

CREDIT OPINION

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Dallas Center-Grimes Community School District, IA

Update to credit analysis

Summary

[Dallas Center-Grimes Community School District, IA](#) (Aa2) benefits from strong economic base, solid financial position, and modestly growing enrollment. Leverage and fixed costs will materially increase given debt plans.

Credit strengths

- » Strong income and full value per capita
- » Growing enrollment

Credit challenges

- » Although overall reserves are strong inclusive of funds that will be drawn down in a debt service fund, general fund balance trails higher rated peers
- » Leverage and fixed costs are moderate but will materially increase given debt plans

Rating outlook

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

Factors that could lead to an upgrade

- » Continued economic growth that leads to strengthening of the full value per capita or resident income levels
- » Moderation of long-term liabilities ratio under 150% coupled with sustained maintenance of available general fund balance ratio above 25%

Factors that could lead to a downgrade

- » Decline in the general fund balance below 15% of revenue, or persistent significant declines in the overall available fund balance
- » Sustained increase in long-term liabilities ratio above 300%

Key indicators

Exhibit 1

Dallas Center-Grimes Community S.D., IA

	2022	2023	2024	2025	Aa Medians
Economy					
Resident income	145.1%	145.5%	N/A	N/A	118.5%
Full value (\$000)	\$2,449,910	\$3,026,361	\$3,123,244	N/A	\$4,184,901
Population	14,635	14,657	N/A	N/A	32,217
Full value per capita	\$167,401	\$206,479	N/A	N/A	\$123,578
Enrollment	3,660	3,767	3,770	3,760	4,143
Enrollment trend	3.0%	2.7%	2.3%	0.9%	-1.0%
Financial performance					
Operating revenue (\$000)	\$46,827	\$53,505	\$55,914	\$61,082	\$76,434
Available fund balance (\$000)	\$19,635	\$24,087	\$27,072	\$31,916	\$21,177
Net cash (\$000)	\$21,418	\$24,949	\$32,340	\$37,038	\$26,035
Available fund balance ratio	41.9%	45.0%	48.4%	52.3%	29.2%
Net cash ratio	45.7%	46.6%	57.8%	60.6%	35.9%
Leverage					
Debt (\$000)	\$76,551	\$73,845	\$71,366	\$68,764	\$52,318
ANPL (\$000)	\$65,676	\$35,551	\$45,194	\$36,860	\$107,625
OPEB (\$000)	\$830	\$945	\$512	\$538	\$8,874
Long-term liabilities ratio	305.5%	206.2%	209.4%	173.8%	301.4%
Implied debt service (\$000)	\$5,550	\$5,346	\$5,130	\$4,939	\$3,696
Pension tread water (\$000)	\$923	\$1,723	\$2,014	N/A	\$1,705
OPEB contributions (\$000)	\$67	\$70	\$43	\$53	\$363
Fixed-costs ratio	14.0%	13.3%	12.9%	11.5%	9.8%

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, Dallas Center-Grimes Community S.D., IA's financial statements and Moody's Ratings

Profile

Dallas Center-Grimes Community School District in central Iowa in the Des Moines metropolitan area in Dallas County and Polk County. The district is comprised of the cities of Dallas Center, Grimes, and a portion of the City of Urbandale. The district serves a population of around 15,000 residents, providing educational programs for more than 3,500 students in prekindergarten through the twelfth grade.

Detailed credit considerations

The district's credit profile reflects its solid financial position and a high resident income ratio of over 145% and full value per capita above \$200,000, supported by its proximity to employment opportunities in the Des Moines metro area. Enrollment increased at a three-year CAGR of 0.9% and will likely continue to grow given local population growth. Inclusive of the current sale, the district's long-term liabilities ratio will remain moderate. Leverage will increase to be closer to 300% of operating revenue as the district issues debt over the next few years as authorized in a recent referendum of up to \$88 million.

The district will likely maintain solid reserves despite a projected decline in fiscal 2026. The fiscal 2026 budget projects a decline in general fund balance closer to \$7.5 million, near 15% of revenue. The combined available fund balance across the general fund, management levy fund and debt service fund was over \$30 million in fiscal 2025, above 50% of revenue. Most of the district's reserves are held in the debt service fund and will be used to redeem a portion of the district's outstanding bonds in advance of their stated maturity.

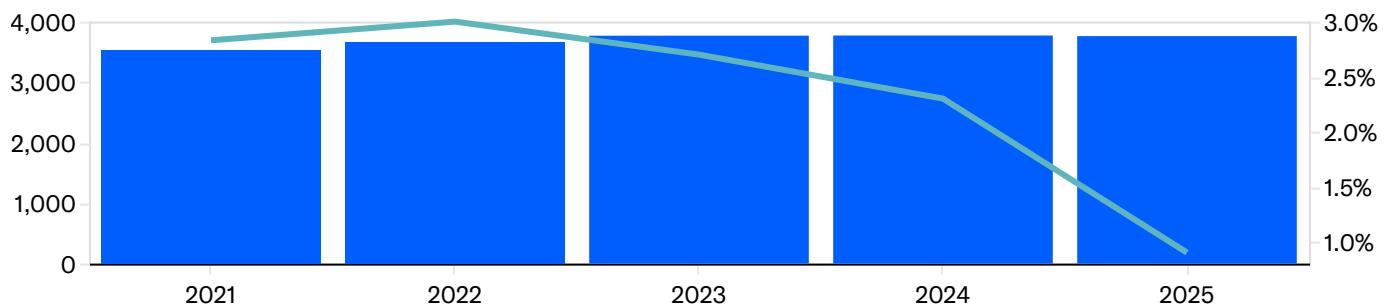
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

Economy

Exhibit 2

Modestly growing enrollment trend

■ Enrollment (LHS) — Enrollment trend (three-year CAGR in enrollment) (RHS)



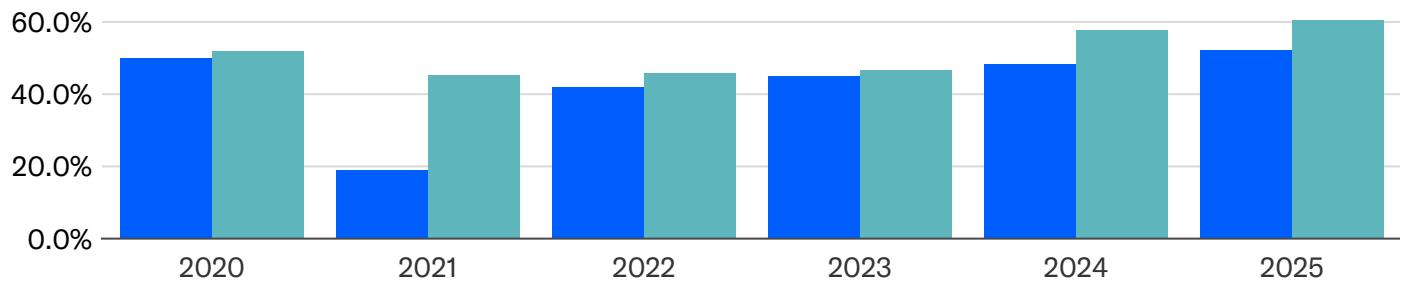
Source: Moody's Ratings

Financial operations

Exhibit 3

Solid reserves and liquidity with majority held in debt service fund

■ Fund Balance as a % of Revenues ■ Cash Balance as a % of Revenues



Source: Moody's Ratings

Leverage

Iowa school districts participate in the Iowa Public Employees' Retirement System (IPERS). Government contributions in aggregate to IPERS amounted to 9% of payroll as of fiscal 2024, higher than our tread water indicator of 8%. We project that Iowa school districts' ANPLs will increase by 20% in fiscal 2025, driven in part by salary increases which exceeded actuarial assumptions. While results will vary across US public pension systems, we generally expect local governments' fiscal year 2026 ANPLs to fall by around 20% based on our aggregate estimates.

ESG considerations

Environmental

Environmental risks are factored into our assessment of the district's credit quality but are not major drivers at this time.

Social

Social considerations such as wealth and income are factors in the district's credit quality and are discussed in the detailed credit considerations.

Governance

Transparency and disclosure practices, including timely release of audits, are sound. The district benefits from solid budget management, reflected in maintenance of sound reserve levels. The district has historically used its cash reserve levy when capacity is available to maintain an adequate level of operating reserves to mitigate operating pressures from growing enrollment. While the levy has no rate cap, school districts must limit the levy such that the combination of levy revenue and unexpended fund balance does not exceed 20% the prior year's expenditures.

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 predictable 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, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits.

Exhibit 4

Dallas Center-Grimes Community S.D., IA

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	145.5%	10.0%	Aaa
Full value per capita (full valuation of the tax base / population)	213,089	10.0%	Aaa
Enrollment trend (three-year CAGR in enrollment)	0.9%	10.0%	Aa
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	52.3%	20.0%	Aaa
Net cash ratio (net cash / operating revenue)	60.6%	10.0%	Aaa
Institutional framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	165.2%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	11.5%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa1
Assigned Rating			
			Aa2

The complete list of outstanding ratings assigned to the Dallas Center-Grimes Community S.D., IA is available on their [issuer page](#). Details on the current ESG scores assigned to the Dallas Center-Grimes Community S.D., IA are available on their [ESGView page](#).

Sources: US Census Bureau, Dallas Center-Grimes Community S.D., IA's financial statements and Moody's Ratings

Appendix

Exhibit 5
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)
Full value (\$000)	Estimated market value of taxable property accessible to the district	RPP: US Bureau of Economic Analysis 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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