

Research Update:

Northeast Community School District, IA Series 2026 General Obligation School Bonds Assigned 'A' Rating; Outlook Stable

April 15, 2026

Overview

- S&P Global Ratings assigned its 'A' rating to [Northeast Community School District](#), Iowa's anticipated \$9 million series 2026 general obligation (GO) school bonds.
- The outlook is stable.

Rationale

Security

The district's unlimited ad valorem tax pledge secures the GO bonds. Proceeds will fund renovations at the middle school/high school facility. The bonds are the first of two planned issuances following voters' approval of \$13.5 million of total GO debt for facility upgrades.

Credit highlights

The rating reflects the district's stable financial position, supported by enhanced budgeting practices under new management and strategic utilization of the cash reserve levy. We anticipate available reserves will remain strong relative to revenues despite projected, albeit modest, deficits through fiscal 2028. Key factors limiting the rating are the district's small population below 5,000, debt burden that is high on a per capita basis, and a small, rural tax base heavily reliant on agricultural property—which benefits from above-average household income metrics—and declining, though stabilizing, enrollment.

Recent fiscal performance demonstrates improved financial management. Conservative budgeting, including structuring annual budgets to allow for positive variances, and the application of the cash reserve levy contributed to large surpluses in fiscal years 2024 and 2025. The budget for fiscal 2026 shows a deficit of approximately \$600,000 (5% of revenue) due to the district's temporary inability to use the cash reserve levy; however, management anticipates offsetting factors—revenue outperformance and salary savings—will reduce the deficit to around \$200,000 (2% of revenue). The five-year forecast indicates continued modest deficits through fiscal 2028, stemming from the two-year restriction on using the cash reserve levy following

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reserves exceeding 20% of general fund expenditures in fiscal 2025. Nevertheless, we believe management's demonstrated budgetary control will support long-term financial stability.

Key credit factors include the following:

- The district's rural tax base is anchored by agricultural activity, with gross county product per capita at 76.3% of the national average. However, per capita and household effective buying incomes are near or above national levels. Management reports limited new development, but indicates stability among major taxpayers, largely generational agricultural businesses.
- We expect reserves to remain strong despite anticipated moderate decreases, with the five-year forecast projecting reserves consistently above 15%. Certified enrollment, the primary driver of state funding, has fallen slightly, but has stabilized. Officials project total enrollment will stabilize around 820 students, supported by a significant 45% open enrollment population.
- Budgeting practices are realistic and informed by historical data, supported by monthly reporting and annual budget amendments. The district adheres to an annually updated five-year operating forecast, a sales and use tax-funded facilities maintenance plan, and formal policies for investments, debt, and reserves requiring a fund balance of 5%-15% of budget. Management is proactive in mitigating cybersecurity risks.
- The district plans to issue the remaining \$4.5 million of voter-authorized debt within the next two years. Although per capita debt will remain high, debt levels relative to property values are moderate with overall net direct debt at 2.4% of market value and moderately elevated carrying charges. Debt service costs spiked in fiscal 2025 due to maturity of a sinking fund bond, which we have factored into our assessment of the debt and liability profile. Pension liabilities are well-funded, and all-in retirement benefit costs are expected to remain manageable.
- For more 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 consider the district's environmental, social, and governance factors credit neutral.

Outlook

The stable outlook reflects our expectation that management's proactive budgeting practices will sustain Northeast Community School District's healthy financial profile despite projected moderate deficits during the next three years.

Downside scenario

We could lower the rating if the district's operating deficits significantly exceed expectations, leading to a material drop in reserves.

Upside scenario

We could raise the rating if it demonstrates sustained, materially higher reserves, coupled with economic expansion and diversification, and improved debt metrics.

Northeast Community School District, Iowa--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.95
Economy	4.5
Financial performance	3
Reserves and liquidity	2
Management	2.00
Debt and liabilities	3.25

Northeast Community School District, Iowa--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	73	--	73	74
County PCPI % of U.S.	76	--	76	77
Market value (\$000s)	464,884	463,709	401,847	345,871
Market value per capita (\$)	163,117	162,705	140,999	119,803
Top 10 taxpayers % of taxable value	5.2	--	--	--
County unemployment rate (%)	4.3	4.3	3.9	3.7
Local median household EBI % of U.S.	111	--	111	96
Local per capita EBI % of U.S.	94	--	94	83
Local population	2,850	--	2,850	2,887
Financial performance				
Operating fund revenues (\$000s)	--	11,612	11,751	11,009
Operating fund expenditures (\$000s)	--	10,867	10,888	11,009
Net transfers and other adjustments (\$000s)	--	33	--	--
Operating result (\$000s)	--	778	863	--
Operating result % of revenues	--	6.7	7.3	--
Operating result three-year average %	--	4.7	2.0	(0.9)
Enrollment	--	812	830	827
Reserves and liquidity				
Available reserves % of operating revenues	--	20.8	13.7	6.0
Available reserves (\$000s)	--	2,412	1,613	659
Debt and liabilities				
Debt service cost % of revenues	--	27.8	3.8	4.0
Net direct debt per capita (\$)	4,309	1,151	2,482	2,583
Net direct debt (\$000s)	12,280	3,280	7,073	7,458
Direct debt 10-year amortization (%)	44	100	100	100
Pension and OPEB cost % of revenues	--	4.0	4.0	5.0
NPLs per capita (\$)	--	852	852	1,062
Combined NPLs (\$000s)	--	2,427	2,427	3,065

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.

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Ratings List

New Issue Ratings

US\$9,000,000 Northeast 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

Northeast 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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