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Rating Action: Moody's assigns MIG 1 to Montgomery County, NC's \$70M Limited Obligation BANs, Series 2018

Global Credit Research - 10 Jan 2018

Assings Aa3 Issuer Rating

New York, January 10, 2018 -- Moody's Investors Service assigns a MIG 1 to Montgomery County, NC's \$70 million Limited Obligation Bond Anticipation Notes (School Project), Series 2018. Concurrently, we assign a Aa3 Issuer Rating.

RATINGS RATIONALE

The MIG 1 short-term rating on the county's 2018 BANs reflects sound underlying credit quality with healthy projected liquidity at the time of takeout, and a sufficient margin between targeted early repayment and final maturity. The Aa3 Issuer Rating is based on the county's growing tax base, healthy financial position, and low fixed costs, as well as below average wealth levels.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE

- Increase in reserve and liquidity levels
- Substantial economic expansion and diversification

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Significant draws on fund balance
- Protracted declines in tax base and employment opportunities

LEGAL SECURITY

The 2018 BANs are secured by a pledge of long-term financing from the United States Department of Agriculture, Rural Development (USDA). Additionally, a deed of trust the financed project (high school and associated property) is pledged in the event of a default.

USE OF PROCEEDS

The 2018 BANs will finance the construction of a new high school and career and technical buildings.

PROFILE

The county is located in the south central Piedmont region and covers 488 square miles which include a small portion of Uwharrie National Forest.

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 short-term rating was US Bond Anticipation Notes published in April 2014. Please see the Rating Methodologies page on www.moody.com for a copy of these methodologies.

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