

# RatingsDirect®

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## Summary:

# West Morris Regional High School District, New Jersey; School State Program

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### Credit Profile

West Morris Regl High Sch Dist rfdg sch bnds

<i>Long Term Rating</i>	AAA/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	AAA/Stable	Affirmed

#### West Morris Regl High Sch Dist sch bnds

<i>Underlying Rating for Credit Program</i>	AAA/Stable	Affirmed
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' rating and stable outlook on West Morris Regional High School District, N.J.'s general obligation (GO) bonds. The outlook is stable.

The rating reflects our view of the district's:

- Stable local economy, with access to diverse regional employment bases in northern New Jersey and New York City;
- Affluent, primarily residential property tax base in Morris County (AAA/Stable);
- Conservative budgeting practices that have resulted in what we consider strong finances; and
- Low debt with minimal additional capital needs.

West Morris Regional High School District is in Morris County, about 50 miles west of New York City. The 100-square-mile district serves Mendham Township, Mendham Borough, Chester Township, Chester Borough, and Washington Township. Most residents of the primarily residential district commute into the county and throughout northern New Jersey for employment opportunities. Residents also have direct access to employment opportunities in New York City via an extensive roadway and public transportation system. County unemployment has historically trended below state and national rates: It was 4.9% in August 2014. Income remains very strong, in our opinion, with median household and per capita effective buying income at 224% and 243%, respectively, of national levels.

Market value and assessed value (AV) for the district has declined in the past few years -- but still remain extremely strong. Market value was \$8.8 billion in fiscal 2013, or \$225,902 per capita, a level we still consider extremely strong. In addition, the tax base exhibits little concentration, reflecting the district's residential nature; the 10 leading taxpayers account for less than 2.1% of AV. Student enrollment has remained relatively stable recently at about 2,289. Management, however, expects enrollment to decline slightly over the next five years

In our opinion, finances remain strong adding to fund balances consistently in the past few years. Management

attributes this surplus to savings on salaries and conservative budgeting. The district ended fiscal 2014 with a slight \$202,000 deficit after transfers out to the capital projects funds. At fiscal year-end 2014, the general fund balance was \$7.5 million, as measured using generally accepted accounting principles (GAAP), or 15.5% of expenditures, which we consider very strong. The available fund balance -- consisting of an unassigned and assigned fund balance -- was \$1.1 million, or about 2.3% of expenditures, which we consider adequate but in line with state guidelines. The fiscal 2014-2015 budget totals \$53 million, reflecting a 1.89% tax levy increase within the 2% levy cap and appropriates \$2.7 million fund balance. Management reports the budget is tracking well and is expecting to add to the fund balance at year-end. Property taxes are the main revenue source, generating 82% of total revenue in fiscal 2014 while state aid accounts for 17%. The underlying municipalities guarantee the district 100% of its tax levy.

Standard & Poor's considers the district's financial management practices and policies "standard" under its Financial Management Assessment methodology, indicating the finance department maintains adequate policies in some, but not all, key areas.

Overall net debt is \$2,234 per capita, which we consider moderate, or just 1% of market value, which we consider low. Carrying charges accounted for just 4.5% of expenditures in fiscal 2014, and we consider amortization rapid with officials planning to retire 100% of debt over 10 years. We understand officials are in the preliminary stages of exploring issuance options for a variety of capital projects.

The Teachers' Pension & Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS) provide pension and other postemployment health benefits. The divisions of pensions and benefits administer both TPAF and PERS. The state reimburses all of the district's contributions to TPAF which was \$896,035, and the state contributes all other postemployment benefit costs on behalf of the district which was \$1.4 million. In fiscal 2014, the district contributed \$358,000 to PERS for its retirees, or just 0.7% of total expenditures.

## Outlook

The stable outlook reflects our opinion of the district's finances, which remain what we consider strong. Management will likely continue its conservative budgeting practices and maintain its solid finances. We believe the district's sizable property tax base, very strong wealth and income, and access to the diverse New York City employment base are stabilizing rating factors. Therefore, we do not expect to change the rating within the outlook's two-year period.

## Related Criteria And Research

### Related Criteria

- USPF Criteria: State Credit Enhancement Programs, Nov. 13, 2008
- USPF Criteria: GO Debt, Oct. 12, 2006

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