

Research Update:

Spirit Lake, IA Series 2026 GO Capital Loan Notes Assigned 'AA-' Rating

April 16, 2026

Overview

- S&P Global Ratings assigned its 'AA-' rating to [Spirit Lake](#), Iowa's \$5 million series 2026 general obligation (GO) capital loan notes.
- At the same time, S&P Global Ratings affirmed its 'AA-' rating on the city's existing GO debt.
- The outlook is stable.

Rationale

Security

The bonds are secured by the city's unlimited-tax GO pledge. Proceeds will go toward various projects that include a water treatment plant, sanitary sewer lift station, and water lines.

Credit highlights

The 'AA-' rating reflects our view of Spirit Lake's extraordinarily strong balance sheet and consistent operating surpluses for more than a decade. We expect credit fundamentals to remain stable to positive through the two-year outlook, with a stable financial trajectory supported by ongoing economic growth and corresponding growth in tax revenue. We also believe that key credit limitations--a limited economic base and mostly informal management practices--are unlikely to change or improve enough to prompt an upgrade through the outlook period.

For fiscal 2026, management projects a relatively small general fund surplus after a \$2 million transfer to the capital projects fund to pay for a portion of a utility project. The recently approved fiscal 2027 budget reflects modest growth in local tax revenues and essentially unchanged operational spending, resulting in a \$1.36 million budgeted surplus (16.9% of estimated revenue). While management has no immediate plans for reserve draws, we understand that the city may elect to strategically spend a portion of its now historically strong reserves on future capital projects as needs arise. The city has identified some outyear projects for which management anticipates issuing additional bonds, but project scope, timeline, and the prospective par amount of the associated debt have not been decided.

Additional considerations supporting the 'AA-' rating include the following:

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- Spirit Lake is the Dickinson County seat, and its location in northwest Iowa's Great Lakes region supports a healthy summer tourism industry. The city has seen an uptick in new residential and commercial development since the pandemic, and valuation has grown steadily, fueled by new development and home price appreciation. Local economic metrics, however, remain softer than those of similarly rated peers, with median household effective buying income of about 90% of the U.S. level and a fairly narrow tax base with market value that is just over \$1 billion.
- Financial management policies and practices include very basic policies governing debt and investments, with a formal 25% fund balance policy and an informal target of keeping a \$5 million minimum. The city does not have a long-term capital or financial plan and uses standard budget assumptions with monthly reporting to the city council on budget-to-actual performance, but it has a strong record of financial performance relative to budget. The city has peer-comparable cybersecurity protections in place.
- Gross debt totals \$14.4 million, of which about \$1.4 million consists of water revenue notes that we exclude from our calculation of net direct debt.
- Retirement liabilities are limited with fixed costs that were about 7.2% of governmental fund revenues in 2025 and that we expect to remain at similar levels. Employees participate in the Iowa Public Employees' Retirement System, which was 90.1% funded with a city liability that we calculate at less than \$1 million as of June 30, 2025, and the city's other postemployment benefits liability is limited to an implicit rate subsidy for retirees remaining on the city's plan while paying active premium rates.
- Institutional framework is typical for an Iowa city. For more information, see "[Institutional Framework Assessment: Iowa Local Governments](#)," published Sept. 9, 2024.

Environmental, social, and governance

Environmental, social, and governance risks are neutral in our credit analysis.

Outlook

The stable outlook reflects our view that Spirit Lake's operating budget will likely remain structurally balanced given a sustainable trend of favorable revenue performance and a predictable expenditure budget. We also believe that reserves are strong enough to preserve credit quality at the current rating even if the city spends down a portion of its unassigned fund balance.

Downside scenario

We could lower the rating if the city saw sustained deterioration in financial performance or if reserves fell below those of peers with otherwise similar credit characteristics.

Upside scenario

We could raise the rating with the adoption of more robust and comprehensive financial management policies and practices, and with ongoing improvement in the city's economy as reflected, in particular, in resident incomes and a tax base that better aligned with those of higher-rated peers.

Spirit Lake, Iowa--credit summary

| | |
|---------------------------------|------|
| Institutional framework (IF) | 3 |
| Individual credit profile (ICP) | 2.20 |
| Economy | 2.5 |
| Financial performance | 1 |
| Reserves and liquidity | 1 |
| Management | 3.00 |
| Debt and liabilities | 3.50 |

Spirit Lake, Iowa--key credit metrics

| | Most recent | 2025 | 2024 | 2023 |
|--|-------------|---------|---------|---------|
| Economy | | | | |
| Real GCP per capita % of U.S. | 96 | -- | 96 | 91 |
| County PCPI % of U.S. | 116 | -- | 116 | 114 |
| Market value (\$000s) | 1,009,363 | 975,671 | 749,689 | 730,781 |
| Market value per capita (\$) | 181,214 | 175,165 | 134,594 | 132,580 |
| Top 10 taxpayers % of taxable value | 13.1 | 15.3 | 18.5 | 18.1 |
| County unemployment rate (%) | 3.2 | 3.2 | 3.1 | 3.0 |
| Local median household EBI % of U.S. | 89 | -- | 89 | 80 |
| Local per capita EBI % of U.S. | 91 | -- | 91 | 87 |
| Local population | 5,570 | -- | 5,570 | 5,512 |
| Financial performance | | | | |
| Operating fund revenues (\$000s) | -- | 6,724 | 5,606 | 5,688 |
| Operating fund expenditures (\$000s) | -- | 5,235 | 3,642 | 4,236 |
| Net transfers and other adjustments (\$000s) | -- | (540) | (1,092) | (213) |
| Operating result (\$000s) | -- | 949 | 872 | 1,239 |
| Operating result % of revenues | -- | 14.1 | 15.6 | 21.8 |
| Operating result three-year average % | -- | 17.2 | 24.8 | 27.9 |
| Reserves and liquidity | | | | |
| Available reserves % of operating revenues | -- | 162.9 | 178.5 | 160.6 |
| Available reserves (\$000s) | -- | 10,953 | 10,005 | 9,133 |
| Debt and liabilities | | | | |
| Debt service cost % of revenues | -- | 20.4 | 26.6 | 32.6 |
| Net direct debt per capita (\$) | 2,333 | 1,316 | 777 | 1,248 |
| Net direct debt (\$000s) | 12,995 | 7,330 | 4,330 | 6,880 |
| Direct debt 10-year amortization (%) | 49 | 53 | 97 | -- |
| Pension and OPEB cost % of revenues | -- | 7.0 | 7.0 | 7.0 |
| NPLs per capita (\$) | -- | 58 | 92 | 138 |
| Combined NPLs (\$000s) | -- | 325 | 510 | 758 |

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.

Spirit Lake, IA Series 2026 GO Capital Loan Notes Assigned 'AA-' Rating

Ratings List

New Issue Ratings

US\$5,000,000 City of Spirit Lake, Iowa, General Obligation Capital Loan Notes, Series 2026, dated: Date of Delivery, due: June 1, 2046

| | |
|------------------|------------|
| Long Term Rating | AA-/Stable |
|------------------|------------|

Ratings Affirmed

Local Government

| | |
|--|------------|
| Spirit Lake, IA Unlimited Tax General Obligation | AA-/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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