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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

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Credit Profile		
US$1.965 mil GO pk bnds (alternate revenue source) ser 2010 dtd 06/30/2010 due 04/01/2031		
Long Term Rating	A/Stable	New
Frankfort Square Pk Dist GO		
Long Term Rating	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

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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.