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Summary:
Lake Mills Area School District, Wisconsin; General Obligation

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Summary:

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Credit Profile		
US$1.635 mil taxable GO prom nts dtd 01/26/2011 due 03/01/2012-2019		
Long Term Rating	AA/Stable	New
Lake Mills Area Sch Dist GO (ASSURED GTY)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating on Lake Mills Area School District, Wis.' general obligation (GO) notes. At the same time, Standard & Poor's affirmed its 'AA' underlying rating (SPUR) on the district's outstanding GO debt. The outlook is stable.

The long-term rating reflects our opinion of the district's:

- Access to the diverse Madison, Wis. and Milwaukee metropolitan area economies;
- Relatively stable enrollment that the district projects will only drop slightly over the next few years;
- Economic indicators we consider at least good;
- General fund reserves we view as very strong; and
- Moderate debt burden.

The series 2010 notes are being issued to refinance the district's unfunded pension liability, and debt service is secured with their unlimited-tax GO pledge.

The district is located in Jefferson County along Interstate 94 between Madison and Milwaukee, and provides pre-K through grade 12 education to a population estimated at 8,950. The district projects that enrollment, which grew 7% from 2005 to 2010 to 1,327, will drop off just slightly over the next five years. The local economy is based on agriculture and small manufacturing, and residents have access to employment opportunities in Madison, about 25 miles to the west, and the Milwaukee suburbs.

Economic indicators are what we consider at least good. Median household and per capita effective buying income are 101% and 95% of national averages, respectively. Total equalized value is $889 million, which equates to, in our opinion, a very strong $97,445 per capita. The tax base is also what we consider very diverse with the 10 largest taxpayers accounting for only 3% of equalized valuation.

The district's genera fund balance stood at $3.1 million at fiscal year-end June 30, 2010, which, in our opinion, is a very strong 26% of expenditures. All of that amount is unreserved. The district's budget for 2011 was structured with a $214,000 drawdown for one-time expenses, although management will be working throughout the remainder of the fiscal year toward achieving balanced or better results.

The district's financial management practices are what we consider "good" under our Financial Management Assessment (FMA) methodology. An FMA of "good" indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Management reviews revenues and expenditures on a monthly basis and provides the board with quarterly budget reports. The district budgets its capital expenditures with the help of a five-year comprehensive facilities plan. Although the district does not have a formal fund balance policy, management strives to maintain a minimum fund balance of at least 10%.

The district's overall debt burden, including overlapping debt is what we consider moderate at $3,060 per capita and 3.1% of estimated market value. Debt service carrying charges are under 10% of governmental funds operating expenses, which we consider low to moderate. Amortization is what we consider average with 56% of debt scheduled to mature within 10 years and 100% by 2028. The district does not have additional debt plans at this time.

Outlook

The stable outlook reflects Standard & Poor's expectation that the district will maintain at least adequate reserves. The district's access to major job bases in Madison and Milwaukee supports the outlook.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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