

Research Update:

# Sheldon Community School District, IA Series 2025 GO Bonds Rated 'AA-'; Outlook Stable

August 21, 2025

## Overview

- S&P Global Ratings assigned its 'AA-' rating to [Sheldon Community School District](#) (CSD), Iowa's anticipated \$9.16 million series 2025 general obligation (GO) bonds.
- At the same time, we affirmed our 'AA-' rating on the district's GO bonds outstanding.
- The outlook is stable.
- The rating reflects the application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

## Rationale

### Security

Revenue from the district's unlimited ad valorem property tax secures the GO bonds. Proceeds will finance construction projects and improvements to the district's facilities.

### Credit highlights

The rating reflects our view of Sheldon CSD's conservative management practices and historically healthy operating performance resulting in a robust available reserve position. Offsetting these strengths is the district's limited economy that reflects a more-rural community dominated by the agricultural industry.

Enrollment, a key determinant of state aid, has modestly increased in the past five years, which has led to an increase in capital needs. The Iowa Department of Education's five-year enrollment projections have the district's enrollment growing at a slow and steady rate due to new families moving into the area, which will generate additional funding for the district.

Sheldon CSD has reported consecutive surpluses over the past four fiscal years, achieving its largest surplus of more than \$1 million in fiscal 2023. However, in fiscal 2024, the operating result approached breakeven levels, representing nearly 1% of general fund revenues, as the district purposefully increased expenditures to provide additional educational services. As a result of its

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historically strong financial performance, the district is preparing to enter a spending period to account for the projected increase in enrollment and cater to student needs. For fiscal 2025, the district estimates a nearly \$1.5 million deficit, followed by a nearly \$700,000 deficit in fiscal 2026. However, officials have historically budgeted expenditures at the maximum authorized spending authority; they then control spending throughout the year, which has resulted in routine operating surpluses. We believe this conservative budgeting practice will result in mostly balanced operations, with no significant drawdown of available reserves that would render them lower than those of the district's peers at the current rating level.

The rating reflects our view of Sheldon CSD's:

- Limited residential and agricultural economy, with most residents working locally. Gross county product per capita and local income levels lower than those of the nation partially offset by continuous assessed valuation and population growth;
- Consistent operating surpluses resulting from prudent budgeting and outperforming expectations;
- Available reserves that remain in line with those of peers at the same rating level, despite planned spending of available reserves over the next two years. We do not expect these drawdowns will materially affect the district's available reserve position;
- Management policies and practices that are characterized by its use of monthly budget-to-actual reporting to the school board, investment management and fund balance policies, and a recently complete facility study; and
- Elevated debt, with increasing current costs, coupled with a well-funded pension liability, with manageable costs. Following this issuance, the district will have exhausted its \$19.16 million 2023 authorization (\$9.0 million series 2025 GO and \$10.0 million series 2024 GO); management has indicated it does not have any immediate additional debt plans.
- For more information on our institutional framework assessment for Iowa school districts, see "[Institutional Framework Assessment: Iowa Local Governments](#)," published Sept. 9, 2024, on RatingsDirect.

## **Environmental, social, and governance**

We have assessed Sheldon CSD's environmental, social, and governance factors relative to the district's economy, management, finances, and debt and liability profile; we view all three as neutral in our credit rating analysis.

## **Outlook**

The stable outlook reflects our expectation that the district's available reserve position will remain at favorable levels throughout the outlook horizon, supported by historically healthy financial performance and conservative budget assumptions.

## **Downside scenario**

We could lower the rating if Sheldon CSD were to draw significantly on reserves more than expected to a level no longer comparable to peers at the current rating.

## Upside scenario

We could raise the rating if the district's income levels improved materially, while all other credit factors remain unchanged or improve.

### Sheldon Community School District, IA--credit summary

<b>Institutional framework (IF)</b>	<b>2</b>
Individual credit profile (ICP)	2.22
Economy	3
Financial performance	2
Reserves and liquidity	1
Management	2.35
Debt and liabilities	2.75

### Sheldon Community School District, Iowa--key credit metrics

	Most recent	2024	2023	2022
<b>Economy</b>				
Real GCP per capita % of U.S.	96	--	96	99
County PCPI % of U.S.	92	--	92	102
Market value (\$000s)	999,956	783,722	772,992	723,226
Market value per capita (\$)	132,287	103,681	102,764	97,998
Top 10 taxpayers % of taxable value	18.4	19	18.2	16.9
County unemployment rate (%)	2.7	2.3	2.6	2.4
Local median household EBI % of U.S.	100	100	97	84
Local per capita EBI % of U.S.	85	85	86	77
Local population	7,559	7,559	7,522	7,380
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	14,902	14,746	14,458
Operating fund expenditures (\$000s)	--	14,835	13,786	13,480
Net transfers and other adjustments (\$000s)	--	36	42	-111
Operating result (\$000s)	--	103	1,002	867
Operating result % of revenues	--	0.7	6.8	6
Operating result three-year average %	--	4.5	6.2	--
Enrollment	--	1,130	1,118	1,135
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	43.2	42.4	36.5
Available reserves (\$000s)	--	6,442	6,248	5,276
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	4.3	3.5	5.5
Net direct debt per capita (\$)	4,739	1,469	219	256
Net direct debt (\$000s)	35,824	11,104	1,646	1,890
Direct debt 10-year amortization (%)	48	64	--	--
Pension and OPEB cost % of revenues	--	5	4	4
NPLs per capita (\$)	--	456	568	484

**Sheldon Community School District, Iowa--key credit metrics**

	Most recent	2024	2023	2022
Combined NPLs (\$000s)	--	3,448	4,274	3,570

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.;

**Ratings List**

**New Issue Ratings**

US\$9.16 mil GO sch bnds ser 2025 due 06/01/2040

Long Term Rating AA-/Stable

**Ratings Affirmed**

**Local Government**

Sheldon Community School District, 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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