

CREDIT OPINION

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Waupaca School District, WI

New issuer

Summary

Waupaca School District, WI (Aa2 issuer, GOULT) is located in east central [Wisconsin](#) (Aa1 stable) and the district's credit profile is supported by solid operating performance that has led to the maintenance of healthy reserves. Enrollment has declined modestly over the past three years, though is expected to stabilize going forward given larger population trends in the area. The economy is characterized by solid resident incomes and full value per capita. Long term leverage is relatively low and expected to remain so given a history of funding capital improvements on a pay-go basis and fixed costs are modest.

Credit strengths

- » Solid fund balance and liquidity
- » Low long-term liabilities

Credit challenges

- » Declining enrollment trend
- » Somewhat limited revenue raising ability under per pupil state revenue formula

Rating outlook

Moody's does not typically assign outlooks to local governments with this amount of debt.

Factors that could lead to an upgrade

- » Growing enrollment trend
- » Sustained growth in fund balance and cash

Factors that could lead to a downgrade

- » Material declines in fund balance and cash
- » Substantial increase in long-term liabilities and related fixed costs

Key indicators

Exhibit 1

Waupaca School District, WI

	2019	2020	2021	2022	Aa Medians
Economy					
Resident income	111.1%	107.3%	110.8%	N/A	112.2%
Full value (\$000)	\$1,607,612	\$1,697,791	\$1,732,413	\$1,856,624	\$3,864,784
Population	15,456	15,359	15,498	N/A	31,619
Full value per capita	\$104,012	\$110,540	\$111,783	N/A	\$115,171
Enrollment	2,113	2,116	2,034	2,007	4,288
Enrollment trend	-0.9%	-1.1%	-1.9%	-1.7%	0.1%
Financial performance					
Operating revenue (\$000)	\$31,084	\$28,564	\$29,739	\$31,286	\$71,385
Available fund balance (\$000)	\$9,208	\$9,935	\$11,422	\$11,240	\$18,076
Net cash (\$000)	\$5,551	\$8,783	\$10,424	\$10,088	\$21,642
Available fund balance ratio	29.6%	34.8%	38.4%	35.9%	26.8%
Net cash ratio	17.9%	30.7%	35.1%	32.2%	31.5%
Leverage					
Debt (\$000)	\$612	\$414	\$210	\$0	\$51,433
ANPL (\$000)	\$36,046	\$45,967	\$55,497	\$51,041	\$111,819
OPEB (\$000)	\$1,755	\$2,034	\$2,308	\$2,252	\$10,587
Long-term liabilities ratio	123.6%	169.5%	195.1%	170.3%	317.0%
Implied debt service (\$000)	\$278	\$45	\$30	\$15	\$3,485
Pension tread water (\$000)	\$1,252	\$779	\$560	N/A	\$2,924
OPEB contributions (\$000)	\$100	\$72	\$81	\$64	\$368
Fixed-costs ratio	5.2%	3.1%	2.3%	2.0%	11.5%

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, Waupaca School District, WI's financial statements and Moody's Investors Service

Profile

Waupaca School District is located primarily in [Waupaca County](#) (Aa2) and portions of Portage and Waushara counties in east central Wisconsin. The district provides pre-kindergarten through twelfth grade education to just over 2,000 students within the City of Waupaca and Town of Farmington and portions of several surrounding communities.

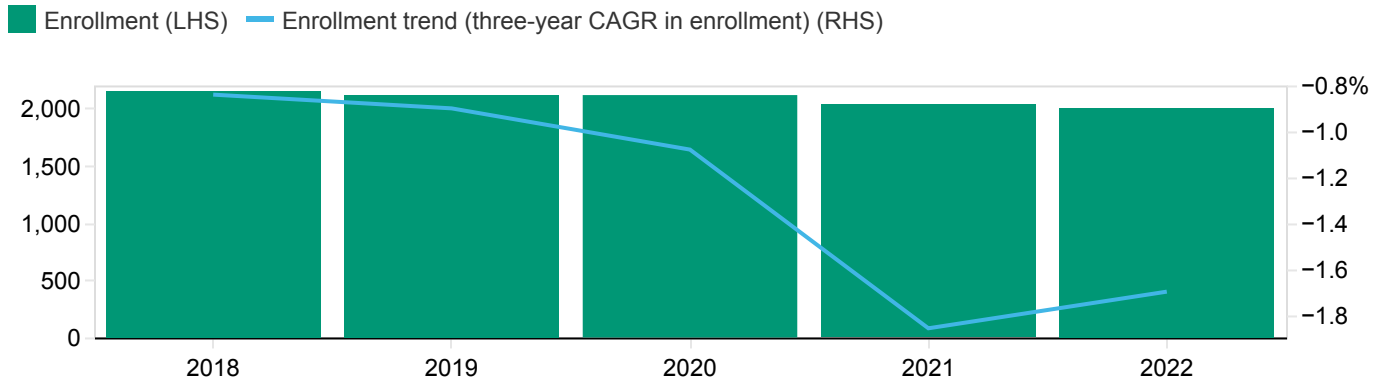
Detailed credit considerations

Economy: solid economic profile with stabilizing enrollment

Waupaca School District's economic profile will continue to benefit from a solid regional economy and stabilizing student population. Enrollment declined by a modest 1.7% compound average annual rate for the past three years a, trend expected to stabilize given the larger population trends in the district and current class sizes (exhibit 2). Open enrollment is largely neutral for the district. The district's regional economy is largely driven by farming and agriculture, and the largest employers in the district are Waupaca Foundry with about 1,400 employees and the Wisconsin Veteran's Home with about 1,000 employees. Adjusted median household income is solid at 111% of the nation, as is full value per capita at \$133,800. Waupaca County's February 2023 unemployment rate of 2.9% is low compared to the national rate of 3.9%.

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Exhibit 2
Enrollment



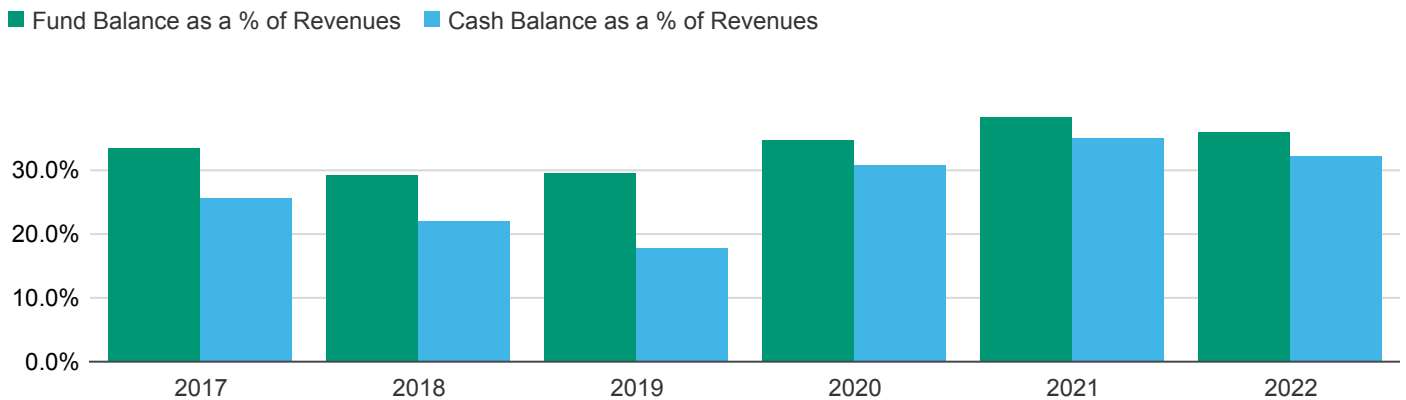
Source: Moody's Investors Service

Financial operations: stable financial operations with strong reserves

The district's financial profile will remain healthy given strong financial management and expenditure controls. For fiscal 2023, the district is on track for an operating surplus of \$300,000, ahead of the district's balanced budget given conservative expenditure assumptions. Fiscal 2022 ended with a \$182,000 operating fund (combined general and debt service funds) deficit, net of about \$1.2 million in transfers for capital projects, with available operating fund balance totaling about \$11 million, a strong 36% of revenue. Just under \$4 million in federal stimulus funds was allocated to the district. Most of these funds were expended through the end of fiscal 2022 on one-time infrastructure, IT purchases, and temporary programming to address learning loss.

State aid is the district's largest revenue source at 46% of fiscal 2022 operating revenue. The state's per pupil funding is allocated based on a three-year rolling average. The state has kept aid level over the past two years. Property taxes comprised 40% of fiscal 2022 operating revenue.

Exhibit 3
Financial Trends



Source: Moody's Investors Service

Liquidity

Net cash was \$10.1 million at the close of fiscal 2022, or 32% of revenue. In contrast to many Wisconsin school districts, Waupaca's strong liquidity position eliminates any need to cash flow borrow.

Leverage: low long-term liabilities with modest fixed costs

The district's long-term leverage will remain low given largely pay-go funding of capital needs. Inclusive of an upcoming issuance, long-term leverage comprised of debt, pensions and other postemployment benefits (OPEB) will total about 183% of fiscal 2022 operating revenue. District voters approved a referendum to issue about \$3.9 million in debt for security upgrades across district facilities. The district has no plans for additional debt at this time. Adjusted fixed costs will remain low at about 2.5% of operating revenue.

Legal security

The district's general obligation debt is backed by the district's full faith and credit and authority to levy unlimited ad valorem property taxes to pay debt service.

Debt structure

All of the district's debt is long-term and fixed rate with 100% of principal scheduled to be retired by 2033.

Debt-related derivatives

The district is not party to any interest rate swaps or other debt-related derivative agreements.

Pensions and OPEB

Waupaca School District participates in the Wisconsin Retirement System (WRS), a statewide cost-sharing plan. Contributions are determined using a level contribution actuarial method in an effort to keep employer and employee contribution rates at a level percentage of payroll over time, and are set at 100% of the plan's funding requirement. As a result, WRS remains one of the best funded public employee retirement systems in the country, with statewide employer contributions to WRS in 2021 totaling over 200% of the amount needed to tread water¹. The district administers a single employer defined benefit OPEB health care plan which is 100% retiree funded. A smaller life insurance benefit is provided by a multi-employer defined benefit plan. OPEB liabilities are not a major portion of the district's long-term liabilities.

ESG considerations

Waupaca School District's Credit Impact Score (CIS) is CIS-2, reflecting neutral to low exposure to environmental, social and governance risks.

Environmental

Waupaca School District's Environmental Issuer Profile Score is (E-2), reflecting neutral to low exposure to environmental risks across all categories, including physical climate risk, carbon transition, natural capital and waste and pollution.

Social

Waupaca School District's S Issuer Profile Score is neutral-to-low (S-2), reflecting relatively low exposure to social risks across most categories, including access to basic services, housing, health and safety, education, and demographics. The population has remained relatively flat over the past decade, and the percentage of school-aged children in the district is on par with the median of school districts we rate. Labor and income is moderately negative given teacher shortages which impacts districts across the sector.

Governance

Waupaca School District's S Issuer Profile Score is neutral-to-low (S-2), reflecting relatively low exposure to social risks across most categories, including access to basic services, housing, health and safety, education, and demographics. The population has remained relatively flat over the past decade, and the percentage of school-aged children in the district is on par with the median of school districts we rate. Labor and income is moderately negative given teacher shortages which impacts districts across the sector.

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

Waupaca School District, WI

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	110.8%	10.0%	Aa
Full value per capita (full valuation of the tax base / population)	133,817	10.0%	Aa
Enrollment trend (three-year CAGR in enrollment)	-1.7%	10.0%	A
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	35.9%	20.0%	Aaa
Net cash ratio (net cash / operating revenue)	32.2%	10.0%	Aaa
Institutional framework			
Institutional Framework	A	10.0%	A
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	182.7%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	2.0%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
Assigned Rating			Aa2

Sources: US Census Bureau, Waupaca School District, WI's financial statements and Moody's Investors Service

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) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	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 Investors Service
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 Investors Service
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 Investors Service
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Investors Service
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 Investors Service
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 Investors Service
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 Investors Service

Endnotes

- 1 Our "tread water" indicator measures the annual contribution required to prevent reported net pension liabilities from growing, given the entity's actuarial assumptions. An annual government contribution that treads water equals the sum of employer service cost and interest on the reported net pension liability at the start of the fiscal year.

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