

Summary:

Frankfort Square Park District, Illinois; General Obligation

Primary Credit Analyst:

John Sauter, Chicago (1) 312-233-7027; john_sauter@standardandpoors.com

Secondary Credit Analyst:

Caroline West, Chicago 312-233-7047; caroline_west@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research



[Faint, illegible text, likely bleed-through from the reverse side of the page]

[Faint, illegible text, likely bleed-through from the reverse side of the page]

[Faint, illegible text, likely bleed-through from the reverse side of the page]

Summary:

Frankfort Square Park District, Illinois; General Obligation

Credit Profile

US\$1.965 mil GO pk bnds (alternate revenue source) ser 2010 dtd 06/30/2010 due 04/01/2031

<i>Long Term Rating</i>	A/Stable	New
Frankfort Square Pk Dist GO		
<i>Long Term Rating</i>	A/Stable	Affirmed

Rationale

The 'A' long-term rating assigned to Frankfort Square Park District, Ill.'s series 2010 alternate revenue source general obligation (GO) bonds and on the district's series 2009 alternate revenue source GO bonds reflects the district's:

- Participation in the deep and diverse Chicago metropolitan area economy;
- Very strong wealth and income levels;
- Very diverse tax base with significant development opportunities; and
- Moderate debt burden with no future capital needs.

In Standard & Poor's Ratings Services' view, the rating is limited by the district's just-adequate liquidity levels across its total governmental fund balances.

The series 2010 bonds are secured by the district's corporate (general) fund revenues and, to the extent that pledged revenues are insufficient, by an unlimited ad valorem property tax pledge. The district will levy property taxes each year to cover principal and interest on the bonds, but will abate them to the extent that pledged revenues are available to pay debt service. The district will use bond proceeds to fund park improvements and refund a portion of its outstanding series 2003 and series 2009 alternate revenue source GO park bonds.

The district is located approximately 25 miles southwest of downtown Chicago and 12 miles east of Joliet, Ill. It includes all of unincorporated Frankfort Square and portions of the villages of Frankfort, Matteson, and Tinley Park. The growing population served is currently estimated at more than 18,000. District residents have access to a wide variety of employment opportunities both locally and throughout the Chicago metropolitan area via several interstate and U.S. highways. In addition, residents can commute to downtown Chicago via the Metra train system. Income levels vary, but are well above average in all of the served communities, as evidenced by median household effective buying incomes, measured as a percentage of national levels, ranging from 125% in Matteson to 154% in Frankfort Square and 185% in Frankfort. Following annual growth of more than 15% from 2005 to 2008, the district's tax base decreased 6.6% after 2009 reassessments. The fair market value of the tax base is approximately \$1.8 billion, or, in our opinion, a very strong \$99,942 per capita. The 10 leading taxpayers account for a very diverse 3.3% of the total tax base.

The district is subject to a levy cap equal to the lesser of 5% or the rate of inflation, except with regard to new

construction. However, a growing tax base and expanding portfolio of program offerings has allowed the district to mitigate the levy cap impacts over the past several years. After a planned drawdown for capital expenditures, the district's general fund, measured on a modified cash basis of accounting, fell by \$613,000 during fiscal 2008 to negative \$104,000, or, in our view, a low negative 4.6% of expenditures. During fiscal 2009, the district used proceeds from its series 2009 GO alternate revenue source bonds to pay off all of its current liabilities, which were driving fiscal 2008's negative general fund balance. Following the removal of its liabilities and a \$142,000 operating surplus, the district's general fund balance ended fiscal 2009 at \$777,000, which equals what we consider a very strong 46.3% of expenditures. In fiscal 2009, liquidity in the general fund was good, with \$444,000 in cash and investments equaling 97 days' cash on hand, but the district carries no cash and investments outside of its general fund, lowering liquidity across all governmental funds to 46 days, which we consider adequate. The district does not have any specific capital improvement fund and maintains a recreation fund, which accounts for a majority of recreation-related activities and programs, of negative \$93,000.

Due to planned capital spending on a nature center and one-time start up costs in relation to a before and after school program and renovated fitness center, management is reporting a \$264,000 shortfall and \$514,000 ending general fund balance for fiscal 2010. Furthermore, it is our understanding that management adopted a slight surplus general fund budget for fiscal 2011, which is based on increased user and program fees and expenditure adjustments, including the freezing of part time and seasonal salaries and reduced contractual services.

Standard & Poor's considers the district's financial management "standard" under its Financial Management Assessment methodology, indicating that the finance department maintains adequate policies in some, but not all, key areas. Highlights of the district's practices include monthly budget and investment reports to the board, budget assumptions based on historical trends, and a five-year capital plan that schedules district needs and improvements by year and cost. The district does not adhere to any formal debt management or fund balance reserve policies, but management informally targets the maintenance of at least a 10%-12% general fund reserve.

In our opinion, the district's overall debt burden, including overlapping debt, is moderate at 5.8% of market value, yet high at \$5,798 per capita. Because the district funds its series 2009 bonds' debt service through annual GO bonds secured by its debt service extension base, carrying charges are elevated at 20.1% of total governmental fund expenditures, less capital outlay. It is our understanding that the district does not have any additional debt plans at this time.

Outlook

The stable outlook reflects Standard & Poor's expectation that management's recent revenue and expenditure adjustments will help stabilize liquidity levels while also allowing the district to continue to maintain at least good general fund reserves. The district's participation in the deep and diverse Chicago metropolitan economy lends further stability to the rating.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this

Summary: Frankfort Square Park District, Illinois; General Obligation

rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright (c) 2010 by Standard & Poor's Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

The McGraw-Hill Companies

