

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa2 to Jackson County, GA's \$10.4M Revenue Bonds, Series 2014A

Global Credit Research - 21 Aug 2014

Affirms Aa2 on \$130M in outstanding parity debt

JACKSON (COUNTY OF) GA
Counties
GA

Moody's Rating

ISSUE		RATING
Taxable Refunding Revenue Bonds (Jackson County Facilities) Series 2014A		Aa2
Sale Amount	\$365,000	
Expected Sale Date	09/04/14	
Rating Description	General Obligation	
Refunding Revenue Bonds (Jackson County Facilities) Series 2014A		Aa2
Sale Amount	\$10,000,000	
Expected Sale Date	09/04/14	
Rating Description	General Obligation	

Moody's Outlook NOO

Opinion

NEW YORK, August 21, 2014 --Moody's Investors Service has assigned a Aa2 rating to Jackson County's (GA) \$10.4 million Revenue Refunding Bonds (Jackson County Facilities), Series 2014A, issued through the City of Jefferson Public Building Authority. The bonds are ultimately secured by the county's unlimited ad valorem tax pledge. Bond proceeds will partially refund the county's Series 2007A bonds for an expected net present value savings of 7% of refunded principal with no extension of maturity. Concurrently, Moody's has affirmed the Aa2 rating on the county's outstanding parity debt.

SUMMARY RATING RATIONALE

The Aa2 rating reflects the county's sound fund balance levels, a sizeable tax base and above average debt levels.

STRENGTHS

- Satisfactory reserves levels
- Diverse, sizable tax base that benefits from its proximity to the Atlanta MSA and Athens-Clarke County
- Use of SPLOST proceeds for debt service and capital projects

CHALLENGES

- Above average debt burden
- Restore reserves to formal policy levels

DETAILED CREDIT DISCUSSION

RAPID POPULATION GROWTH SPURRED BY PROXIMITY TO ATLANTA MSA; MODEST TAX BASE EXPANSION EXPECTED IN THE MEDIUM TERM

The county is expected to experience steady tax base growth, albeit at modest levels, given its proximity to major employment centers of Atlanta (Aa2/stable) and Athens-Clarke County Unified Government, GA (Aa1) and location along Interstate 85. While the county's \$6.2 billion tax base has experienced declines in four of the last five fiscal years, averaging a 2.3% decrease annually, the base is expected to increase going forward given pent up demand following significant population growth, the addition of several distribution centers and industrial expansions. The county's population has increased 45% since 2000 to 60,485 in 2010. Officials project assessed values to increase approximately 2% in fiscal 2015.

The county is emerging as an industrial center for the extended Atlanta MSA, including Toyota Industries (Toyota Motor Corp. - Senior unsecured rated Aa3/stable outlook), Huber Engineered Woods and Kubota Industrial Equipment Corporation, a tractor manufacturer. Toyota and Kubota recently completed expansion projects in 2013, creating a total 500 jobs. Bed Bath and Beyond and Carter's Inc. recently opened distribution plants, creating a total of 1,500 jobs, and officials report that two additional speculative distribution centers are under construction. Countywide unemployment as of June 2014 was 7.1%, slightly below the 7.9% statewide rate, while per capita income remains average at 90.2% and 81.4% of the state and nation, respectively. Full value per capita is an above-average \$101,828.

FINANCIAL POSITION EXPECTED TO REMAIN SOUND

The county is expected to maintain its satisfactory financial position given currently sound reserve levels and a track record of structurally balanced operations. The county reported four General Fund operating surpluses over the last five years, increasing fund balance to \$9.2 million (a sound 26.8% of revenues) in fiscal 2012 from \$8.9 million (21.1% of revenues) in fiscal 2008. In fiscal 2012, the county replenished a portion of the \$2.2 million fund balance appropriation through conservative budgeting for revenues. Unaudited results for fiscal 2013 report a \$1.8 million deficit, which includes a \$2.1 million write off of a receivable from the airport fund, which officials did not expect to collect. Operations were structurally balanced and officials project a year-end fund balance of \$7.4 million (21.3% of estimated revenues). The county's governing board formalized its financial reserve policy effective fiscal 2006, establishing a 20% target for unreserved fund balance; however, the county has not been in compliance with this target since fiscal 2009.

The county's fiscal 2014 adopted budget represents a 3% increase relative to the prior year due to an increase in debt service payments and several new positions. The budget includes a 0.25 mill tax rate increase and assumes a \$1.3 million fund balance appropriation. As of July, officials report that expenditures are 3.5% under budget and project a \$1 million surplus by year-end. Going forward, the county's ability to maintain sound reserve levels, in line with stated targets, and restore structural balance will be important credit considerations.

ABOVE AVERAGE DEBT BURDEN; NO ADDITIONAL BORROWING PLANS

The county's direct debt burden is an above average 2.1% of full value, but Moody's views this as manageable given the county has no additional borrowing plans, and 18.5% of debt is paid from a voter-approved 1% Special Purpose Local Option Sales Tax (SPLOST). The direct debt burden includes debt issued through Jackson County Water and Sewer Authority, for which the county has covenanted its unconditional, general obligation tax pledge. The county makes an annual subsidy payment for debt service to the authority. With the inclusion of debt from overlapping municipalities, the county's overall debt burden increases to an above average 4.6% of full valuation. The county's amortization rate is above average with 78.7% of outstanding debt maturing in 10 years. Fiscal 2013 debt service represented a high 18.5% of operating expenditures. Importantly, the county's SPLOST program provides additional support for the county's capital projects and debt service. The current six-year SPLOST program expires on July 31, 2017 and is authorized to collect up to \$47.5 million in funding for capital projects countywide. The county has a low amount of variable rate debt outstanding, \$1.3 million from Series 2004 revenue notes, representing less than 1% of total debt outstanding. The notes are paid by the county pursuant to a contract with the airport authority bearing interest at a variable rate of LIBOR +.75 basis points. The county maintains ample liquidity to provide debt service in heightened interest rate stress scenarios. The county is not party to derivative agreements.

The county participates in the Association of County Commissioners of Georgia, a multi-employer, defined benefit retirement plan sponsored by the State of Georgia (Aaa/stable). The county's combined annual required contribution (ARC) for the plan was \$670,000 in fiscal 2012, or approximately 1.8% of General Fund expenditures.

The district's combined adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$9.4 million, or approximately a low 0.27 times General Fund revenues. Moody's uses the adjusted net pension liability 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. We determined the county's share of liability for the state-run plans in proportion to its contributions to the plans.

WHAT COULD MOVE THE RATING UP:

- Increased fund balance reserves
- Continued tax base growth coupled with improved socioeconomic factors
- Decline in debt burden

WHAT COULD MOVE THE RATING DOWN:

- Deterioration of reserves driven by structurally imbalanced operations
- Continued declines in tax base
- Significantly increased debt burden

KEY STATISTICS

Full Value, Fiscal 2014: \$6.2 billion

Full Value Per Capita, Fiscal 2014: \$101,828

Median Family Income as % of US Median (2012 American Community Survey): 91.6%

Fund Balance as % of Revenues, Fiscal 2013: 13.97%

5-Year Dollar Change in Fund Balance as % of Revenues: -4.06%

Cash Balance as % of Revenues, Fiscal 2013: 48.67%

5-Year Dollar Change in Cash Balance as % of Revenues: -16.36%

Institutional Framework: "Aaa"

5-Year Average Operating Revenues / Operating Expenditures: 0.99x

Net Direct Debt as % of Full Value: 2.12%

Net Direct Debt / Operating Revenues: 3.81x

3-Year Average ANPL as % of Full Value: 0.15%

3-Year Average ANPL / Operating Revenues: 0.28x

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.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for

the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Lauren Von Bargen
Lead Analyst
Public Finance Group
Moody's Investors Service

John Incorvaia
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

MOODY'S
INVESTORS SERVICE

© 2014 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATION") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE

RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.