

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns initial Aa3 issuer rating to Tuscarawas Valley L.S.D., OH

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New York, February 20, 2019 -- Moody's Investors Service has assigned an initial Aa3 issuer rating to Tuscarawas Valley Local School District, OH. Concurrently, a A1 rating has been assigned to the district's \$18 million Certificates of Participation (Tuscarawas Valley Local School District, Tuscarawas and Stark Counties, Ohio School Facilities Project), Series 2019. Following the sale of the current offering the district's debt profile will consist of the new Certificates of Participation (COPs), as well as \$274,000 of unrated general obligation (GO) debt.

The issuer rating represents Moody's hypothetical assessment of debt of the district supported by a general obligation unlimited tax (GOULT) pledge.

RATINGS RATIONALE

The Aa3 issuer rating reflects the district's modestly-sized, but growing tax base in a rural part of eastern Ohio (Aa1 stable) with average socioeconomic characteristics. Additionally factored are the district's healthy fund balance and liquidity that will continue to be supported by increased property tax collections as a result in sizable natural gas pipeline investments within the district's boundaries. The rating further incorporates the district's rising debt burden to finance new school facilities, as well as an elevated pension burden derived from its participation in two significantly underfunded state cost-sharing plans.

The Series 2019 COPs are notched once from the district's issuer rating to reflect annual appropriation risk as well as the more essential nature (school facilities) of the projects being financed.

RATING OUTLOOK

Outlooks are typically not assigned to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Significant tax base expansion coupled with material strengthening of residential income levels
- Moderation to the district's debt and pension burdens

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Material tax base contraction and/or diminished socioeconomic characteristics
- Sustained narrowing of operating fund balance and liquidity
- Notable increase to the district's debt and/or pension burdens

LEGAL SECURITY

The Series 2019 COPs are secured by the district's pledge to make annual lease payments, subject to annual appropriation by the Board of Administration.

USE OF PROCEEDS

Proceeds from the sale of COPs will be used to finance a new middle/high school facility, as well as renovations and additions to other district facilities. The district is working in conjunction with the Ohio Facilities Construction Commission (OFCC) which will provide roughly \$9.6 million in supplemental state supported financing.

PROFILE

Tuscarawas Valley Local School District encompasses approximately 100 square miles in eastern Ohio, approximately 20 miles south of the City of Canton. Primarily located in Tuscarawas County, with a small portion of the district overlapping parts of Stark County (Aa2), the district provides pre-kindergarten through twelfth grade education to residents of several small communities. The district's population is estimated at 9,874 and enrolls 1,348 students for the fiscal 2019 school year.

METHODOLOGY

The principal methodology used in the issuer rating was US Local Government General Obligation Debt published in December 2016. The principal methodology used in the lease rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2018. Please see the Rating Methodologies page on www.moody.com for a copy of these methodologies.

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