CREDIT OPINION
27 October 2026

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North Cedar Community School District, IA

New issuer

Summary

North Cedar Community School District, IA's (A3) credit quality reflects solid property wealth and continued state aid growth, balanced against sustained enrollment declines and a still-narrow general fund position that limits financial flexibility. Leverage, which had been historically low, will increase to moderate levels following a series of issuances.

Credit strengths

» Solid liquidity ratio

» Low leverage and fixed-costs ratios

Credit challenges

» Very narrow general fund balance

» Very negative enrollment trend

Rating outlook

We do not assign outlooks to issuers with this amount of debt.

Factors that could lead to an upgrade

» General fund balance ratio closer to 10%

» A long-term liabilities ratio consistently below 150%

Factors that could lead to a downgrade

» Materially weaker general fund balance or operating results materially worse than budgeted in fiscal 2027

» A long-term liabilities ratio approaching 300%

Key indicators

Exhibit 1
North Cedar Community School District, IA

	2022	2023	2024	2025	A Medians
Economy					
Resident income	100.7%	97.7%	98.0%	N/A	N/A
Full value ($000)	$567,866	$720,324	$746,261	$827,613	$1,239,292
Population	4,768	4,834	4,886	N/A	12,617
Full value per capita	$119,099	$149,012	$152,735	N/A	$99,324
Enrollment	632	631	591	550	1,701
Enrollment trend	N/A	-1.8%	-2.2%	-4.5%	N/A
Financial performance					
Operating revenue ($000)	$11,936	$12,259	$12,303	$12,627	$31,734
Available fund balance ($000)	$2,511	$1,887	$2,048	$2,401	$8,037
Net cash ($000)	$3,052	$2,502	$2,774	$4,429	$9,442
Available fund balance ratio	21.0%	15.4%	16.6%	19.0%	25.7%
Net cash ratio	25.6%	20.4%	22.5%	35.1%	33.2%
Leverage					
Debt ($000)	$3,953	$2,762	$2,076	$1,698	$21,998
ANPL ($000)	$17,573	$8,832	$11,109	$8,838	$34,713
OPEB ($000)	$242	$240	$437	$456	$2,511
Long-term liabilities ratio	182.4%	96.5%	110.7%	87.1%	N/A
Implied debt service ($000)	$347	$276	$192	$144	$1,520
Pension tread water ($000)	$246	$423	$486	$450	$1,316
OPEB contributions ($000)	$3	$4	$16	$33	$187
Fixed-costs ratio	5.0%	5.7%	5.6%	5.0%	N/A

For definitions of the metrics in the table above please refer to the US K-12 Public School Districts Methodology or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published K12 Median Report.
Sources: US Census Bureau, North Cedar Community School District, Ia's financial statements and Moody's Ratings

Profile

The North Cedar Community School District spans 209 square miles in eastern Iowa. It serves the communities of Mechanicsville, Stanwood, Clarence and Lowden as well as unincorporated portions of Cedar and Jones counties. About 550 students are enrolled across three school buildings.

Detailed credit considerations

The district's economy is gradually shifting from an agricultural basis toward residential, given its commutable distance to nearby Cedar Rapids, Iowa City and the Quad Cities. Agricultural uses still account for about 40% of property valuation and Union Pacific railroad is the largest taxpayer, providing about 5% of collections. Enrollment declines have been a persistent challenge for the district with student counts roughly halving over the last two decades. The preliminary October 2026 count does show some stabilization with the loss of an estimated six students, bringing the 3-year CAGR closer to negative 4%.

The general fund balance ratio will likely rise to about 3% in fiscal 2026 (unaudited; year-end June 30) following a $300,000 surplus generated by personnel savings and then will likely fall again in fiscal 2027 as levy capacity is shifted to the debt service fund to support the district's capital program while keeping the burden on taxpayers consistent. The district was able to achieve surplus operations in fiscals 2026 and 2025 because of staffing adjustments and early retirement incentives.

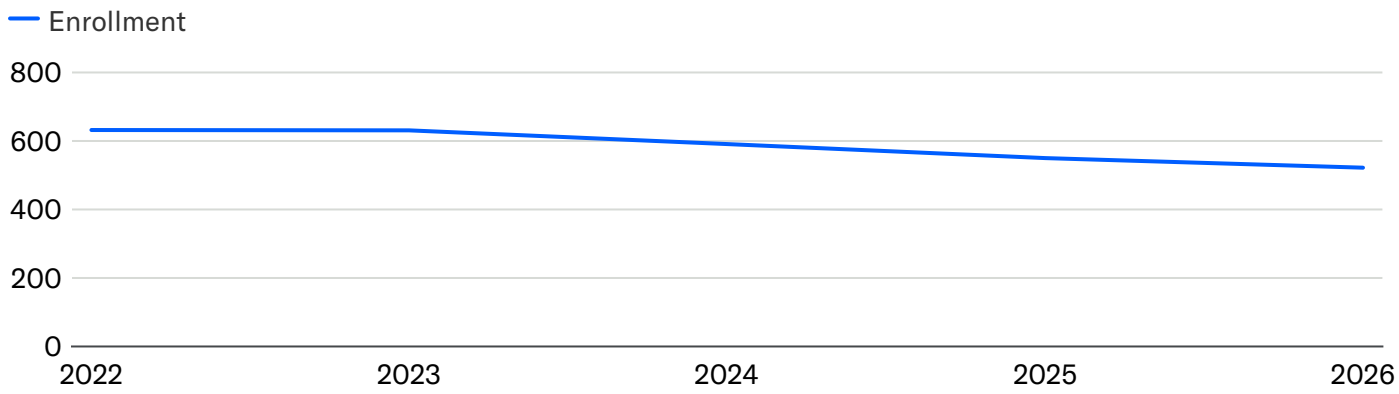
Although the district's available fund balance ratio was about 19% in fiscal 2025, the bulk of that balance was in the management levy and debt service funds, which have a limited set of uses. The general fund balance was only about $100,000 or 1%, after being depleted several years earlier by rising costs. The district also had about $3.5 million in its sales tax fund that can be used for capital.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Leverage will increase to a moderate level following the current bond issuance to support improvements to the district's elementary and high school facilities. Additional issuances are expected over the next two years. Even with the planned increase in debt, leverage and fixed costs are expected to remain manageable for the rating category, supported by rapid amortization and historically low debt levels.

Economy

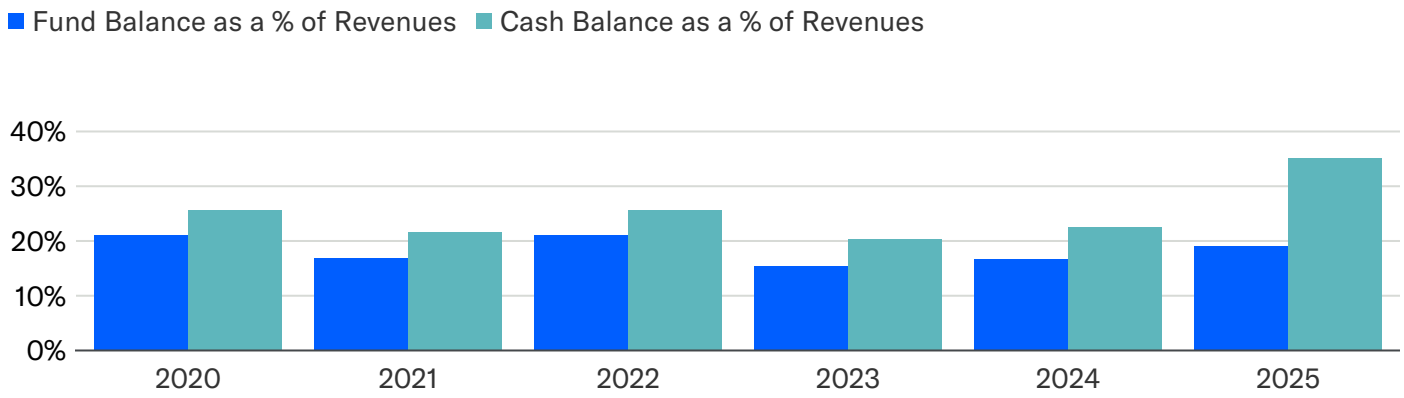
Exhibit 4
Persistent enrollment declines will constrain revenue growth despite steady tax base expansion



Source: Moody's Ratings

Financial operations

Exhibit 5
Robust liquidity provides meaningful financial flexibility, offsetting very thin general fund reserves



Source: Moody's Ratings

ESG considerations

Environmental

Environmental considerations are not a material driver of the credit profile at this time.

Social

Social considerations are incorporated into the overall credit profile of the district, including a median age (44) above the state and US and declining student enrollment.

Governance

Governance is a driver of the initial rating with management reporting periodic financial performance meetings to monitor spending and reserve forecasts.

Iowa school districts have a strong ability to match revenues to expenditures. The state controls the bulk of school district revenue for Iowa school districts through per-pupil revenue limits adopted in the state budget. The state typically provides for regular and predicable increases in funding but has at times held funding flat. Districts can increase taxes with strong flexibility.

Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard that summarizes the rating factors generally most important to school district credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

The gap between the scorecard-indicted outcome and the assigned rating is because of the very narrow general fund balance as well as the tax base concentration in agricultural uses.

Exhibit 6

North Cedar Community School District, IA

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	98.0%	10.0%	A
Full value per capita (full valuation of the tax base / population)	169,385	10.0%	Aa
Enrollment trend (three-year CAGR in enrollment)	-6.1%	10.0%	Ba
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	19.0%	20.0%	Aa
Net cash ratio (net cash / operating revenue)	35.1%	10.0%	Aaa
Institutional framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	163.7%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	5.0%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
Assigned Rating			**A3**

The complete list of outstanding ratings assigned to the North Cedar Community School District, Ia is available on their issuer page. Details on the current ESG scores assigned to the North Cedar Community School District, Ia are available on their ESGView page.

Sources: US Census Bureau, North Cedar Community School District, Ia's financial statements and Moody's Ratings

Appendix

Exhibit 7

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value ($000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
Financial performance		
Operating revenue ($000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ($000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash ($000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt ($000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL ($000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB ($000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service ($000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water ($000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions ($000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the US K-12 Public School Districts Methodology.

Source: Moody's Ratings

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