STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

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Summary:

Johnsburg, Illinois; General Obligation

Primary Credit Analyst:
Scott Nees, Chicago (1) 312-233-7064; scott.nees@standardandpoors.com

Secondary Contact:
Steffanie A Dyer, Chicago (1) 312-233-7007; steffanie.dyer@standardandpoors.com

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Credit Profile		
Johnsburg Vill GO rfdg bnds (alternate rev source) ser 2009		
Long Term Rating	AA+/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services has raised its rating on the village of Johnsburg, Ill.'s series 2002 general obligation (GO) alternate revenue source revenue bonds to 'AA+' from 'AA', based on our local GO criteria released Sept. 12, 2013. The outlook is stable.

The village has pledged the net revenues from its water and sewer fund and any legally available funding sources from its state sales and income taxes to repay the bonds. Johnsburg's unlimited GO pledge, in the event pledged revenues are insufficient to pay debt service, also secures the bonds. The village intends to have sufficient funds on hand from alternate revenue sources to pay debt service before it abates the property tax levy.

The rating reflects our assessment of the following factors:

- Johnsburg's economy is very strong, in our view. The village (estimated population 5,815) is in McHenry County, about 55 miles northwest of downtown Chicago, and partakes in the broad and diverse economy of the greater Chicago-Naperville-Elgin metropolitan area. The per capita effective buying income is projected at 122% of the national level in five years, and with a market value of $607.3 million, the village's per capita market value is $104,430.
- The village's budgetary flexibility is very strong, in our view. It has been using interfund borrowing from the general fund to support its water and sewer fund. As of fiscal 2013, the general fund had an interfund receivable of $1.8 million from the water and sewer fund, which had negative unrestricted net assets of $1.4 million. We understand management does not expect the water and sewer fund to generate enough operating revenues to repay these loans in the near future. Still, after subtracting the entire amount of the receivable from the available general fund reserves, the remaining available reserves were 55% of expenditures at the close of fiscal 2013. (Note: both the general fund and total governmental funds expenditures have been adjusted upwards by approximately $330,000 to account for a transfer to the water and sewer fund to cover debt service). Management reports that fiscal 2014 should close ahead of budget, and that it is the village's intention to continue building reserves in the coming years, meaning that village's reserves position should improve in the future.
- We regard the village's recent and expected budgetary performance as strong. The past few fiscal years have seen sizable surpluses in the general fund, the result of diversified and growing revenues, coupled with cost-control measures. For fiscal 2013, the village posted a net general fund surplus of about 21% of expenditures, and a total governmental funds surplus of 21% of expenditures. Management expects fiscal 2014 to close ahead of budget in both the general and total governmental funds.
- Johnsburg's liquidity position is very strong, in our view, with total primary government (including governmental and enterprise funds) available cash and investments at 70% of total governmental funds expenditures and 500% of debt service carrying charges at the close of fiscal 2013. Management does not expect the village's liquidity position

to change materially for the foreseeable future. The village also has what we regard as strong and well-tested access to external sources of liquidity, as demonstrated by a record of frequent debt issuance over the past few decades.
- The village's management is strong, in our view, with "good" financial management policies and practices under our Financial Management Assessment methodology.
- Johnsburg's debt and contingent liabilities profile is strong, with debt service at 14% of total governmental funds expenditures (adjusted, as noted above), and with net direct debt 99% of revenues in the village's governmental funds for fiscal 2013. The village is also amortizing its debt rapidly, with 68% currently scheduled for retirement over the next 10 years, and the overall debt burden (including debt from overlapping entities) is at approximately 2.3% of market value. Management reports no additional debt plans at this time.
- Village employees participate in the Illinois Municipal Retirement Fund (IMFR) and the Illinois Police Pension Plan, and the village also maintains a small postemployment health plan. Fiscal 2013 combined required contributions were 8.3% of total governmental funds expenditures for the year. The village's unfunded actuarial accrued liability at the most recent valuation date was $367,000 (63% funded) for its IMRF plan, $1.5 million (54% funded) for the police pension plan, and $27,000 for the retiree health plan.
- We consider the Institutional Framework score for Illinois nonhome-rule villages subject to the Property Tax Extension Limitation Law (PTELL, which limits property tax levy increases to the lesser of 5% or the rate of inflation, except for new construction) as strong.

Outlook

The stable outlook reflects our expectation that Johnsburg will maintain at least adequate budgetary performance and very strong budgetary flexibility and liquidity for the foreseeable future. We do not anticipate a downgrade within the two-year time horizon of this outlook, although considerable deterioration in the village's budgetary performance, coupled with a considerably draws on reserves and a weakened liquidity position, could lead to a lower rating. Conversely, sustained improvement in the local economy--as measured by improvements in market value--and a continuation of at least strong budgetary performance could lead to an upgrade.

Related Criteria And Research

Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- Institutional Framework Overview: Illinois Local Governments

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