

Rating Action: Moody's upgrades Carroll CSD, GA's GO rating to Aa3

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Affects \$64 million of rated debt

New York, February 16, 2018 -- Moody's Investors Service has upgraded to Aa3 from A1 the underlying rating on Carroll County School District, GA's \$64 million of general obligation (GO) debt outstanding as of June 30, 2016. Concurrently, we have affirmed the Aa1 enhanced rating with a stable outlook on the district's outstanding GO bonds.

RATINGS RATIONALE

The underlying rating upgrade to Aa3 reflects the districts moderately-sized and growing tax base with below average resident wealth levels and an improved financial position following multi-year deficits driven by structurally imbalanced budgets and one-time capital expenditures. The rating also incorporates the district's above average debt burden, which is fully supported by a Special Purpose Local Option Sales Tax (SPLOST). The district's recent SPLOST renewal will provide management with additional financial flexibility by giving the district revenue to address its capital needs and support debt service.

The Aa1 enhanced rating reflects the district's strong debt service coverage provided by state aid and the additional security provided by the State of Georgia's (Aaa stable) School District Intercept Program, under which the State Board of Education (BOE) can transfer state aid appropriated for each school district directly to the paying agent in case of debt service shortfalls.

RATING OUTLOOK

Outlooks are not typically assigned to local government issuers with this amount of debt outstanding.

The school district's enhanced rating carries the outlook of the State of Georgia, which is currently rated Aaa with a stable outlook. Any change in the state's rating or outlook will result in a change in the enhanced rating of the school district.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Continued tax base expansion
- Improvement in the district's socioeconomic profile
- Increase in reserves or liquidity levels commensurate with higher rated entities

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Material tax base contraction
- Declines in reserves or liquidity levels driven by increased capital needs

LEGAL SECURITY

The bonds are payable first from SPLOST revenues but are ultimately secured by an unlimited ad valorem tax pledge. The bonds are further secured by any state appropriations pursuant to the State of Georgia's School District Intercept Program.

USE OF PROCEEDS

Not Applicable.

PROFILE

Carroll County School District provides pre-K-12 education to approximately 14,900 students and is comprised

of 23 campuses. Carroll County (Aa2) is located in west Georgia along the Alabama (Aa1 stable) border, approximately 35 miles west of the City of Atlanta (Aa1 stable). The district serves all of Carroll County, except for cities of Carrollton and Bremen, and has an estimated population of 87,070 according to 2015 American Community Survey data.

METHODOLOGY

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in December 2016. The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings published in December 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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