

Huron City School District, Ohio

Primary Credit Analysts:

Justin Formas
Chicago
(312) 233-7032
justin_formas@
standardandpoors.com

Secondary Credit Analysts:

Steffanie Dyer
Chicago
(1) 312-233-7007
steffanie_dyer@
standardandpoors.com

Credit Profile

US\$1.55 mil energy conservation nts ser 2008 dtd 09/18/2008 due 12/01/2023

Long Term Rating	AA-/Stable	New
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Huron City Sch Dist GO

Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
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Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its underlying rating (SPUR) on Huron City School District, Ohio's unlimited-tax general obligation (GO) library improvement refunding bonds to 'AA-' from 'A+'. The outlook is stable. The upgrade reflects the district's improved financial position and maintenance of strong financial reserves.

At the same time, Standard & Poor's assigned its 'AA-' long-term rating to the district's limited-tax GO energy conservation notes.

Other credit factors are the district's:

- Tourism- and manufacturing-based economy with access to the deep and diverse economies of Cleveland and Toledo;
- Strong wealth and income levels;
- Improving financial position after the passage of a new operating levy; and
- Low overall debt burden.

Huron City School District is located in Erie County along the shores of Lake Erie in north-central Ohio. The district, with an estimated 2007 population of 10,662, serves residents of the city of Huron, much of Huron Township, and small portions of Berlin and Milan townships. Enrollment has been declining since the 2003-2004 school year, with the district losing more than 160 students in the past four years and ending with a student count of

around 1,500 in 2007-2008. The district's 10-year projection indicates generally stable enrollment.

The district's tax base has seen most of its growth in revaluation years, increasing 10.9% in 2007 and averaging 3.8% annually between 2005 and 2008, to the current assessed valuation (AV) of about \$343 million. The tax base is very diverse, as the 10 leading taxpayers accounted for only 9.1% of 2008's AV. The estimated market value of \$921.9 million translates to a very strong \$86,467 per capita value. In 2007, median household effective buying income for Huron was strong at 123.9% and 119.0% of state and national levels, respectively.

The district's financial position has been improving in the past few fiscal years. On a generally accepted accounting principles basis, the district ended fiscal 2007 with a total general fund balance of \$2.56 million, or a strong 20% of expenditures, compared with a deficit of \$90,227 (negative 0.7% of expenditures and net transfers) in fiscal 2006. The general fund added \$2.65 million to the ending fund balance in fiscal 2007. The unreserved portion was roughly \$976,000 (7.65%). The district also has a five-year permanent improvement levy (last renewed in November 2005) that generated about \$500,000 in fiscal 2007 for capital improvements, eliminating some expenditure pressure on the general fund.

On a cash basis (unaudited), the district ended fiscal 2008 with a total general fund balance of \$5.56 million, or 40.1% of expenditures. The unreserved balance was \$4.57 million (32.9%). The general fund balance has grown from \$473,964 (4%) in fiscal 2005 because of operating surpluses in fiscals 2006, 2007, and 2008. The budget for fiscal 2009 calls for another operating surplus, with the district's five-year financial projection (fiscals 2008-2012) showing the first use of the cash balance in fiscal 2010. However, the district estimates that it will not have to approach voters before 2012 for a new operating levy.

Huron City School District's management practices are considered "good" under Standard & Poor's Financial Management Assessment. This indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. The district reports monthly to the board on budget performance and investments. It maintains a formal five-year financial forecast and has a board-approved policy to keep a contingency reserve of \$1 million in the general fund. The district does not have a multiyear capital plan or a debt management policy.

The district's overall debt burden (including overlapping and lease debt) is low at 1.8% of market value and \$1,518 per capita. Carrying charges were average at 16.6% of total governmental funds expenditures less capital outlay in fiscal 2007, but are higher than the historical average of 5.0% due to the accelerated retirement of district's capital leases. Amortization is average, with 55% of direct debt retired over 10 years and 100% over 19 years. The series 2008 notes will finance energy conservation measures. The district has no future debt plans at this time.

Outlook

The stable outlook reflects Standard & Poor's expectation that the district will effectively manage the levy cycle, garnering voter support in a timely manner to ensure its financial position remains secure. We also expect the district to maintain at least adequate reserves. The outlook is also supported by the district's access to the deep and diverse economies of Cleveland and Toledo.

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