STANDARD & POOR'S RATINGS SERVICES

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Summary:

Lake Mills Area School District, Wisconsin; General Obligation

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Credit Profile		
US$9.3 mil GO sch imp bnds dtd 12/21/2012 due 03/01/2032		
Long Term Rating	AA/Stable	New
Lake Mills Area School District GO		
Long Term Rating	AA/Stable	Affirmed
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' rating and stable outlook to Lake Mills Area School District, Wis.' general obligation (GO) school improvement bonds, dated Dec. 21, 2012, and affirmed its 'AA' rating, with a stable outlook, on the district's existing GO debt.

The rating reflects our opinion of the district's:

- Access to the diverse Madison and Milwaukee metropolitan area economies;
- Economic indicators that range from good-to-very-strong;
- Increasing enrollment, a major factor under the state's revenue limit formula;
- Very strong operations, supported by very strong general fund reserves; and
- Moderate debt.

The district is issuing the bonds to demolish Prospect Street Elementary School and construct a new elementary school on the same site. The current issue is part of an $18.7 million bond authorization approved by the electorate through a referendum held on Nov. 6, 2012. The district's unlimited-tax GO pledge secures debt service.

The district is in Jefferson County, where it serves a population estimate of 9,268 based on the 2010 U.S Census. The district is located along Interstate 94 between Madison and Milwaukee, spanning 70 square miles. The local economy centers on agriculture and small manufacturing; residents also have access to employment opportunities in Madison, about 25 miles to the west, and the Milwaukee suburbs. Jefferson County unemployment was 8.2% in 2011 compared with the state's 7.5% and the nation's 8.9%. We consider median household and per capita effective buying income a good 110% and 96%, respectively, of national levels. Equalized value (EV) decreased by 6% since 2008 to $866.9 million in 2012. Despite the decrease, EV remains, in our opinion, a very strong $93,542 per capita.

Student enrollment has increased over the past six years by 6.8% to 1,407 in school year 2012-2013. Officials expect enrollment to continue to grow, albeit at a slower pace, through school year 2017-2018. A three-year moving student enrollment average determines Wisconsin school district revenue. While annual fluctuations in the student count do not have a material effect on finances, continuing positive or negative enrollment trends could lead to an increase or decrease in revenue.

The district's steady enrollment trend has contributed to, what we consider, very strong finances, reflected by general fund surpluses in each of the past four fiscal years. According to the fiscal 2013 budget, the district has appropriated $250,000 of general fund balance to pay for a capital project; the district's budget would be balanced, otherwise. The district ended fiscal 2012 with a $127,000 general fund increase that brought unassigned balance to $3.8 million, or, what we view as, a very strong 26.1% of expenditures. General fund surpluses have averaged $270,000, or 1.8% of general fund expenditures, over the past four fiscal years. Pursuant to the state formula, property taxes are the primary general fund revenue source, generating 47.7% of revenue, followed by state aid at 42.6%.

Through electorate approval, the district has exceeded the revenue limit in multiple instances over the past decade. , Out of eight referendums, the override has been approved three times in 2000, 2003, and 2008. The most current override expires in fiscal 2013. Management does not plan to seek another revenue limit override due to its current financial position, particularly because of the pension and health care cost savings it has achieved under the Wisconsin Budget Repair Bill.

Standard & Poor's considers the district's financial management practices "good" under its Financial Management Assessment methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. According to a fund balance policy recently adopted by the school board, the district strives to maintain a 20% operating reserve.

Overall debt, including overlapping debt, is, what we consider, a moderate $3,954 per capita, or 4.2% of estimated market value. Debt service carrying charges are 10.8% of governmental expenditures, which we view as moderate. The district expects to issue the remaining $9.4 million of electorate -authorized GO debt in spring 2013.

The district participates in the Wisconsin Retirement System, a state-administered pension plan. Fiscal 2012 contributions from the district equaled $381,000, or 2.3% of governmental expenditures. The district also provides other postemployment benefits (OPEB) and a supplemental pension benefit for its employees. As of the most recent actuarial date of July 1, 2010, the OPEB plan was 5.6% funded, leaving the district with a $6 million liability. The supplemental pension plan was 0% funded, leaving the district with a $1.8 million liability. Combined fiscal 2012 contributions equaled $1.1 million, or 6.3% of governmental expenditures.

Outlook

The stable outlook reflects Standard & Poor's opinion that the district will likely maintain its structurally stable financial position and unassigned fund balance above the minimum fund balance policy threshold. We do not expect rating movement over the outlook's two-year period because of the revenue stability provided by the district's favorable enrollment trend. The district's access to Milwaukee's and Madison's larger and more-diverse employment centers supports the stable outlook.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Financial Management Assessment, June 27, 2006

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