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## Indiana School District Ratings And Outlooks: Current List

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# Indiana School District Ratings And Outlooks: Current List

The following table summarizes Standard & Poor's Ratings Services' current bond ratings for school districts in the state of Indiana. The general obligation ratings are based on factors such as the local economy, financial performance and flexibility, management, and the debt and contingent liability profile.

## Indiana School District Ratings as of May 19, 2015

School District	Rating	Outlook
<b>General Obligation Ratings</b>		
Adams Central Community Schools	A+	Stable
Anderson Community School Corporation	A	Stable
Avon Community School Corporation	A+	Stable
Bartholomew Consolidated School Corporation	A+	Stable
Batesville Community School Corporation	A	Stable
Baugo Community Schools	A	Stable
Beech Grove City Schools	A	Stable
Blackford County Schools	A	Stable
Blue River Valley School Corporation	A-	Negative
Bluffton-Harrison Metro School District	A+	Stable
Brown County School Corporation	AA-	Stable
Brownsburg Community School Corporation	AA-	Stable
Brownstown Central Community School Corporation	A+	Stable
Carmel Clay School Corporation	AA	Stable
Carroll Consolidated School Corporation	A+	Stable
Center Grove Community School Corporation	A+	Stable
Central Noble Community School Corporation	A-	Stable
Clark-Pleasant Community School Corporation	A+	Stable
Clarksville Community School Corporation	A+	Stable
Clay Community Schools	A+	Stable
Clinton Central School Corporation	A	Stable
Clinton Prairie School Corporation	A	Stable
Cloverdale Community School Corporation	A+	Stable
Crawford County Community School Corporation	A	Stable
Crawfordsville Community School Corporation	A+	Stable
Crown Point Community School Corporation	AA-	Stable
Culver Community Schools Corporation	A	Stable
Danville Community School Corporation	A+	Stable
Decatur Township Metro School District	A	Stable
DeKalb County Central United School District	A	Stable
DeKalb County Eastern Community School District	A+	Stable
Delaware Community School Corporation	A+	Stable

**Indiana School District Ratings as of May 19, 2015 (cont.)**

Duneland School Corporation	AA-	Stable
East Allen County Schools	A+	Stable
Eastbrook Community School Corporation	A+	Negative
Eastern Hancock County Community School Corporation	A+	Stable
Eastern Howard School Corporation	A+	Stable
Eastern-Pulaski Community School Corporation	A+	Stable
Elkhart Community Schools	A	Stable
Evansville-Vanderburgh School Corporation	A	Stable
Fairfield Community Schools	A+	Stable
Fayette County School Corporation	A	Stable
Fort Wayne Community Schools	A+	Stable
Frankfort Community School Corporation	A-	Positive
Franklin Community School Corporation	A+	Stable
Franklin County Community School Corporation	A+	Stable
Franklin Township Community School Corporation	AA-	Stable
Garrett-Keyser-Butler Community School District	A	Stable
Goshen Community Schools	A+	Stable
Greater Clark County School Corporation	A-	Stable
Greencastle Community School Corporation	A-	Stable
Greenfield Central Community School Corporation	A+	Stable
Greensburg Community Schools	A+	Stable
Greenwood Community School Corporation	A+	Stable
Hamilton Heights School Corporation	AA-	Stable
Hamilton Southeastern Schools	AA-	Stable
Hammond City Schools	A-	Stable
Hanover Community School Corporation	A+	Stable
Highland School Town	A+	Stable
Huntington County Community School Corporation	A	Stable
Indianapolis Board of School Commissioners	AA	Stable
Jennings County Schools Corporation	A+	Stable
Kankakee Valley School Corporation	A+	Stable
Kokomo Center Township Consolidated School Corporation	A+	Stable
Lafayette School Corporation	A	Stable
Lake Central School Corporation	A-	Positive
Lake Station Community School Corporation	A-	Stable
Lakeland School Corporation	A+	Stable
Lawrence Township Metro School District	A	Stable
Lebanon Community School Corporation	A+	Stable
Logansport Community School Corporation	A	Stable
Maconaquah School Corporation	A+	Stable
Madison Consolidated Schools	A+	Stable
Madison-Grant United School Corporation	A+	Stable

**Indiana School District Ratings as of May 19, 2015 (cont.)**

Manchester Community Schools	A	Stable
Marion Community Schools	A+	Stable
Merrillville Community School Corporation	A+	Stable
Middlebury Community Schools	A+	Stable
Mishawaka Schools	A	Stable
Mississinewa Community School Corporation	A+	Stable
Mitchell Community Schools	A+	Stable
Monroe County Community School Corporation	A+	Stable
Mooreville Consolidated School Corporation	A+	Stable
Mount Vernon Community School Corporation	BBB+	Positive
Muncie Community Schools	BBB+	Stable
Munster Schools	BB	Stable
Nettle Creek School Corporation	A	Stable
New Albany-Floyd County Consolidated School Corporation	A+	Stable
New Castle Community School Corporation	A	Stable
New Durham Township Metro School District School Corporation	A-	Negative
Nineveh-Hensley-Jackson United School Corporation	A+	Stable
Noblesville Schools	A+	Stable
North Adams Community School Corporation	A	Stable
North Gibson School Corporation	A+	Stable
North Harrison Community School Corporation	A+	Negative
North Knox School Corporation	A+	Stable
North Lawrence Community Schools	A	Stable
North Montgomery Community School Corporation	A+	Stable
North Newton School Corporation	A+	Stable
North Posey County Metro School District	A+	Stable
North Putnam Community School Corporation	A+	Stable
North Vermillion Community School Corporation	A-	Negative
North West Hendricks School Corporation	AA-	Stable
Northeast DuBois County School Corporation	A	Stable
Northeastern Wayne School Corporation	A	Stable
Northern Wells Community Schools	A+	Stable
Northwest Allen County Schools	AA-	Stable
Northwestern Consolidated School District	A+	Stable
Northwestern School Corporation	A-	Stable
Orleans Community Schools	A+	Stable
Paoli Community School Corporation	A+	Stable
Penn-Harris-Madison School Corporation	AA-	Stable
Perry Township Metro School District	A+	Stable
Peru Community School Corporation	A	Stable
Pike County School Corporation	BBB-	Negative
Pike Township Metro School District	AA-	Stable

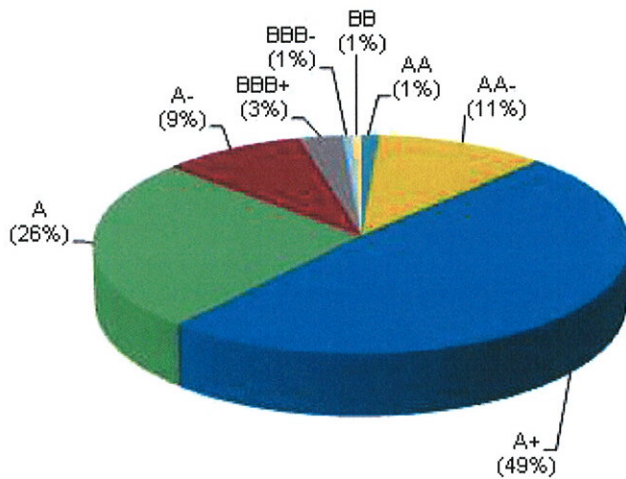
**Indiana School District Ratings as of May 19, 2015 (cont.)**

Plainfield Community School Corporation	AA-	Stable
Porter Township School Corporation	A	Stable
Randolph Central School Corporation	A-	Stable
Rensselaer Central School Corporation	A+	Stable
Richland- Bean Blossom Community School Corporation	BBB+	Negative
Rising Sun Ohio County Community School Corporation	BBB+	Stable
Rochester Community School Corporation	A	Stable
Salem Community School Corporation	A	Stable
Scott County School District #1	A	Stable
Seymour Community School Corporation	A	Stable
Shelby Eastern Schools	A+	Stable
Shelbyville Central Schools	A+	Stable
Sheridan Community Schools	A+	Stable
Smith-Green Community Schools	A+	Stable
South Bend Community School Corporation	AA-	Stable
South Dearborn Community School Corporation	A	Stable
South Henry School Corporation	A	Stable
South Montgomery Community School Corporation	A-	Stable
South Putnam Community School Corporation	A	Stable
Southeast Dubois County School Corporation	A+	Stable
Southeast Fountain School Corporation	A+	Stable
Southern Hancock County Community School Corporation	AA-	Stable
Southwest Allen County Schools	AA-	Stable
Southwest Dubois County School Corporation	A+	Stable
Southwest Parke Community School Corporation	A+	Stable
Southwest School Corporation	A	Stable
Southwestern Consolidated School District of Shelby County	A	Stable
Spencer-Owen Community Schools	A	Stable
Steuben County Metro School District	A	Stable
Sunman-Dearborn Community Schools	A-	Stable
Tell City-Troy Township School Corporation	A+	Stable
Tippecanoe School Corporation	A+	Stable
Tippecanoe Valley School Corporation	A+	Stable
Tri-County School Corporation	A+	Stable
Tri-Creek School Corporation	A+	Stable
Twin Lakes School Corporation	A	Stable
Union County-College Corner Joint School District	A+	Stable
Union School Corporation	A+	Stable
Union Township School Corporation (Porter County)	AA-	Stable
Valparaiso Community School Corporation	A+	Stable
Vincennes Community School Corporation	A+	Stable
Wabash City Schools	A	Negative

**Indiana School District Ratings as of May 19, 2015 (cont.)**

Wabash County Metropolitan School District	A-	Negative
Warren Township Metro School District	A+	Stable
Warrick County School Corporation	A+	Stable
Washington Community School Inc.	BBB+	Stable
Washington Township Metro School District	AA-	Stable
Wawasee Community School Corporation	A+	Stable
West Clark Community Schools	A+	Stable
Western Boone County Community School Corporation	A+	Stable
Western School Corporation	A+	Stable
Western Wayne Schools	A	Stable
Westfield-Washington School District	A-	Stable
Whitko Community School Corporation	A	Stable
Whitley County Consolidated Schools	A+	Stable
Yorktown Community Schools	AA-	Stable
Zionsville Community School Corporation	AA-	Stable

**Indiana School District GO Ratings Distributions**



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## Summary:

# Muncie School Building Corp., Indiana Muncie Community Schools; School State Program

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## Summary:

# Muncie School Building Corp., Indiana Muncie Community Schools; School State Program

## Credit Profile

US\$45.285 mil 1st mtg rfdg bnds (Muncie Comnty Schs) ser 2015 due 01/15/2023

<i>Long Term Rating</i>	AA+/Stable	New
<i>Underlying Rating for Credit Program</i>	BBB+/Stable	New

## Rationale

Standard & Poor's Ratings Services assigned its 'BBB+' underlying and 'AA+' long-term ratings to Muncie School Building Corp.'s series 2015 first mortgage refunding bonds, issued for Muncie Community Schools. At the same time, we affirmed our 'AA+' long-term and underlying (SPUR) ratings on the previously issued bonds that qualify for Indiana's State Aid Intercept program. The strength and availability of state aid to intercept program participants supports the program's credit characteristics. The outlook on all ratings is stable.

The 'BBB+' underlying rating reflects our view of the school district's:

- Low available general fund balances on a cash basis of accounting, which we expect to improve slightly in 2015 after the \$2 million deposit from the sale of land;
- History of operating deficits;
- Reliance on interfund borrowing and tax anticipation warrants for operations;
- Declining enrollment, a fundamental factor in the state's allowance calculation;
- Adequate income and wealth indicators; and
- Low debt burden coupled with no debt issuance plans and rapid debt amortization.

The bonds are secured by lease rentals payable from ad valorem property taxes paid directly to an independent trustee. The levy of taxes to make rental payments is mandatory and not subject to annual appropriation; rental abatement risk is mitigated, in our view, by provisions in the lease requiring the school to maintain property casualty and business interruption insurance. The school district's aggregate property tax levy is subject to the circuit-breaker limitations. The district was designated as an eligible school district, which means that in 2015 it may allocate its circuit-breaker tax credit losses for that year proportionately across all of its property tax-supported funds, including its debt service fund, thereby being exempt from the protected taxes requirement. Officials will use bond proceeds to refund existing obligations for interest-cost savings.

The school district has an estimated population of 69,019 and is located in Delaware County in east-central Indiana, approximately 60 miles northeast of Indianapolis. Muncie is the county seat of Delaware County and home to Ball State University, Indiana University Health, and Ball Memorial Hospital. The district's net assessed value (AV)

increased by 1.4% from 2014, to \$1.6 billion in 2015. Gross AV, which is more reflective of true market prices, totaled \$2.5 billion, or an adequate, \$35,520 per capita. The district's income levels are what we consider adequate, with median household and per capita effective buying income at 63% and 61%, respectively, of national levels. Delaware County's 2013 unemployment rate of 7% compares favorably with the state and national averages.

Following changes in Indiana property tax laws, enrollment-driven state aid now accounts for at least 90% of the school corporation's general fund revenue. The district's enrollment has been declining for the past 10 years. The annual declines in most years were predictable and ranged between 100 and 200 students a year. The district lost 487 students (7.4%) in 2014-2015 following the closure of the high school. Management expects enrollment to continue to decline by 150 to 200 a year.

As with all Indiana school corporations, the state audits Muncie Schools biennially at fiscal year-end June 30. However, the school corporation operates, budgets, and reports financial performance to the school board on a calendar-year basis. Therefore, examining calendar year-end reports provides a better understanding of the school corporation's finances.

On a cash basis of accounting, Muncie Schools' finances have, in our opinion, greatly deteriorated since the adoption of state legislation, effective 2009, that replaced Indiana school corporation general fund property tax levies with state tuition aid calculated on a per-pupil basis. Nearly 49% of the gross AV in the district is tax-exempt due to the presence of two large not-for-profit entities in the district. In addition, the school district is nearly built out, so the growth opportunities are limited. Tax base limitations create a very significant circuit-breaker tax credit impact on the property tax-supported funds (circuit-breaker loss was close to 40% in 2014). Circuit-breaker losses in certain property tax-supported funds required the school to use general fund cash to cover expenses in those funds. Management implemented cost reductions measures to streamline operations, but the fund balance, nevertheless, has been declining. Management also tried but failed to obtain voter approval for a property tax increase two years ago.

The district has drawn on general fund reserves considerably during the last four calendar years, reducing its general fund balance to \$66,000 (a low 0.1% of operating expenditures on a cash basis of accounting) from \$2.52 million between calendar 2011 and 2014.

In 2015, management sold the school building for \$2 million and deposited the proceeds into the general fund. Management projects the general fund balance to stay at \$2 million at the end of 2015 and possibly improve to \$3 million in 2016 and \$4 million in 2017.

We understand that in response to the funding crisis, the school corporation's board implemented budget reduction measures, including staff layoffs and school closings, that helped narrow the budget gap. The adopted and proposed savings, along with the slight increase in the foundation amount under the new funding formula, could help the district maintain current reserves and eliminate the operating imbalances in 2015 and 2016. We believe that the board-approved expenditures cuts to date are substantial enough to eliminate operating imbalances and help rebuild general fund reserves. The district's finances could, however, come under more pressures, if enrollment declines accelerate or if management fails to adjust the budget as expected.

Management issues \$7.7 million tax anticipation warrants every year and plans to continue to rely on such and

interfund advances for at least several years. The district has no difficulty obtaining banks loans for short-term borrowing at this point of time.

The corporation's financial management practices are considered "standard" under Standard & Poor's Financial Management Assessment. This indicates that management maintains adequate policies in some, but not all, key areas. Officials purchased a professional demographic study last year. In addition, management maintains and annually updates five-year internal enrollment projections, which are based on the life/birth statistics. Officials do not contact assessor on a regular basis which, we believe, is a limitation given the district's extremely high circuit breaker (40% of the levy) and cash flow issues. The district doesn't maintain long-term financial plans or have debt or investment management policies. The district's board targets to maintain \$4 million in general fund reserves and expects to reach that level by the end of calendar 2017. We believe that it will be difficult to accomplish given the challenges that the district faces.

Overall net debt is moderate at 4.3% of gross AV and low at \$1,588 per capita. In calendar 2013, debt service carrying charges were moderate at 15% of total governmental funds expenditures less capital outlay. Debt amortization is rapid, with all debt scheduled to be retired by 2024. The district has no debt plans at this time.

The district contributes to three state plans: the pre-1996 Teachers' Retirement Fund (TRF; 33% funded with an unfunded actuarial accrued liability [UAAL] of \$10.997 billion), the 1996 TRF (96% funded, UAAL \$202 million), and the Public Employees' Retirement Fund (nonteaching employees, 83% funded, UAAL \$2,941 million). The pre-1996 TRF plan is closed and currently operates as a pay-as-you-go account. The 1996 account was established to be actuarially prefunded. The pre-1996 plan's funding ratio is low, however, we don't view this as a concern, because the plan is closed and the number of teachers participating in the plan continues to drop every year. Other plans are well funded, so pension pressures on the state are minimal. The pension carrying charge is low at 2.9% of operating expenditures in 2014, so any increased costs are unlikely to have a significant impact on the budget. The district doesn't subsidize retiree health care benefits.

## Outlook

The stable outlook reflects our view that expenditure cuts to date are substantial enough to eliminate operating imbalances and help restore general fund reserves. The district's finances could, however, come under more pressure if enrollment declines accelerate or if management fails to adjust the budget as expected. If the corporation were to significantly increase its reliance on external and internal short-term borrowing without expenditure adjustments, we would lower the rating in the next two years. We could also lower the rating if management is unable to reduce the operating deficit as expected and reserves decline significantly. However, if the corporation is able to make sustainable budgetary adjustments through meaningful cuts that reduce the structural deficit, and also rebuild reserves significantly, we could consider an upgrade.

## Related Criteria And Research

### Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: State Credit Enhancement Programs, Nov. 13, 2008
- USPF Criteria: Limited-Tax GO Debt, Jan. 10, 2002

### Ratings Detail (As Of May 15, 2015)

Muncie Comnty Schs GO bnds

*Long Term Rating*

AA+/Stable

Affirmed

#### **Muncie Sch Bldg Corp, Indiana**

Muncie Comnty Schs, Indiana

#### **Muncie Sch Bldg Corp (Muncie Comnty Schs) sch prog**

*Unenhanced Rating*

AA+(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

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