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Summary:

DuPage County School District No. 34 (Winfield), Illinois; General Obligation

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Credit Profile

US\$0.99 mil GO rfdg sch bnds ser 2013B, dated: DOD, due: 1/1/24		
<i>Long Term Rating</i>	AA/Stable	New
US\$0.835 mil taxable GO rfdg sch bnds ser 2013A , dtd: DOD, due: 1/1/2023		
<i>Long Term Rating</i>	AA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to DuPage County School District No. 34 (Winfield), Ill.'s series 2013A taxable general obligation (GO) refunding school bonds and series 2013B GO refunding school bonds. The outlook is stable.

The rating reflects our view of the district's:

- Participation in the deep and diverse Chicago metropolitan area economy,
- Very strong income and wealth levels,
- Maintenance of very strong cash reserves paired with good financial management policies, and
- Low overall net debt burden.

The bonds are secured by the district's unlimited-tax GO pledge. The series 2013A bond proceeds will be used to advance refund the taxable series 2005A bonds outstanding, and the series 2013B bond proceeds will advance refund the series 2005B bonds outstanding. Both refundings provide interest cost savings; there is no restructuring of the debt service schedule.

DuPage County School District No. 34 (Winfield) serves an estimated population of 4,099 and is centered in the village of Winfield, approximately 28 miles west of downtown Chicago. District residents have access to a wide variety of employment opportunities in suburban Cook and DuPage counties, as well as in downtown Chicago, which is accessible by Metra commuter train. As such, income levels in the district are very strong, in our opinion, with median household effective buying income at 154% of the national level. The 2012 average unemployment rate of 7.3% for DuPage County was lower than both the state and national averages of 8.9% and 8.1%, respectively.

The district provides educational services to students in pre-kindergarten through fifth grade, and has historically maintained mostly stable enrollment in the small student base, despite a decline in recent years. District enrollment totals 305, representing a 6% decline from the 325 students enrolled in fiscal 2011. Given the size of the district, management prepares its own enrollment, and anticipates that the student count will be stable in future years.

The district's primarily residential (90%) property tax base has experienced a slight decline during the past several

years, but management reports that the overall economy and taxpayers are currently stable. Central DuPage Hospital is the district's leading employer and taxpayer, with about 4,000 employees and accounting for 5.6% of the equalized assessed valuation. The leading 10 taxpayers account for just 8.8%, which we consider very diverse. The district's estimated market value decreased by an annual average of 5.6% in fiscal years 2010 to 2012 to \$398 million, or \$97,013 per capita, which we still consider very strong. Despite the decline in the tax base, the district can still increase the operating property tax levy each year by the lesser of 5% or the rate of inflation, plus new construction. Property tax receipts account for about 81% of general fund operating revenue.

In our view, the district's finances are very strong, albeit on a cash basis of accounting. The district has posted operating surpluses in the general fund (combined education and operations and maintenance funds) in the past three audited fiscal years, and drew down reserves in fiscal 2012 only because of the one-time transfer-out of grant money that it had received in fiscal 2010. The district ended fiscal 2012 (June 30), with an operating surplus of \$302,000 before transferring out \$2.3 million for capital expenditures. After the one-time transfer, the cash reserves were reduced to \$2.08 million, or 43% of expenditures. The district keeps additional liquidity in the working cash fund, which held a cash balance of \$376,000 at year end. The fiscal 2012 combined cash reserves totaled \$2.46 million, or 57.8% of operating expenditures (less on-behalf payments from the state), which we consider very strong, on a cash basis of accounting. We understand that the district has budgeted for a slight surplus in the combined general fund for fiscal 2013, and management anticipates at least break-even results in the fund for fiscal 2014. The district has no plans to spend down reserves from the general fund or the working cash fund in the near future.

We consider the district's management practices "good" under our financial management assessment (FMA) methodology. An FMA of "good" indicates our view that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. The district reports on budget-to-actual results to the board monthly, uses multiyear financial projections, and lists future capital needs with an engineer's study that is anticipated to be updated every few fiscal years. The district has a target to maintain reserves across all operating funds at a level equal to at least three or four months of total expenditures.

We consider the district's overall net debt burden to be low at \$1,948 per capita and 2% of market value. The carrying charge was 14% in fiscal 2012, which we consider moderate. Amortization of the district's direct debt is rapid, with 78% retired within the first 10 years and the entire amount retired by 2024. We understand that management has no additional debt plans.

The district participates in the Teacher's Retirement System of the State of Illinois and the Teacher Health Insurance Security Fund. Its pension plan for regular employees is administered by the Illinois Municipal Retirement Fund (IMRF), and the district is contributing 100% of its annual pension cost. The district's contribution of \$118,000 to its pension plans represented 2.6% of total governmental fund expenditures in fiscal 2012. As of Dec. 31, 2011, the plan was 45% funded, with a \$598,000 unfunded actuarial accrued liability. We understand the district has only an implicit liability for other postemployment benefits.

Outlook

The stable outlook reflects our anticipation that the district's cash reserve level will remain very strong. Given the district's reliance on property tax and its ability to maintain its levy regardless of tax base declines, as well as a lack of dependence on state aid, we do not anticipate that the district's main operating revenue will be significantly affected in the near future. Based on the district's projected stable financial results, we do not anticipate changing the rating within the two-year outlook time frame. The district's proximity to and participation in the Chicago metropolitan area economy provides stability to the rating.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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