

## ISSUER COMMENT

22 June 2018

### RATING

#### General Obligation (or GO Related) <sup>1</sup>

Aaa No Outlook

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## Nicolet High School District, WI

### Annual Comment on Nicolet High SD

#### Issuer Profile

Nicolet High School District is located primarily in Milwaukee County in southeastern Wisconsin, approximately five miles north of downtown Milwaukee. The county has a population of 955,306 and a high population density of 3,955 people per square mile. The county's median family income is \$57,738 (3rd quartile) and the March 2018 unemployment rate was 3.5% (1st quartile) <sup>2</sup>. The largest industry sectors that drive the local economy are health services, manufacturing, and retail trade.

#### Credit Overview

Nicolet High SD has an outstanding credit position. Its Aaa rating far exceeds the median rating of Aa3 for US school districts. Key credit factors include a robust financial position, a strong wealth and income profile and a sizable tax base. It also reflects a negligible debt burden and a mid-ranged pension liability.

**Finances:** The district's financial position is robust and is relatively consistent with the assigned rating of Aaa. The cash balance as a percent of operating revenues (29.4%) approximates the US median. Also, Nicolet High SD'S fund balance as a percent of operating revenues (30.1%) is above the US median.

**Economy and Tax Base:** The district has a healthy economy and tax base, which is roughly aligned with its Aaa rating position. The median family income is a robust 167.3% of the US level. Additionally, the full value per capita (\$174,409) is much stronger than other school districts we rate nationwide. Lastly, the total full value (\$4.5 billion) exceeds the US median.

**Debt and Pensions:** Overall, Nicolet High SD'S debt and pension burdens are manageable and are aligned with the assigned rating of Aaa. The net direct debt to full value (0.1%) is significantly below the US median. Also, the Moody's-adjusted net pension liability to operating revenues (1.1x) favorably is slightly lower than the US median.

**Management and Governance:** Wisconsin school districts have an Institutional Framework score <sup>3</sup> 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 face a stable operating environment as per-pupil revenue remains unchanged for fiscal 2017. While per-pupil revenue remains flat, the revenue composition may shift, with more revenue from state aid and less revenue from property taxes. The state's 2015-17 budget expands school voucher programs by phasing out a limit on the number of participants. School districts with competition from charter schools may experience financial pressure, as enrollment is a key determinant of operating revenue. Most Wisconsin school districts, however, do not face significant charter school competition.

EXHIBIT 1

### Key Indicators <sup>4</sup> <sup>5</sup> Nicolet High SD

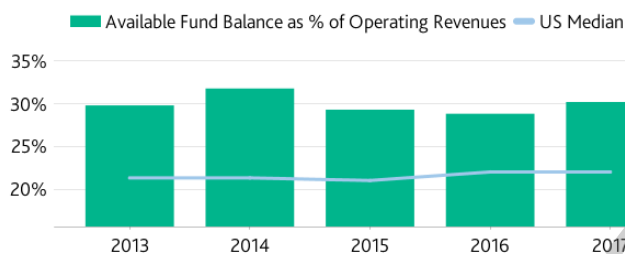
	2013	2014	2015	2016	2017	US Median	Credit Trend
<b>Economy / Tax Base</b>							
Total Full Value	\$4,062M	\$4,154M	\$4,241M	\$4,344M	\$4,451M	\$1,906M	Improved
Full Value Per Capita	\$159,291	\$162,771	\$166,041	\$170,199	\$174,409	\$84,623	Improved
Median Family Income (% of US Median)	161%	166%	167%	167%	167%	102%	Improved
<b>Finances</b>							
Available Fund Balance as % of Operating Revenues	29.7%	31.7%	29.2%	28.8%	30.1%	22.0%	Stable
Net Cash Balance as % of Operating Revenues	30.6%	29.6%	28.4%	27.2%	29.4%	26.8%	Stable
<b>Debt / Pensions</b>							
Net Direct Debt / Full Value	0.1%	0.1%	0.2%	0.1%	0.1%	1.5%	Stable
Net Direct Debt / Operating Revenues	0.15x	0.20x	0.32x	0.27x	0.28x	0.71x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.3%	0.3%	0.4%	0.5%	0.6%	2.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.52x	0.62x	0.77x	1.04x	1.14x	1.42x	Weakened
	2013	2014	2015	2016	2017	US Median	
<b>Debt and Financial Data</b>							
Population	25,506	25,523	25,544	25,526	25,526	N/A	
Available Fund Balance (\$000s)	\$6,180	\$6,746	\$6,357	\$6,367	\$6,806	\$8,985	
Net Cash Balance (\$000s)	\$6,363	\$6,297	\$6,184	\$6,012	\$6,639	\$10,862	
Operating Revenues (\$000s)	\$20,777	\$21,270	\$21,737	\$22,126	\$22,579	\$41,251	
Net Direct Debt (\$000s)	\$3,103	\$4,300	\$6,953	\$5,934	\$6,296	\$28,020	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$10,872	\$13,284	\$16,749	\$22,931	\$25,692	\$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](http://www.moody's.com) for the most updated credit rating action information and rating history.

## EXHIBIT 2

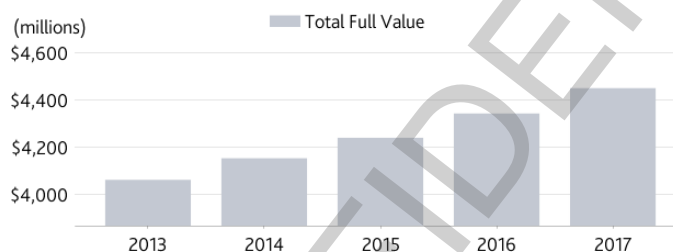
## Available fund balance as a percent of operating revenues increased from 2013 to 2017



Source: Issuer financial statements; Moody's Investors Service

## EXHIBIT 3

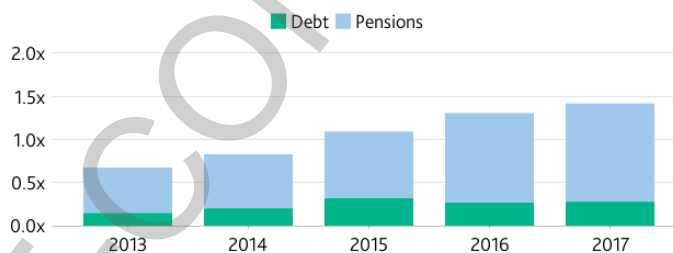
## Full value of the property tax base increased from 2013 to 2017



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 2013 to 2017



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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