

ISSUER COMMENT

19 April 2019

RATING

General Obligation (or GO Related) ¹

Aa2 No Outlook

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Wilmot Union High School District, WI

Annual Comment on Wilmot UHSD

Issuer Profile

Wilmot Union High School District is located in Kenosha County in the southeastern corner of Wisconsin, approximately 50 miles south of Milwaukee along the Illinois state line. The county has a population of 167,886 and a moderate population density of 615 people per square mile. The county's median family income is \$71,929 (2nd quartile) and the January 2019 unemployment rate was 3.9% (1st quartile) ². The largest industry sectors that drive the local economy are retail trade, health services, and local government.

Credit Overview

Wilmot UHSD'S credit position is very high quality. Its Aa2 rating slightly exceeds the median rating of Aa3 for school districts nationwide. The key credit factors include a robust financial position, a solid tax base with a strong wealth and income profile, a small pension burden and a manageable debt burden.

Finances: The district has a robust financial position, which is relatively favorable when compared to the assigned rating of Aa2. Wilmot UHSD'S cash balance as a percent of operating revenues (33.7%) is slightly higher than the US median, and saw an impressive increase from 2014 to 2018. Moreover, the fund balance as a percent of operating revenues (32.4%) is notably above other Moody's-rated school districts nationwide.

Economy and Tax Base: The economy and tax base of Wilmot UHSD are healthy and are comparable to its Aa2 rating. The full value per capita (\$117,516) is stronger than the US median, and increased markedly between 2014 and 2018. Furthermore, the median family income equates to a healthy 112.8% of the US level. Lastly, the total full value (\$2.3 billion) is consistent with the US median.

Debt and Pensions: The debt and pension liabilities of Wilmot UHSD are moderate overall. However, they are slightly weak with respect to its Aa2 rating. The Moody's-adjusted net pension liability to operating revenues (0.98x) is slightly below the US median. That said, the district's net direct debt to full value (1.3%) approximates the US median.

Management and Governance: Wisconsin school districts have an Institutional Framework score ³ of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector's main revenue sources are property taxes and state aid. Districts operate under revenue limits but have the ability to request voter authorization for levy overrides. Revenues and expenditures tend to be predictable. While state aid has been reduced in recent years, Act 10 legislation provides school districts with considerable expenditure flexibility as it curbs the bargaining

power of non-public safety government employees. Across the sector, fixed and mandated costs are generally modest.

Sector Trends - Wisconsin School Districts

Wisconsin school districts will continue to benefit from strong state support, as education remains a priority under the state's 2017-19 budget. Increased appropriations, as well as several new state categorical aid and grant programs, will result in per-pupil revenue growth in fiscal 2018 and 2019, with more revenue from state aid and less revenue from property taxes. The presence of charter schools may cause financial pressure for some districts, as enrollment is a key determinant of operating revenue, though the majority of Wisconsin school districts do not face significant charter school competition. Most Wisconsin school districts participate in the Wisconsin Retirement System, which is relatively well-funded. Overall, fixed costs are manageable and not a pressure for school districts.

EXHIBIT 1

Key Indicators ⁴ ⁵ Wilmot UHSD

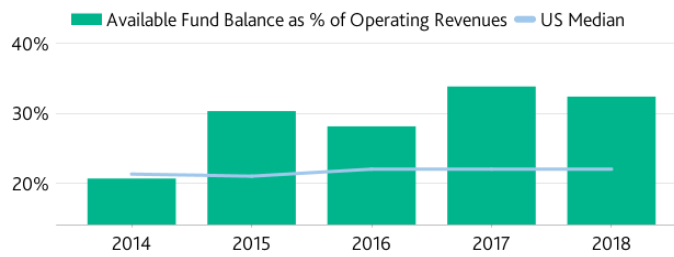
	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$1,881M	\$1,930M	\$1,994M	\$2,130M	\$2,253M	\$1,906M	Improved
Full Value Per Capita	\$99,849	\$101,777	\$104,106	\$111,203	\$117,516	\$84,623	Improved
Median Family Income (% of US Median)	110%	110%	110%	110%	113%	102%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	20.7%	30.3%	28.1%	33.8%	32.4%	22.0%	Improved
Net Cash Balance as % of Operating Revenues	7.1%	11.5%	6.1%	14.9%	33.7%	26.8%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	2.0%	1.8%	1.7%	1.4%	1.3%	1.5%	Improved
Net Direct Debt / Operating Revenues	1.95x	1.79x	1.67x	1.51x	1.48x	0.71x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.4%	0.6%	0.8%	0.8%	0.9%	2.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.44x	0.56x	0.77x	0.89x	0.98x	1.42x	Weakened
	2014	2015	2016	2017	2018	US Median	
Debt and Financial Data							
Population	18,848	18,970	19,161	19,161	19,180	N/A	
Available Fund Balance (\$000s)	\$3,924	\$5,907	\$5,644	\$6,673	\$6,512	\$8,985	
Net Cash Balance (\$000s)	\$1,351	\$2,239	\$1,232	\$2,942	\$6,776	\$10,862	
Operating Revenues (\$000s)	\$18,991	\$19,493	\$20,069	\$19,728	\$20,112	\$41,251	
Net Direct Debt (\$000s)	\$37,098	\$34,940	\$33,423	\$29,774	\$29,810	\$28,020	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$8,300	\$10,941	\$15,551	\$17,649	\$19,676	\$55,897	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

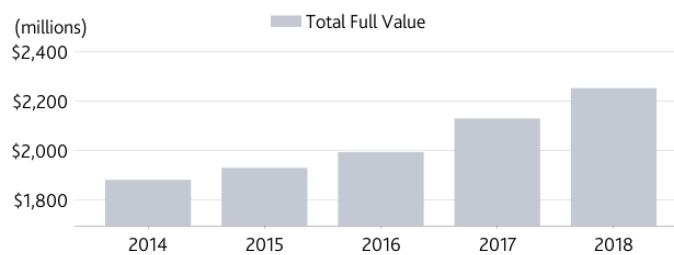
Available fund balance as a percent of operating revenues increased from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

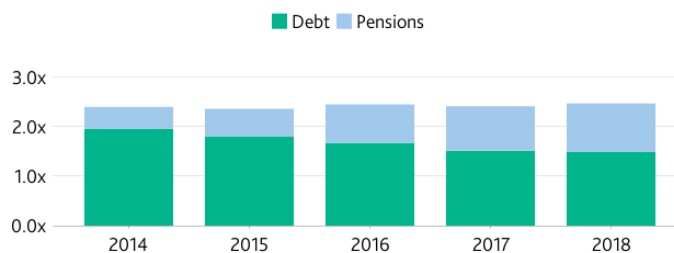
Full value of the property tax base increased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues increased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
 - For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - The medians come from our most recently published local government medians report, [Medians - Property values key to stability, but pension burdens remain a challenge \(March 2018\)](#) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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