

ISSUER COMMENT

18 August 2017

RATING

General Obligation (or GO Related) ¹

Aa2 No Outlook

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Northmont City School District, OH

Annual Comment on Northmont City SD

Issuer Profile

Northmont City School District is located primarily in Montgomery County in western Ohio, approximately 10 miles northwest of Dayton. The county has a population of 533,763 and a high population density of 1,155 people per square mile. The county's median family income is \$56,990 (3rd quartile) and the June 2017 unemployment rate was 5.3% (3rd quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and manufacturing.

Credit Overview

The credit position for Northmont City SD is very good, and its Aa2 rating is slightly higher than the median rating of Aa3 for school districts nationwide. The key credit factors include a robust financial position, strong resident wealth levels and a solid tax base. Additional credit factors include above average debt and pension liabilities.

Finances: The district has a very healthy financial position, which is relatively favorable when compared to the assigned rating of Aa2. Northmont City SD'S cash balance as a percent of operating revenues (27.3%) is consistent with the US median, and rose slightly from 2012 to 2016. In addition, the fund balance as a percent of operating revenues (18%) is on par with other Moody's-rated school districts nationwide.

Economy and Tax Base: The economy and tax base of Northmont City SD are solid, however certain metrics are relatively weak in comparison to its Aa2 rating. The median family income equates to a solid 110% of the US level. Also, the district's total full value (\$1.8 billion) is consistent with the US median. This metric fell slightly between 2012 and 2016. Lastly, the full value per capita (\$51,466) is below the US median.

Debt and Pensions: Overall, Northmont City SD has above average debt and pension liabilities which are a weakness relative to the Aa2 rating assigned. The net direct debt to full value (3%) is above the US median, and remained level from 2012 to 2016. Moreover, the district's Moody's-adjusted net pension liability to operating revenues (3.5x) is higher than the US median.

Management and Governance: Ohio school districts have an Institutional Framework score ³ of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector's major revenue sources are property taxes and state aid. Local property tax rates can be increased with voter approval only. Revenues and expenditures tend to be predictable. Across the sector, fixed and mandated costs are generally high. Ohio has public sector unions, which can limit the ability to cut expenditures.

Sector Trends - Ohio School Districts

Ohio school districts generally face a stable operating environment. The state's current biennium budget increases total school funding by 3% over fiscal years 2018 and 2019, which follows moderate increases in recent years. However, the state is targeting the latest increases towards districts with certain characteristics. Many districts, primarily those with higher local wealth, will receive no increase and state aid may actually fall modestly for some. Competition from charter schools varies across the state, but is concentrated in large metropolitan areas. School district pension burdens are high, despite recent reforms that highlight the state's legal flexibility to reign in pension liabilities.

EXHIBIT 1

Key Indicators 4.5 Northmont City SD

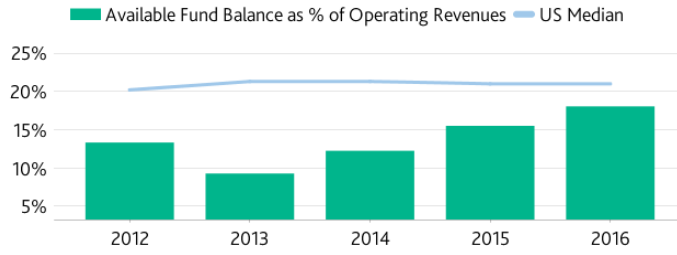
	2012	2013	2014	2015	2016	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$1,831M	\$1,838M	\$1,839M	\$1,787M	\$1,784M	\$1,870M	Stable
Full Value Per Capita	\$52,875	\$52,871	\$52,796	\$51,544	\$51,466	\$83,193	Stable
Median Family Income (% of US Median)	107%	106%	107%	110%	110%	103%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	13.3%	9.3%	12.2%	15.5%	18.0%	21.0%	Stable
Net Cash Balance as % of Operating Revenues	23.2%	20.7%	22.0%	23.8%	27.3%	25.7%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	3.0%	3.0%	2.9%	3.0%	3.0%	1.5%	Stable
Net Direct Debt / Operating Revenues	1.12x	1.13x	1.08x	1.03x	0.98x	0.72x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	N/A	14.3%	13.8%	11.2%	10.8%	3.0%	Improved
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	N/A	5.46x	5.05x	3.83x	3.54x	1.54x	Improved
	2012	2013	2014	2015	2016	US Median	
Debt and Financial Data							
Population	34,629	34,767	34,843	34,674	N/A	N/A	
Available Fund Balance (\$000s)	\$6,559	\$4,474	\$6,170	\$8,086	\$9,857	\$8,051	
Net Cash Balance (\$000s)	\$11,416	\$9,999	\$11,109	\$12,414	\$14,908	\$9,817	
Operating Revenues (\$000s)	\$49,244	\$48,270	\$50,403	\$52,160	\$54,622	\$38,823	
Net Direct Debt (\$000s)	\$55,181	\$54,668	\$54,210	\$53,792	\$53,322	\$26,674	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	N/A	\$263,487	\$254,752	\$199,847	\$193,301	\$54,746	

Source: Moody's Investors Service

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EXHIBIT 2

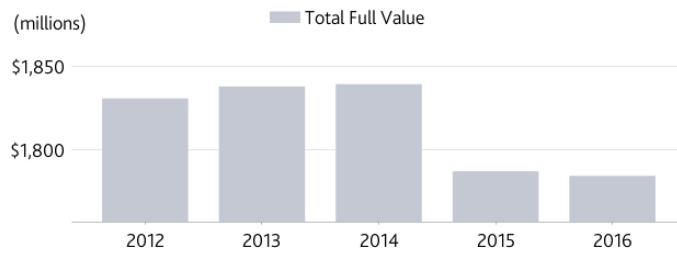
Available fund balance as a percent of operating revenues increased from 2012 to 2016



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

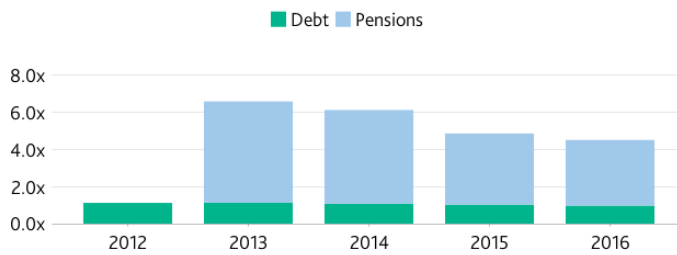
Full value of the property tax base decreased from 2012 to 2016



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

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues decreased from 2012 to 2016



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

Endnotes

- 1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, 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 guarantees, enhancement programs or bond insurance.
- 2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.

The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into 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.

- 3 The institutional framework score assesses 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 \(December 2016\)](#) methodology report for more details.
- 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). 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 - Tax Base Growth Reinforces Sector Stability as Pension Troubles Remain \(March 2017\)](#), which is available on Moody's.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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