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Summary:

Rhineland School District, Wisconsin; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

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Credit Profile		
Rhineland Sch Dist taxable GO rfdg bnds (qual sch const bnds)		
Long Term Rating	AA/Stable	Affirmed
Rhineland Sch Dist GO prom nts		
Long Term Rating	AA/Stable	Affirmed

Rationale

Standard & Poor's Rating Services affirmed its 'AA' long-term rating on Rhineland School District, Wis.' existing general obligation (GO) refunding bonds and GO promissory notes. The outlook is stable.

The rating reflects our opinion of the district's:

- Position in the city of Rhineland, which serves as a regional employment and service center;
- Extremely strong per-capita market values, boosted by the values of second and vacation homes;
- Very strong general fund reserves, despite recent drawdowns for capital expenditures; and
- Low overall net debt burden, with no additional debt plans.

The district's unlimited-tax GO pledge secures the debt.

Rhineland School District encompasses 380 square miles in Rhineland and serves an estimated population of 20,622. Rhineland, in northern Wisconsin at the intersection of State Highways 17 and 47, and U.S. Highway 8, is the Oneida County seat, as well as the service and economic center for a multicounty region. Incomes in the district are good, in our opinion, with median household effective buying income at 97% of national levels. Although the equalized assessed value has declined 5.3% since levy years 2009 to \$2.4 billion, the market value translates to \$116,086 per capita, which we consider extremely strong.

Enrollment has declined 6% in the past five years to 2,489 in school year 2013-2014. Management attributes the decline to its aging population and projects a further decline of 30 students over the next few years before stabilizing in 2017-2018.

In our view, the district's overall financial position has remained very strong for the past few years, despite a fiscal 2012 general fund drawdown of \$1.3 million for financing certain deferred capital projects. The district ended fiscal 2012 (June 30) with an available general fund balance of \$9.1 million, which translates to a very strong 29% of expenditures. We understand the district is implementing expenditure cuts and anticipates reporting a surplus of \$500,000 in fiscal 2013 due to loan reimbursements, consolidation of charter and high schools, lower spending on health insurance, outsourcing custodial services, and cost savings from vacant positions. Management reports that the

district's voters approved a referendum in 2013 that will bring in additional revenue of \$12 million over three years and will result in an operating surplus of \$1.2 million in 2014. We understand that management plans to build and maintain reserves above the district's formal fund balance policy of 21% of expenditures.

We consider the district's financial management practices "good" under our Financial Management Assessment methodology, which indicates our view that practices exist in most areas, although not all may be formalized or regularly monitored by government officials.

The district's overall net burden is low at \$1,232 per capita, or 1.1% of market value. Debt service carrying charge for fiscal 2012 was 4.2% of total noncapital governmental fund expenditures, which we consider low. Amortization is rapid, with 83% of direct debt expected to be retired over 10 years. The district has no plans to issue additional debt for the next few years.

The district contributes to the Wisconsin Retirement System, which is a multiple-employer, defined-benefit plan for retiree pension benefits. It also administers a single-employer other postemployment benefit (OPEB) plan, through which it offers health care benefits. The district's pension contributions of \$1.0 million and OPEB contributions of \$1.9 million equate to a combined 7.3% of fiscal 2012 total governmental fund expenditures.

Outlook

The stable outlook reflects our opinion that the district will take the necessary steps to maintain very strong finances despite a declining enrollment base. Although we do not anticipate changing the rating in the two-year outlook period, we could consider a higher rating if incomes within the district showed marked improvement or the district strengthens its financial management policies and practices.

Related Criteria And Research

Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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