds to fund parking lot improvements, sidewalk additions, replacement of shingles containing asbestos, other exterior improvements, and a debt service reserve fund at the standard three-pronged test (the lowest of maximum annual debt service [MADS], 10% of principal, or 125% of average annual debt service).

### Credit highlights

The rating reflects the district's generally stable certified enrollment, supported by residents' access to Cedar Rapids and Iowa City, and steady per-pupil revenue growth.

Certified enrollment has typically hovered around 1,100 students in the last 10 years, with modest recent declines to about 1,080 students due to larger graduating classes. While enrollment could continue to decline modestly due to graduating classes in the next few years that are generally about 15 students larger than incoming classes, we believe the district's proximity to Cedar Rapids (16 miles northwest) and Iowa City (25 miles southwest) will have a stabilizing influence on enrollment. Furthermore, the local population is modestly growing (3% growth in the last 10 years), and management reports there are two residential developments in the district, which

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could have a positive effect on enrollment. Despite recent modest enrollment declines, pledged revenue distributions have been stable or are growing and are up 25% in the last five years due to per-pupil revenue growth. The district is not seeing meaningful competition from private schools.

Based on our stress scenarios, assuming per-pupil revenue distributions remain flat at the state's \$1,358 projection for fiscal 2026, we determine the district would still have 1x MADS coverage with 643 students, or a loss of 442, a 41% decrease. In addition, if certified student enrollment remained constant at 1,085, we calculate that per-pupil revenue could decrease to \$805 and the district would still have 1x MADS coverage.

Key credit considerations include our opinion of the following:

- Economic fundamentals are very strong, reflecting the depth and breadth of the statewide pledged revenue base. 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. Iowa's per capita effective buying income equals 93% of the national level.
- Revenue volatility is low, reflecting that the volatility of the statewide base has been consistent with that of national retail and food services sales, exhibiting relatively stable performance across economic cycles. At the local level, we see no risks warranting a lower score. 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).
- Coverage and liquidity is adequate. Fiscal 2025 collections provide 1.66x MADS coverage and MADS occurs in fiscal 2028; MADS coverage improves to over 2.4x thereafter. While the district has no additional parity debt plans, we base our coverage assessment on the 1.30x additional bonds test (ABT), reflecting how most Iowa school districts tend to issue debt to the ABT's full extent given pledged revenue can only be used for capital or debt service.
- The rating is limited to no more than one notch higher than the obligor's creditworthiness (OC) because the district directly receives pledged revenue from the state, is responsible for paying debt service, and does not benefit from a limited scope of operations or extraordinary expenditure flexibility.
- Following operating deficits in fiscal years 2022 through 2024 related to salary increases and lower-than-expected enrollment, the district made various spending reductions and increased its cash reserve levy, leading to a roughly \$525,000 operating surplus (3% of operating revenue), according to unaudited fiscal 2025 results. Management currently expects a \$400,000 operating surplus in fiscal 2026 (2% of operating revenue) and a \$600,000 surplus in fiscal 2027 (3%), supported by recent growth in net open enrollment in (benefitting operating revenue but not affecting sales tax revenue distributions securing the series 2026 bonds) and potential savings from an early retirement program implemented this year. If achieved, these surpluses could potentially increase reserves to above the district's 10% reserve target. For more information on our view of the OC, see the [article](#) about the district's general obligation debt, Nov. 25, 2025.

## **Environmental, social, and governance**

We view environmental, social, and governance factors as neutral in our credit analysis.

## **Outlook**

The stable outlook reflects S&P Global Ratings' expectation that pledged revenue will provide at least adequate coverage.

## Downside scenario

We could lower the rating if statewide sales tax collections were to decrease or if certified enrollment were to drop to such a degree that pledged revenue also significantly deteriorates, leading to lower-than-expected DSC. We could also do so if the OC were to weaken.

## Upside scenario

Upward rating movement is limited given the lower ABT relative to those of higher-rated issuers.

## Mount Vernon Community School District, Iowa--key credit metrics

	Metric
<b>Economic data</b>	
Economy	Very strong
EBI level per capita % of U.S.	93
Statewide revenue base	Yes
Population (obligor)	6,779
Population (statewide)	3,207,748
<b>Financial data</b>	
Revenue volatility	Low
Coverage and liquidity	Adequate
Baseline coverage assessment	ABT
MADS coverage (x)	1.66
MADS year	2028
Annual debt service coverage (x)	2.48
2-year pledged revenue change (%)	8.04
<b>Bond provisions</b>	
ABT (x)	1.30
ABT type	MADS
ABT period	Historical
DSRF type	Lowest of 3-pronged test
<b>Obligor relationship</b>	
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. 3-pronged test--MADS, 10% of principal, or 125% of average annual debt service.

### Ratings List

#### New Issue Ratings

US\$4,195,000 Mount Vernon Community School District, Iowa, School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2026, dated: Date of delivery, due: June 01, 2036

Long Term Rating	A+/Stable
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#### New Rating

#### Local Government

Mount Vernon Comnty Sch Dist, IA School Infrastructure Sales Tax	A+/Stable
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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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