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Summary:

Tomah Area School District, Wisconsin; General Obligation

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Credit Profile

US\$1.355 mil Taxable GO rfdg bnnds ser 2009 dtd 06/22/2009 due 04/01/2017

Long Term Rating

A+/Stable

New

Rationale

The 'A+' long-term rating assigned to Tomah Area School District, Wis.' series 2009 taxable general obligation (GO) refunding bonds is based on Standard & Poor's Ratings Services' opinion that the district has

- A diverse local employment base, anchored by the Fort McCoy Army Reserve base;
- Adequate income and strong wealth levels;
- Strong reserve levels with a steady financial performance; and
- A low debt burden.

The district's GO pledge secures payment of debt service on the bonds. The district will use the bond proceeds to current refund its State Trust Fund loan obligation from 2003.

Tomah Area School District covers a large 450-square-mile area in Monroe, Jackson, and Juneau counties. It includes the city of Tomah and 21 other towns and villages, serving an estimated 2008 population of 19,790. Tomah (estimated population 9,100) is located approximately 100 miles northwest of Madison, at the convergence of interstate highways 90 and 94. The city has a significant transportation center and is home to a Wal-Mart Stores Inc. distribution center. The area is also attractive as a tourism destination because of its popular cranberry festival as well and its vast number of bike trails. In addition, Fort McCoy, a U.S. Army Reserve base, is located within the county, while the Department of Veteran's Affairs is the largest employer within the district with 1,050 employees. The unemployment rate has historically remained at or below the national average and averaged 4.5% in 2008, well below the national rate of 5.8%. Wealth levels, measured by per capita market value, are strong at almost \$62,000, but income levels within the district, measured by median household effective buying income, are only adequate at 87% of the national average.

The district's is primarily state funded. State aid made up roughly 64% of total 2008 revenues, while property taxes accounted for 26%. However, Wisconsin school districts operate under a per-pupil revenue cap with annual increases determined by the state and the pupil count calculated as a three-year moving average. The district's enrollment has remained fairly stable at about 3,000 for the past several years. Despite only stable enrollment and the revenue cap, the district has maintained balanced operations with small general fund surpluses averaging \$148,000, or 0.5% of general fund expenditures, for the past three years. The district's unreserved general fund balance increased to \$3.8 million (a strong 12.2% of expenditures) at the end of fiscal 2008, up from \$3.45 million (12.6%) at the end of fiscal 2006. For fiscal 2009, the district budgeted a break-even result in its general fund and currently expects to end the year with a roughly \$300,000 surplus, but this money is expected to come from deferred maintenance and will be designated for the same the following year.

The district's overall net debt is low at \$1,300 per capita and 2.1% of market value. The district's carrying charges in fiscal 2008 were a low 5% while amortization is rapid, with 87% of the district's debt retired in 10 years and all by 2021. The district has no additional debt plans.

Outlook

The stable outlook reflects our expectation that the district will maintain its good financial performance with at least adequate reserve levels. The district's diverse employment base, with a strong federal government sector, adds to its stability.

Financial Management Assessment: 'Standard'

Standard & Poor's considers the district's financial management "standard" under its Financial Management Assessment, indicating that the finance department maintains adequate policies in some, but not all, key areas. Management does annual enrollment projections, based on voluntary surveys, and constructs annual budgets using a mixture of historical data and zero-based budgeting. Management reports to the board on budget performance three times a year and typically amends the budget once a year. The district maintains formal capital maintenance plans for all of its buildings and equipment. The district's has a formal investment policy and management reports investment holdings and returns to the board monthly.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

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