MOODY'S
INVESTORS SERVICE

Rating Update: Moody's assigns initial A1 issuer rating to Weakley County, TN

Global Credit Research - 17 Nov 2015

WEAKLEY (COUNTY OF) TN
Counties
TN

NEW YORK, November 17, 2015 --Moody's Investors Service has assigned an initial A1 issuer rating to Weakley County (TN). Debt outstanding is currently not rated.

SUMMARY RATING RATIONALE

The initial A1 issuer rating reflects the county's moderately sized tax base, improved financial position, and affordable debt profile with substantial variable rate debt exposure.

OUTLOOK

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

WHAT COULD MAKE THE RATING GO UP

-Significant tax base expansion

-Additional growth in reserve levels

-Adoption of and adherence to formalized fund balance polices

WHAT COULD MAKE THE RATING GO DOWN

-Material contraction of tax base and weakening of socioeconomic indices

-Deficit operations resulting in declines in reserve levels

STRENGTHS

-Stable tax base

-Modest debt burden

CHALLENGES

-Exposure to variable rate debt

-Below average socio economic indicators

RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale.

DETAILED RATING RATIONALE

ECONOMY AND TAX BASE: MODERATE TAX BASE EXPECTED TO REMAIN STABLE

Located in northwestern Tennessee, Weakley County's $1.7 billion tax base is expected to remain stable due in part to the presence of a branch campus of the University of Tennessee in Martin. The county has benefitted from growth in retail and commercial development in the last few years. Full valuation has averaged 1.2% annually over the past five years. Despite a stable tax base, the county's wealth and income levels fall below averages for both the state and the nation, due in part to the 8,000 students at the University of Tennessee at Martin. Full value per capita is also below average at $49,248. Unemployment remains high at 7.2% as of August 2015 and is above

both state (5.8%) and national (5.2%) levels, however is much lower than the 11.3% rate as of August 2014. Additionally, poverty is high at nearly 21% of the county's population.

FINANCIAL OPERATIONS AND RESERVES: IMPROVED FINANCIAL POSITION

The county's financial position has shown improvement over recent years with total operating fund balance increasing 110% from fiscal 2009 to fiscal 2014. The county typically balances its budgets without appropriating fund balance. Fiscal 2014 finished with a General Fund surplus of approximately $400,000 due to positive variances with respect to local tax collections and conservative expenditure budgeting. Management builds conservancy into its budgets by projecting a 94% property tax collection rate. Unaudited fiscal 2015 results show a similar surplus of approximately $500,000 due in part to the completion of a building expansion project by one of the county's top taxpayers, resulting in additional tax revenue. The year is projected to have finished with a General Fund balance of $1.89M (an estimated 22% of revenues). The fiscal 2016 budget is 3.9% larger than the 2015 budget and includes the purchase of capital highway equipment for paving projects and school building renovations.

Liquidity

The county's net cash position in its combined operating funds at the close of fiscal 2014 was a satisfactory $8.58 million (19.8% of operating revenues), and has increased 158% over the last five years.

DEBT AND PENSIONS: AFFORDABLE DEBT BURDEN WITH LIMITED FUTURE DEBT PLANS

The county's debt position is expected to remain manageable given management's lack of future borrowing plans and the county's low debt burden at just 0.6% of full valuation. The county's overall debt burden, inclusive of overlapping obligations, is just above average at 2.8% of full valuation.

Debt Structure

Notably, $7.6 million, or 88% of the county's outstanding debt, is variable rate. The county's variable rate debt is comprised of three loans from the Tennessee Municipal Bond Fund (TMBF). All TMBF loans are supported by Letters of Credit from Bank of America, N.A. (A1/stable) for put risk and have reasonable term-out provisions.

Debt-Related Derivatives

The county has no derivatives.

Pensions and OPEB

The county participates in the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit plan, which is administered by the Tennessee Consolidated Retirement System (TCRS). In fiscal 2014, the total Annual Required Contribution (ARC) for PSPP was $1,155,571 or 2% of operating expenditures. The county contributed 100% of the ARC in fiscal 2014. The county's combined adjusted net pension liability (ANPL), under Moody's methodology for adjusting reported pension data, is $63 million, or an average 0.96 times operating revenues. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported liability information, but to improve comparability with other rated entities.

MANAGEMENT AND GOVERNANCE: AMPLE REVENUE RAISING FLEXIBILTY; CONSERVATIVE BUDTETING PRACTICES

Tennessee counties have an institutional framework score of "Aaa," or very strong. Counties in Tennessee often rely heavily on property tax revenues which proved relatively stable throughout the recession and have shown growth over the last several years. Local option sales tax revenues, which are used primarily to support county school districts, have been growing moderately. Expenditures are largely predictable and counties have the legal ability to reduce expenditures if necessary.

KEY STATISTICS

Full Value, Fiscal 2014: $1.7 billion

Full Value Per Capita, Fiscal 2014: $ 49,248

Median Family Income as % of US Median (2013): 78.2%

Operating Fund Balance as % of Revenues, Fiscal 2014: 27.26%

5-Year Dollar Change in Operating Fund Balance as % of Revenues: 10.35%

Cash Balance as % of Revenues, Fiscal 2014: 18.25%

5-Year Dollar Change in Cash Balance as % of Revenues: 11.19%

Institutional Framework: "Aaa"

5-Year Average Operating Revenues / Operating Expenditures: 1.02 times

Net Direct Debt as % of Full Value: 0.64%

Net Direct Debt / Operating Revenues: 0.23 times

3-Year Average ANPL as % of Full Value: 2.64%

3-Year Average ANPL / Operating Revenues: 0.96 times

OBLIGOR PROFILE

Weakly County is located in northwestern Tennessee and has a population of approximately 34,700 residents.

LEGAL SECURITY

The issuer rating incorporates Moody's assessment of the county's implied unlimited general obligation pledge.

USE OF PROCEEDS

Not applicable for issuer ratings.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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