MOODY'S
INVESTORS SERVICE

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February 22, 2013

Mr. Steve Summers
Waunakee Community School District
101 School Dr
Waunakee, WI 53597-1637

Dear Mr. Summers:

We wish to inform you that on February 20, 2013, Moody's Investors Service reviewed and assigned a rating of

- **Aa2** to WAUNAKEE COMMUNITY SCHOOL DISTRICT, WI,
  General Obligation Refunding Bonds

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure of current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

In accordance with our usual policy, assigned ratings are subject to revision or withdrawal by Moody's at any time, without notice, in the sole discretion of Moody's. For the most current rating, please visit www.moodys.com.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Tatiana Killen at 312-706-9972.

Sincerely,

Rachel Cortez

Rachel Cortez

CC:

Mr. Michael Clark
Robert W. Baird

Moody's
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New Issue: Moody's assigns Aa2 rating to Waunakee Community School District's (WI) $9.6 million General Obligation Refunding Bonds

Global Credit Research - 20 Feb 2013

Aa2 rating applies to $55 million of post-sale GOULT debt

WAUNAKEE COMMUNITY SCHOOL DISTRICT, WI
Public K-12 School Districts
WI

Moody's Rating

ISSUE	**RATING**
General Obligation Refunding Bonds	Aa2

Sale Amount	$9,590,000
Expected Sale Date	02/25/13
Rating Description	General Obligation

Moody's Outlook NOO

Opinion

NEW YORK, February 20, 2013 --Moody's Investors Service has assigned a Aa2 rating to Waunakee School District (WI's) $9.6 million General Obligation Refunding Bonds. Concurrently, Moody's has affirmed the Aa2 rating on the district's outstanding general obligation unlimited tax debt. Post sale, the district will have $55 million in outstanding general obligation unlimited tax debt.

SUMMARY RATINGS RATIONALE

The refunding bonds are secured by the district's general obligation unlimited tax pledge and proceeds will advance refund certain maturities of the district's outstanding Series 2006A General Obligation Refunding Bonds for an estimated net present value savings of $950,000 or 10% of refunded par. Assignment and affirmation of the Aa2 rating reflects the district's moderately-sized tax base within commuting distance to the city of Madison's (general obligation Aaa/ stable outlook) healthy economy and the district's own above average wealth levels; solid reserve levels; and an elevated debt burden with moderate principal amortization.

STRENGTHS

-Multi-year trend of operating surpluses leading to steady increases in General Fund reserves

-Above-average socioeconomic profile

CHALLENGES

-Recent full valuation declines

- Elevated debt burden

DETAILED CREDIT DISCUSSION

MODERATELY SIZED AFFLUENT TAX BASE BENEFITS FROM PROXIMITY TO MADISON

Located just north of Madison in north central Dane County (GO rated Aa1/ negative outlook), Waunakee School District encompasses an area of approximately 56 square miles, serving the entire Village of Waunakee (GO rated Aa2), a portion of Madison, and several surrounding towns. While the sizeable $2.1 billion tax base has grown at a modest 0.5% rate annually since 2007, the increase includes modest decline since 2009, 2010, and 2012. The declines in full valuation were primarily due to depreciation in the district's residential sector. Officials noted the fiscal 2012 decline was due in part to a reassessment of the district's largest municipality, Village of Waunakee. The district does not expect additional declines in valuation going forward and anticipates flat to modest growth over the near term as new residential construction is expected to offset any additional declines in housing values. Given its proximity to the state capital, many residents commute to Madison area employment centers. District wealth levels notably exceed state indices with per capita and median family income at 146% and 156%, respectively. Favorably, Dane County's October 2012 unemployment rate of 4% was below both the state and national rates of 5.7% and 7.5%, respectively, for the same time period.

SOUND FINANCIAL OPERATIONS EXPECTED TO CONTINUE

The district's financial operations are expected to remain sound given historically strong management, conservative budgeting, stable reserve levels, and steadily increasing enrollment. With the exception of fiscal 2007, the district has closed the last several years with General Fund surpluses. The trend continued in fiscal 2011 with the district experiencing an operating surplus of $703,000 bringing the General Fund balance to $6.3 million or a healthy 15.2% of General Fund revenues. Though the General Fund reserves increased, the General Fund reserves as a percentage of revenues remained the same due to the inclusion of the district's Special Education Fund with the General Fund in the district's fiscal 2011 audit. In previous years' audits, the two funds had been separated.

For fiscal year 2012, the district closed with a modest surplus of approximately $234,000 increasing the General Fund balance to $6.5 million or a solid 16.2% of General Fund revenues. Officials attribute the operating surplus to attrition savings and personnel expenditure reductions associated with teacher pension and health care costs. While the district's preliminary budget forecasted a balanced budget for fiscal 2013, management now anticipates a modest surplus due to expenditure savings. However, the district plans to spend the estimated $200,000 surplus for technology upgrades and improvements. The district's formal General Fund policy is to maintain 15% of budgeted operating expenditures.

Property taxes comprise the district's largest source of General Fund revenue, at 47.7% of 2012 General Fund revenues, followed by state aid at 46.3%. Due to timing of property tax receipts and state aid, the district has historically cash flow borrowed, with cash flow borrowing of $5 million annually since fiscal 2008. Cash flow borrowing is common for Wisconsin school districts due to the timing of receipts. Net of cash flow borrowing, cash liquidity fell to a negative $581,000 in fiscal 2010, but has improved. Netting out the fiscal 2012 borrowing, net cash had improved to a positive $782,000, indicating an ability to repay the notes by the end of the fiscal year without relying on any additional receipts. The district's notes are typically due in October, 120 days after the fiscal year end, and are repaid from tax revenues received in August. While the need for cash borrowing is due to the timing of the property tax receipts, it does expose the district to seek external support to maintain adequate cash flow. Favorably, officials note that the amount of cash flow borrowing has remained stable and is expected to remain flat going forward.

With historical and expected future new housing development, enrollment has steadily increased (increasing 2.5% annually, since 2008), and is projected to continue in the medium term. Management anticipates an additional 1,000 students enrolling in the district over the next decade. Enrollment is a key determinant in state imposed revenue limits. Enrollment growth has driven revenue growth, allowing the district to maintain staffing and levels and programs. However, enrollment growth has also necessitated new and remodeled buildings to improve student capacity. The district has sought voter approval for new money bond referenda and excess levy requests, in order to address increased capital and operational needs. The excess levies and the $25 million bond referendum were voted down. However voters approved a measure related to improvements and additions to the Waunakee High School, which were completed in fiscal 2012. The school board will consider returning to voters for additional capital projects as needed and in accordance with its 20 year facilities report and enrollment study. Despite the pressures of rapid enrollment growth, we believe Waunakee is well positioned to meet future demand given management's demonstrated record of forward looking planning, commitment to protect reserves in keeping with its fund balance policy, and conservative budgeting.

ABOVE AVERAGE DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

With the district's steady and sustained growth driving the need for new and updated facilities, its direct debt burden has grown considerably from 1.3% of full valuation in 2001 to 2.6% of full valuation (5.1% overall debt burden) in 2013. The district plans to continue to review facilities and address any capacity issues. Officials do not plan for new borrowing in the near term and expect existing facilities will continue to be sufficient for the next couple of years. Moody's notes the increased debt burden the district has incurred over the past several years, but believes that favorable demographic trends (high wealth levels, steadily increasing population) and expected tax base growth will help to keep it manageable and debt levels will moderate over time. Principal amortization is moderate, with 78.1% of debt retired in 10 years and matches the amortization schedule matches the useful life of the assets financed. All of the district's debt is fixed rate and the district is not a party to any interest rate swap agreements.

WHAT COULD MOVE THE RATING UP

- Substantial expansion of the tax base or strengthening of the demographic profile

- Significant increase in reserves

WHAT COULD MOVE THE RATING DOWN

- Erosion of the tax base or demographic profile

- Decline in liquidity and reserves

- Large increase in the debt burden

KEY STATISTICS

2010 Population: 18,147 (28% increase since 2000)

2012-13 Enrollment: 3,962 (2.5% average annually increase since 2007-2008 school year)

2012 Full Valuation: $2.13 billion (0.3% decrease from fiscal 2011)

2012 Full Value Per Capita: $ 117,273

Direct Debt: 2.6%

Overall Debt: 5.1%

Payout (10 Years): 78.1%

Fiscal 2012 General Fund Balance: $6.5 million (16.2% of General Fund revenues)

Dane County Unemployment Rate (10/2012): 4% (5.7% WI; 7.5% US)

2006-2010 Per Capita Income as a % of State: 146% (143% of US)

2006-2010 Median Family Income as a % of State: 156% (161% of US)

Post-sale GOULT debt outstanding: $55 million

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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