

ISSUER COMMENT

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RATING

General Obligation (or GO Related)¹

Aa2 No Outlook

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Findlay City School District, OH

Annual Comment on Findlay City SD

Issuer Profile

Findlay City School District is located in Hancock County in northwestern Ohio, approximately 45 miles south of Toledo. Hancock County has a population of 75,337 and a population density of 142 people per square mile. The county's per capita personal income is \$43,624 (2nd quartile) and the May 2016 unemployment rate was 3.4% (1st quartile).² The largest industry sectors that drive the local economy are manufacturing, retail trade, and health services.

Credit Overview

The credit position for Findlay City SD is very high quality, and its Aa2 rating is a little stronger than the median rating of Aa3 for US school districts. Key credit factors include a robust financial position, and a healthy tax base with a sound socioeconomic profile. The rating also reflects an elevated pension liability with a mid-ranged debt burden.

Finances: The financial position of the district is robust and is relatively strong when compared with the assigned rating of Aa2. Findlay City SD's net cash balance as a percent of revenues (24.9%) approximates the US median and rose modestly between 2012 and 2015. Moreover, the available fund balance as a percent of operating revenues (22.2%) is consistent with the US median.

Economy and Tax Base: The district has a solid economy and tax base. However, they are relatively weak when compared to its Aa2 rating position. Findlay City SD's total full value (\$2.2 billion) is consistent with the US median and increased modestly from 2012 to 2015. Furthermore, the median family income equates to just 88.4% of the US level. Lastly, the full value per capita (\$53,452) is below other Moody's-rated school districts nationwide.

Debt and Pensions: The debt and pension burdens of Findlay City SD are somewhat elevated and are unfavorable in comparison to the assigned rating of Aa2. The net direct debt to full value (2.2%) is higher than the US median. Moreover, the Moody's-adjusted net pension liability to operating revenues (3.2x) is well above the US median, although this indicator decreased between 2012 and 2015.

Management and Governance: Positive operating margins typically exhibit strong financial management. Advantageously, on average, Findlay City SD ran surpluses as the tax base expanded modestly.

Ohio school districts have an institutional framework score ³ of "A," or moderate. Operating revenues consist of local property taxes and state aid, with some districts also levying voter-approved income taxes. Revenues are moderately predictable as property values are

improving and state fiscal health supports stability of state aid. Districts have moderate flexibility to raise revenues as they can increase local tax rates with the approval of voters. Expenditures predominantly consist of personnel costs, which are highly predictable. However, these costs tend to be dictated by labor agreements, resulting in a moderate ability to reduce expenditures.

Sector Trends - Ohio School Districts

Ohio school districts generally face a stable operating environment as the state's biennium budget increases school district funding by 7% over fiscal years 2016 and 2017. However, while most districts will receive increased state aid, some districts are in line for a moderate net reduction in aid in fiscal 2017. Competition from charter schools varies across the state, but is primarily concentrated in large urban areas. Exposure to unfunded pension liabilities of cost-sharing retirement plans is above average, despite recently legislated reforms. The relatively weak status of the pension plans raises the risk that the costs to local government employers could grow and pressure operating budgets.

Exhibit 1

Key Indicators^{4 5}

Findlay City SD, OH

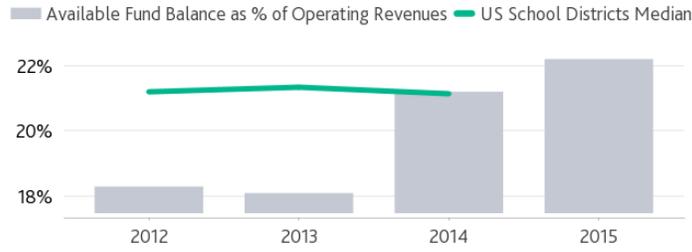
	2012	2013	2014	2015	US Median	Credit Trend
Economy / Tax Base						
Total Full Value	\$2,195M	\$2,186M	\$2,202M	\$2,197M	\$1,872M	Stable
Full Value Per Capita	\$53,266	\$52,648	\$50,578	\$53,452	\$80,896	Stable
Median Family Income (% of US Median)	88.4%	88.4%	88.4%	88.4%	103.1%	Stable
Finances						
Available Fund Balance as % of Operating Revenues	18.3%	18.1%	21.2%	22.2%	21.1%	Stable
Net Cash Balance as % of Operating Revenues	20.7%	21.4%	22.6%	24.9%	25.1%	Stable
Debt / Pensions						
Net Direct Debt / Full Value	2.4%	2.4%	2.3%	2.2%	1.5%	Stable
Net Direct Debt / Operating Revenues	0.87x	0.89x	0.79x	0.77x	0.75x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	11.1%	11.2%	11%	9.3%	3.1%	Improved
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	3.99x	4.20x	3.83x	3.23x	1.58x	Improved

Source: Moody's

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Exhibit 2

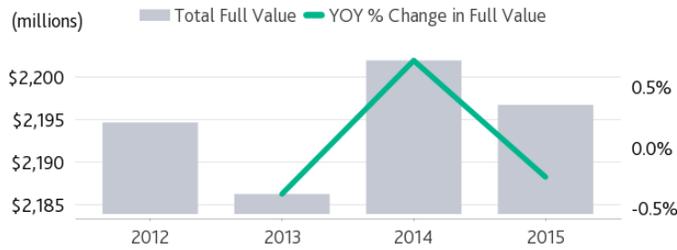
Available fund balance as a percent of operating revenues increased slightly between 2012 and 2015
Available Fund Balance as a Percent of Operating Revenues



Source: Issuer financial statements; Moody's

Exhibit 3

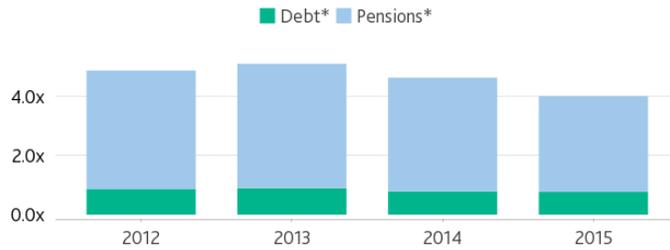
Full value of the property tax base grew modestly from 2012 to 2015
Total Full Value



Source: Issuer financial statements; Government data sources; Offering statements; Moody's

Exhibit 4

Moody's-adjusted net pension liability to operating revenues decreased from 2012 to 2015
Net Direct Debt and Adjusted Net Pension Liability / Operating Revenues



*Debt is represented as Net Direct Debt / Operating Revenues. Net Direct Debt is defined as gross debt minus self supporting debt. Pensions are represented as ANPL / Operating Revenues. ANPL is defined as the average of Moody's-adjusted Net Pension Liability in each of the past three years.
 Source: Issuer financial statements; Government data sources; Offering statements; Moody's

Endnotes

- 1 The rating referenced in this report is the government's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally a security backed by the full faith and credit pledge and total taxing power of the local government. See [Local Government GO Pledges Vary Across States](#), for more details. GO-related ratings include issuer ratings, which are GO-equivalent ratings for governments that do not issue GO debt. GO-related ratings also include ratings on other securities that are notched or otherwise related to what the government's GO rating would be, such as annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantee or enhancement programs or bond insurance.
- 2 The per capita personal income data and unemployment data for all counties in the US census are allocated to quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile. The first quartile consists of the top 25% of observations in the dataset, the second quartile consists of the next 25%, and so on. The median per capita personal income for US counties is \$46,049 for 2014. The median unemployment rate for US counties is 4.7 % for May 2016.
- 3 The institutional framework score measures a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(January 2014\)](#) for more details.
- 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). The population figure used in the Full Value Per Capita ratio is the most recently available, most often sourced from either the US Census or the American Community Survey. Similarly, the Median Family Income data reported as of 2012 and later is always the most recently available data and is sourced from the American Community Survey. The Median Family Income data prior to 2012 is sourced from the 2010 US Census. The Full Value figure used in the Net Direct Debt and Moody's-adjusted Net Pension Liability (3-year average ANPL) ratios is matched to the same year as audited financial data, or if not available, lags by one or two years. Certain state-specific rules also apply to Full Value. For example, in California and Washington, assessed value is the best available proxy for Full Value. Certain state specific rules also apply to individual data points and ratios. Moody's makes adjustments to New Jersey local governments' reported financial statements to make it more comparable to GAAP. Additionally, Moody's ANPLs reflect analyst adjustments, if any, for pension contribution support from non-operating funds and self-supporting enterprises. Many local government pension liabilities are associated with its participation in the statewide multiple-employer cost-sharing plans. Metrics represented as N/A indicate the data were not available at the time of publication.
- 5 The medians come from our most recently published local government medians report, [Medians – Growing Tax Bases and Stable Fund Balances Support Sector's Stability \(March 2016\)](#). The medians conform to our US Local Government General Obligation Debt rating methodology published in January 2014. As such, the medians presented here are based on the key metrics outlined in the methodology and the associated scorecard. The appendix of this report provides additional metrics broken out by sector, rating category, and population. We use data from a variety of sources to calculate the medians, many of which have differing reporting schedules. Whenever possible, we calculated these medians using available data for fiscal year 2014. However, there are some exceptions. Population data is based on the 2010 Census and Median Family Income is derived from the 2012 American Community Survey. Medians for some rating levels are based on relatively small sample sizes. These medians, therefore, may be subject to potentially substantial year-over-year variation. Our ratings reflect our forward looking opinion derived from forecasts of financial performance and qualitative factors, as opposed to strictly historical quantitative data used for the medians. Our expectation of future performance combined with the relative importance of certain metrics on individual local government ratings account for the range of values that can be found within each rating category. Median data for prior years published in this report may not match last year's publication due to data refinement and changes in the sample sets used, as well as rating changes, initial ratings, and rating withdrawals.

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