MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns Aa3 to Decorah Community School District, IA's GO bonds

30 Oct 2026

New York, October 30, 2026 -- Moody's Ratings (Moody's) has assigned a Aa3 rating to Decorah Community School District, IA's General Obligation School Bonds Series 2026 with a proposed par amount of about $21 million. We maintain the Aa3 issuer rating and Aa3 rating on outstanding general obligation unlimited tax (GOULT) debt. After the sale, the district will have about $29 million debt outstanding.

RATINGS RATIONALE

The Aa3 issuer rating reflects the district's above average resident income, solid liquidity and moderate leverage. The local economy is largely rural but benefits from the institutional presence of Luther College. Enrollment has decreased at a three-year CAGR of -1.8% and will likely continue to modestly decrease given an aging population.

Fiscal 2027 (year-end June 30) is budgeted to increase general fund reserves by as much as $440,000 to about 20% of revenues. The district has been implementing substantial expenditure reductions to align operations with declines in per pupil funding from reduced enrollment. In fiscal 2026, management reported a $250,000 decline in total general fund reserves, despite $700,000 in expenditure reductions, bringing reserves to a still satisfactory 18% of revenue. Audited fiscal 2025 showed available fund balance and net cash ratios were at 19% and 29%, respectively. In 2024, voters authorized $38 million in debt to build a new elementary school. The long-term liabilities ratio is expected to be about 240% when the final tranche is issued in 2028.

The district's GOULT bonds are rated at the same level as the Aa3 issuer rating based on the district's full faith and credit pledge and authorization to levy a dedicated property tax that is unlimited as to rate or amount.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Maintenance of available fund balance ratio above 25%

- Maintenance of long-term liabilities ratio below 150%

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Sustained narrowing of the available fund balance ratio closer to 15%

- Substantial and sustained increase in the long-term liabilities ratio to levels approaching 300%

PROFILE

Decorah Community School District is located primarily in Winneshiek County in northeastern Iowa, approximately 90 miles north of Cedar Rapids and 10 miles south of the Minnesota state line. The district

has a population of approximately 12,500 and serves over 1,500 students.

METHODOLOGY

The principal methodology used in this rating was US K-12 Public School Districts published in June 2026 and available at https://ratings.moodys.com/rmc-documents/466688. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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