Research Update:

Maquoketa Community School District, IA Series 2026 Revenue Bonds Assigned 'A' Rating; Outlook Stable

August 28, 2026

Primary Contact

Charlie G Salmans
Chicago
1-312-233-7039
charlie.salmans
@spglobal.com

Secondary Contact

Mike Lensky
Englewood
+1 303 721 4138
mike.lensky
@spglobal.com

Overview

- S&P Global Ratings assigned its 'A' long-term rating to Maquoketa Community School District (CSD), Iowa's $6.14 million series 2026 school infrastructure sales, services, and use tax revenue bonds.
- At the same time, we affirmed our 'A' underlying rating (SPUR) on the district's existing school infrastructure sales, services, and use tax revenue bonds.
- The outlook is stable.

Rationale

Security

A first lien on a statewide one-cent sales and services tax distributed to school districts on a per-pupil basis for school infrastructure secures the bonds. 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.

Senate File (SF) 2472, signed by the governor on May 18, 2026, incrementally increases the share of the 1.0% sales tax that is diverted for property tax relief to 25.0% in fiscal 2031 from 7.1% in fiscal 2026. We placed the district's rating, along with all other Iowa school district sales tax bond ratings, on CreditWatch with negative implications on May 13, 2026 (see report, here), and subsequently removed the rating from CreditWatch on June 17, 2026 (see report, here) based on our analysis of the effect of SF 2472 on the district's maximum annual debt service (MADS) coverage.

The district intends to use the bond proceeds, in conjunction with $10 million in sales tax bonds issued in 2025, to construct an addition to an elementary school, enabling the district to close a separate elementary school and build a preschool wing. The bond proceeds will also fund a debt service reserve fund (DSRF) to the lowest of MADS, 10% of principal, or 125% of average annual debt service.

Credit highlights

The rating reflects our view that although SF 2472 will likely lead to a drop in Maquoketa CSD's pledged revenue, we expect coverage will be weak-to-adequate and supportive of the rating. Upward rating movement is limited by the district's declining enrollment, which we expect will continue to negatively affect pledged revenue.

To account for SF 2472, we applied stress tests assuming different enrollment and revenue scenarios, and MADS coverage generally remains above or just under the district's 1.30x ABT. The district is structuring debt service on the series 2026 bonds so that MADS modestly decreases during much of SF 2472's five-year phase-in and is also issuing less than the $7.1 million initially planned. The district plans to make up for this shortfall in project funding by privately issuing $2 million in general obligation capital loan notes.

The district's certified enrollment has decreased by 16%, or 212 students, in the last ten years, which management attributes to declining birth rates and to competition from a nearby private school's preschool. The district plans to begin offering full-day preschool at a preschool wing the bonds are financing, which the district hopes will help with enrollment. However, we believe enrollment could continue to decline given the long-term trend.

The rating further reflects our view of the following factors:

- Very strong economic fundamentals reflect 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 94% of the national level.
- Low revenue volatility reflects that statewide retail sales have been consistent with national retail and food services sales, performing in a stable manner across economic cycles. At the local level, we see no risks warranting a lower score. Districts with modest decreases in enrollment generally report flat-to-increasing year-on-year revenue and stable DSC, although SF 2472 will likely interrupt this trend during its five-year phase-in.
- Weak-to-adequate coverage and liquidity. The district has no additional parity debt plans. Iowa school districts tend to issue debt to the full extent of the ABT given that pledged revenue can only be used for capital or debt service.
- Together, direct receipt of pledged revenue from the state, responsibility for paying debt service, and lack of benefit from a limited scope of operations or extraordinary expenditure flexibility limit the rating to one notch higher than the district's creditworthiness.
- The district's general creditworthiness reflects a history of stable finances due to right-sizing of staffing to offset enrollment declines, though with recent deficits related to limited cash reserve levy-raising flexibility to address rising special education costs. Management's preliminary fiscal 2026 estimate is a $560,000 deficit (-2.6% of operating revenue), somewhat smaller than the fiscal 2025 deficit. The district increased its cash reserve levy significantly in fiscal 2027 by just under $900,000, the maximum allowed (the amount allowed is a function of reserves two years prior relative to 20% of expenditures). Management reports there could be a drop in the general fund balance in fiscal 2027 depending on the timing of grant spending. The district's informal reserve target is 7% to 17% of operating revenues, which we believe is achievable given the district's demonstrated willingness to raise revenue and reduce staffing

in line with enrollment, though declining enrollment will likely be an ongoing challenge. The district also expects to see operational savings from the closure of an elementary school. Management makes use of a five-year financial forecast and provides monthly budget-to-actual results to the board. The district's debt profile is manageable, in our view. Residents have access to employment opportunities in Dubuque and the Quad Cities, 30 and 45 miles away, respectively. We believe the district's cyber risk practices help mitigate exposure to risk consistent with our overall view of its management and governance.

Outlook

The stable outlook reflects our expectation that, despite the change brought about by SF 2472, the district's MADS coverage will remain supportive of the rating as revenues are diverted.

Downside scenario

We could lower the rating if declines in statewide sales tax revenue, reductions in net pledged revenue distributions due to legislative changes, or decreases in certified enrollment lead to lower-than-expected DSC. We could also lower the rating if the district's general creditworthiness were to weaken significantly.

Upside scenario

While we do not anticipate a positive rating action during the two-year outlook period, we could take a positive rating action over time if enrollment stabilizes.

Maquoketa Community School District, Iowa--key credit metrics

Economic data	
Economy	Very strong
Pledged revenue taxing base	Iowa
EBI level per capita % of U.S. (taxing base)	94
Population (taxing base)	3,238,742
Broad and diverse MSA	Yes
Financial data	
Revenue volatility	Low
Coverage and liquidity	Weak-Adequate
Baseline coverage assessment	ABT
MADS coverage (x)	1.43
MADS year	2027
Annual debt service coverage (x)	8.49
Pledged revenue 2-year CAGR (%)	2.25
Bond provisions	
ABT (x)	1.30
ABT type	MADS
ABT period	Historical
DSRF type	Lesser of 3-prong
Obligor relationship	
Obligor linkage	Close

Maquoketa Community School District, Iowa--key credit metrics	
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. 2-year CAGR--2 periods of compound annual growth rate change over 3 years. 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$6,140,000 Maquoketa Community School District, Iowa, School Infrastructure Sales, Service And Use Tax Revenue Bonds, Series 2026, dated: November 4, 2026, due: June 1, 2051	
Long Term Rating	A/Stable
Ratings Affirmed	
Local Government	
Maquoketa Community School District, IA Infrastructure Sales, Services, and Use 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.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.