

ISSUER COMMENT

14 May 2019

RATING

General Obligation (or GO Related) ¹

Aaa No Outlook

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Orange City School District, OH

Annual Comment on Orange City SD

Issuer Profile

Orange City School District is located in Cuyahoga County in northeastern Ohio, within the eastern Cleveland metro area. The county has a population of 1,257,401 and a high population density of 2,742 people per square mile. The county's median family income is \$63,764 (2nd quartile) and the March 2019 unemployment rate was 4.5% (3rd quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and manufacturing.

Credit Overview

Orange City SD'S credit position is superior, and its Aaa rating is well above the US school districts median of Aa3. Notable credit factors include a very strong financial position, a very strong wealth and income profile, a solid tax base, a negligible debt burden, and a high pension liability.

Finances: The district has a robust financial position, which is consistent with the assigned rating of Aaa. Orange City SD'S fund balance as a percent of operating revenues (67.5%) is far superior to the US median, and was flat from 2014 to 2018. Also, the cash balance as a percent of operating revenues (68.9%) is far above the US median.

Economy and Tax Base: The district's economy and tax base are exceptionally strong and are comparable to its Aaa rating position. The median family income equates to a robust 201.4% of the US level. Also, Orange City SD'S full value per capita (\$211,809) is materially above other Moody's-rated school districts nationwide, and rose from 2014 to 2018. Lastly, the total full value (\$3.1 billion) is slightly stronger than the US median.

Debt and Pensions: Overall, the debt and pension liabilities of the district are moderate. That said, they are very unfavorable in comparison to the Aaa rating assigned. The net direct debt to full value (0.6%) is materially below the US median, and remained flat from 2014 to 2018. Moreover, Orange City SD'S Moody's-adjusted net pension liability to operating revenues (3.7x) is significantly above the US median.

Management and Governance: Ohio school districts have an Institutional Framework score ³ of A, which is moderate. 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. Some school districts also levy a local income tax, if approved by voters. Revenues and expenditures tend to be predictable. 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; however, the state is targeting the latest increases toward lower-wealth districts. School levy elections are becoming increasingly important throughout the state, and districts with strong voter support for new taxes can best align revenues with expenditures. Competition from charter schools is concentrated in large metropolitan areas. School district pension burdens are high, despite recent reforms including cost of living modifications that highlight the state's legal flexibility to manage pension liabilities.

EXHIBIT 1

Key Indicators 4.5 Orange City SD

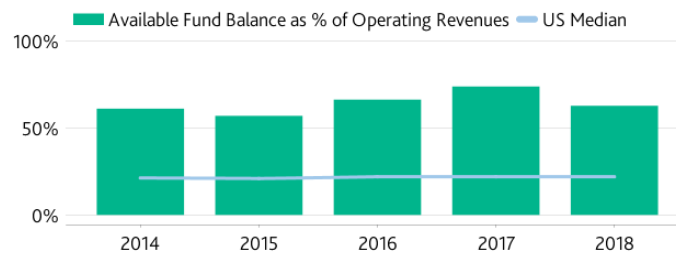
	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$2,890M	\$2,894M	\$3,012M	\$3,043M	\$3,055M	\$1,906M	Improved
Full Value Per Capita	\$202,242	\$201,604	\$209,355	\$214,352	\$211,809	\$84,623	Stable
Median Family Income (% of US Median)	194%	201%	210%	201%	201%	102%	Improved
Finances							
Available Fund Balance as % of Operating Revenues	61.3%	57.1%	66.5%	74.1%	67.5%	22.0%	Improved
Net Cash Balance as % of Operating Revenues	59.0%	52.7%	56.4%	72.2%	68.9%	26.8%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	0.8%	0.8%	0.7%	0.7%	0.6%	1.5%	Stable
Net Direct Debt / Operating Revenues	0.42x	0.39x	0.35x	0.39x	0.32x	0.71x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	N/A	6.7%	6.3%	6.7%	6.7%	2.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	N/A	3.45x	3.24x	3.99x	3.74x	1.42x	Stable
	2014	2015	2016	2017	2018	US Median	
Debt and Financial Data							
Population	14,294	14,356	14,388	14,199	14,426	N/A	
Available Fund Balance (\$000s)	\$33,477	\$32,023	\$38,781	\$38,130	\$36,791	\$8,985	
Net Cash Balance (\$000s)	\$32,226	\$29,525	\$32,922	\$37,156	\$37,533	\$10,862	
Operating Revenues (\$000s)	\$54,639	\$56,047	\$58,338	\$51,491	\$54,496	\$41,251	
Net Direct Debt (\$000s)	\$22,960	\$21,761	\$20,315	\$17,648	\$17,648	\$28,020	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	N/A	\$193,496	\$188,837	\$205,316	\$204,003	\$55,897	

Source: Moody's Investors Service

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EXHIBIT 2

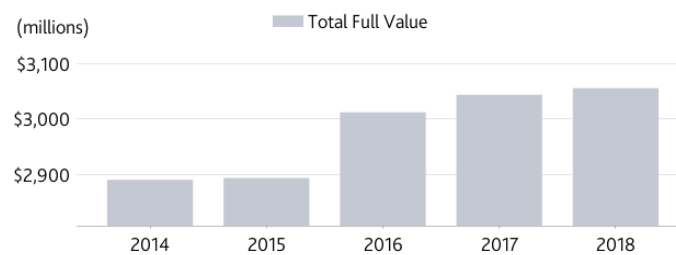
Available fund balance as a percent of operating revenues increased from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

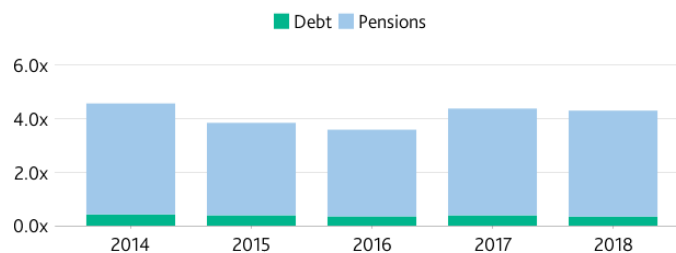
Full value of the property tax base increased from 2014 to 2018



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 2014 to 2018



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 - Property values key to stability, but pension burdens remain a challenge \(March 2018\)](#) which is available on Moodys.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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