

# MOODY'S

## INVESTORS SERVICE

### Rating Update: **Moody's affirms Wilmot Union High School District, WI's GO at Aa2**

---

Global Credit Research - 11 Aug 2014

#### **Aa2 applies to \$33.6 million of rated GO debt outstanding**

WILMOT UNION HIGH SCHOOL DISTRICT, WI  
Public K-12 School Districts  
WI

#### **Opinion**

NEW YORK, August 11, 2014 --Moody's Investors Service has affirmed the Aa2 rating on Wilmot Union High School District, WI's general obligation debt. The bonds are secured by the district's general obligation unlimited tax pledge. The district has a total of \$35.3 million of general obligation debt outstanding, of which \$33.6 million is rated by Moody's.

#### **SUMMARY RATING RATIONALE**

The Aa2 rating incorporates the district's moderately-sized, though declining, tax base, above average resident wealth levels, declining enrollment trend that is expected to stabilize, strong fiscal management demonstrated by healthy reserves, average debt, and low pension burden.

#### **STRENGTHS**

- Strong fiscal management practices
- Healthy financial position
- Low pension burden

#### **CHALLENGES**

- Declining property valuations
- Trend of decreasing enrollment resulting in declining revenues
- District borrows for cash flow purposes

#### **DETAILED CREDIT DISCUSSION**

##### **DECLINING TAX BASE AND ENROLLMENT TRENDS EXPECTED TO STABILIZE**

The district is favorably located in southeastern Wisconsin (GO rated Aa2/stable) in Kenosha County (Aa2), approximately 53 miles southwest of Milwaukee (Aa3/stable) and 70 miles north of Chicago (Baa1/negative). The district operates one high school facility, which serves grades 9-12 in the Villages of Silver Lake and Twin Lake and the Townships of Salem, Randall, and Wheatland. The primarily residential tax base is moderately-sized at \$1.9 billion, though it has declined by an average of 5.0% annually for the past five years. Management expects growth in the near-term given the district's location and availability of undeveloped land. Additionally, commercial growth is expected to continue in Kenosha County. Resident wealth levels are above average with the district's median family income at 117.9% of the US according to 2008-2012 American Community Survey estimates. The district's largest employers are reported to be stable and include Wilmot Union High School District, which employs approximately 140 employees. At 6.1%, Kenosha County's unemployment rate in May 2014 is higher than the state (5.5%) but equal to national (6.1%) rates for the same time period.

Enrollment currently stands at 1,084 students and has experienced a trend of decline, including a drop of 3.5% from fiscal 2013 to fiscal 2014. However, management expects increasing enrollment numbers going forward due to enrollment increases in the district's K-8 feeder schools. The district did not experience any net gain or loss in

students through open enrollment in fiscal 2014. Management expects a net gain of 30 students through open enrollment in fiscal 2015, though this item is budgeted conservatively at no net gain in the fiscal 2015 budget.

#### STRONG FISCAL MANAGEMENT DEMONSTRATED BY HEALTHY RESERVES

We expect the district's strong financial performance to continue given a history of stable operations and a reduction in the need for cash flow borrowing. The district's strong fiscal management has resulted in the maintenance of healthy fund balances in the past ten years. Fiscal 2013 ended with a General Fund operating surplus of \$483,000 due to expenditure reductions implemented to mitigate the decline in state aid due to decreasing enrollment. Expenditure controls include the elimination of health insurance at retirement, increased employee contributions to the district's pension account, and a reduction in staff. The operating surplus led to the increase of the available fund balance to \$3.8 million, or a solid 21.2% of operating revenues, and within the district's policy to maintain 18% of revenues in reserve. General Fund net cash was much lower at \$866,000, or a narrow 4.8% of revenues. The decline in cash was due to the establishment of a Capital Projects Fund to build reserves to finance a new artificial turf for the high school's football field.

While audited results are not yet available, management estimates the available fund balance and net cash balance at year-end fiscal 2014 to be similar to fiscal 2013. Although management does not expect the need to implement further expenditure controls, there is room for additional savings through increased employee contributions to health insurance premiums. The fiscal 2015 budget is balanced, and enrollment is budgeted to be flat, though an increase is expected.

Property taxes account for the majority of General Fund revenues at 57.6%, followed by state aid at 34.5%. The district annually cash-flow borrows through a line of credit due to the timing of property tax and state aid receipts. Favorably, the amount borrowed has decreased over the last several years. In fiscal 2008, the district borrowed \$1.2 million, but reduced that amount to \$800,000 by fiscal 2013. The district typically borrows for cash flow in December and repays the notes sometime in January when property tax receipts are received. During fiscal 2014, the district borrowed a lower \$500,000 from the line of credit.

#### AVERAGE DEBT AND LOW PENSION BURDEN

We expect the district's debt burden will remain manageable given rapid principal amortization. The district's net direct debt is average at 1.9% of full value, and payout is rapid with all debt retired within ten years. The district has no plans to issue additional debt in the next three years. All of the district's debt is fixed rate, and it has no exposure to swaps.

The district's exposure to the state multi-employer pension plan, the Wisconsin Retirement System (WRS) is expected to remain manageable. The district has historically made its required contributions to WRS. For fiscal 2012, employer contributions totaled \$432,000, or approximately a modest 2.3% of fiscal 2012 operating expenditures. The district's adjusted net pension liability (ANPL) in fiscal 2012, under Moody's methodology for adjusting reported pension data, was \$8.8 million, or a low 0.47 times operating fund (inclusive of the General and Debt Service Funds) revenues. Moody's uses the ANPL to improve comparability of reported pension liabilities. The adjustments are not intended to replace the district's reported liability information, but to improve comparability with other rated entities. We determined the district's share of liability for the state-run plan in proportion to its contributions to the plan and covered payroll.

#### WHAT COULD MAKE THE RATING GO UP

- Significant improvement in the district's socio-economic indicators and tax base
- Material increase in General Fund reserves and liquidity

#### WHAT COULD MAKE THE RATING GO DOWN

- Deterioration of General Fund reserves
- Marked decline in the district's tax base and enrollment

#### KEY STATISTICS

2013 Full Value: \$1.9 billion

2013 Full Value Per Capita: \$99,729

Median Family Income as % of U.S. (2012): 117.9%

FY 2013 Available Operating Fund Balance: \$3.8 million (21.2% of Operating Fund Revenues)

5-Year Dollar Change in Available Operating Fund Balance as % of Revenues (2008-2013): 2.68%

FY 2013 Operating Fund Net Cash: \$866,000 (4.8% of Operating Fund Revenues)

5-Year Dollar Change in Operating Fund Net Cash Balance as % of Revenues (2008-2013): 2.87%

Institutional Framework Score: A (Moderate)

5-Year Average of Operating Revenues / Operating Expenditures: 1.00 times

Net Direct Debt as % of Full Value: 1.89%

Net Direct Debt / Operating Revenues: 1.95 times

3-Year Average of Moody's Adjusted Net Pension Liability (actuarial) as % of Full Value (2010-2012): 0.28%

3-Year Average of Moody's Adjusted Net Pension Liability (actuarial) / Operating Revenues (2010-2012): 0.29 times

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moody.com](http://www.moody.com).

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see [www.moody.com](http://www.moody.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moody.com](http://www.moody.com) for additional regulatory disclosures for each credit rating.

### Analysts

Pisei Chea  
Lead Analyst  
Public Finance Group  
Moody's Investors Service

Kathryn Gregory  
Additional Contact  
Public Finance Group  
Moody's Investors Service

### Contacts

Journalists: (212) 553-0376

Research Clients: (212) 553-1653

Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
USA



© 2014 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATION") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON

WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.