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INVESTORS SERVICE

ISSUER COMMENT
20 September 2019

RATING

General Obligation (or GO Related) [1]	
Aa3	No Outlook

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Appomattox County, VA

Annual Comment on Appomattox County

Issuer Profile

Appomattox County is located in central Virginia, midway between Roanoke to the west and Richmond to the east. The county seat of Appomattox is approximately 70 miles east of Roanoke. Appomattox County has a population of 15,462 and a low population density of 46 people per square mile. The county's median family income is $66,409 (2nd quartile) and the July 2019 unemployment rate was 3.6% (2nd quartile) . The largest industry sectors that drive the local economy are retail trade, local government, and farm employment.

Credit Overview

The credit position for Appomattox County is strong. However, its Aa3 rating is slightly weaker than the median rating of Aa2 for counties nationwide. Notable credit factors include a strong financial position, a healthy wealth and income profile and a small tax base. The county's credit position also reflects a low debt burden and a moderate pension liability.

Finances: The county has a strong financial position, which is favorable with respect to its assigned rating of Aa3. The county's cash balance as a percent of operating revenues (32.5%) is consistent with the US median, and grew markedly from 2014 to 2018. Additionally, the county's fund balance as a percent of operating revenues (31.3%) is roughly equivalent to the US median. Because Virginia counties' operating funds include school operations, their median operating fund balance is generally lower than national medians. However, given the strong institutional framework we assign to VA counties, which reflects their significant revenue raising and expenditure cutting abilities, their overall financial positions can remain strong despite lower reserve levels.

Economy and Tax Base: The economy and tax base of the county are adequate and are on par with its assigned rating of Aa3. The full value per capita of the county's tax base ($111,599) is higher than the US median, and increased between 2014 and 2018. Also, the median family income of county residents is a healthy 93.7% of the US median level. Lastly, the total full value of the county's tax base ($1.7 billion) is much smaller than that of other Moody's-rated counties nationwide.

Debt and Pensions: The debt burden of Appomattox County is low and is a modest credit strength with respect to its assigned rating of Aa3. The county's net direct debt to full value (1.2%) is higher than the US median, but favorably declined between 2014 and 2018. Furthermore, the pension liability of the county is moderate and is aligned with its Aa3 rating. The county's Moody's-adjusted net pension liability to operating revenues (1.5x) is consistent with the US median. Because Virginia counties are responsible for school operations, including capital borrowing, their median direct debt burden is generally higher than national medians. However, given the strong institutional framework we assign to VA

counties, which reflects their significant revenue raising and expenditure cutting abilities, their overall debt profile can remain affordable despite elevated debt levels.

Management and Governance: Virginia Counties have an institutional framework score of "Aaa", which is very strong. The sector has one or more major revenue sources that are not subject to any caps. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally less than 25% of expenditures. Unpredictable expenditure fluctuations tend to be minor, or under 5% annually.

Sector Trends - Virginia Counties

Economic growth continues to improve and will match that of the U.S. in 2019. Federal defense stimulus and white-collar industry expansions will reliably drive the improvement. Exposure to federal spending cuts is fading and Virginia remains a desirable place to do business. Projected job growth will benefit counties going forward. Assessed values are expected to grow at a modest 1% to 2% throughout the state as the housing market continues to recover. The economy will continue to perform strongly. Overall, Virginia counties' credit strength will benefit from their typically strong financial management, growing revenues, and fund balances that average 30% of revenues.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

EXHIBIT 1

Key Indicators [2,3] Appomattox County

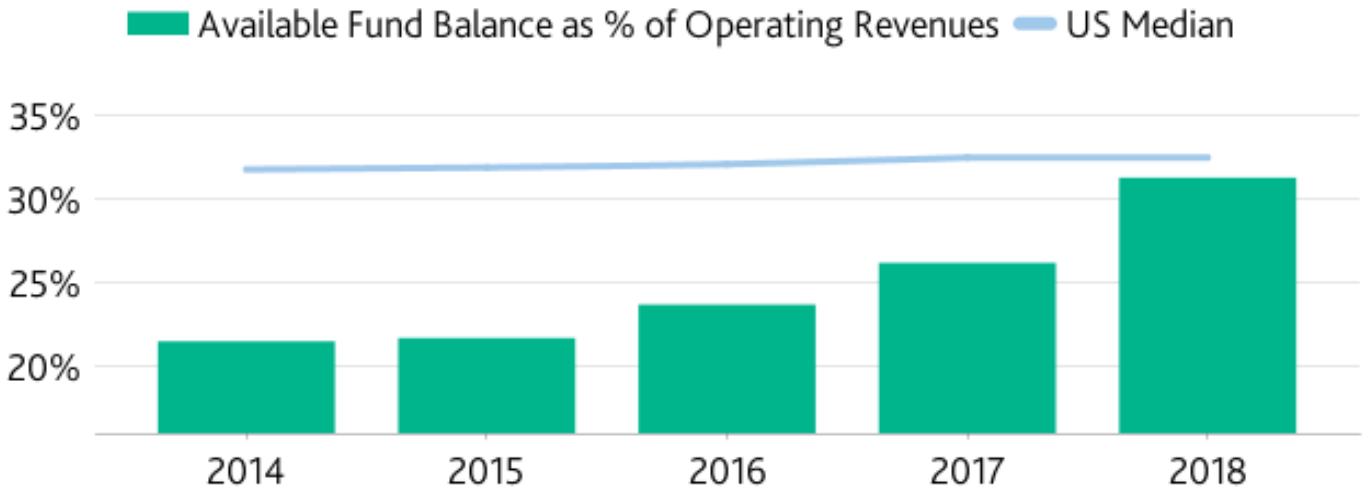
	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	$1,476M	$1,468M	$1,496M	$1,523M	$1,670M	$7,665M	Improved
Full Value Per Capita	$97,545	$96,538	$97,744	$98,514	$111,599	$85,725	Improved
Median Family Income (% of US Median)	90%	90%	92%	94%	94%	93%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	21.5%	21.7%	23.7%	26.2%	31.3%	32.5%	Improved
Net Cash Balance as % of Operating Revenues	21.8%	21.8%	24.0%	27.4%	32.5%	37.8%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	1.9%	1.7%	1.6%	1.4%	1.2%	0.5%	Improved
Net Direct Debt / Operating Revenues	0.79x	0.68x	0.66x	0.57x	0.48x	0.59x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	N/A	3.5%	3.4%	3.9%	3.8%	1.1%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	N/A	1.37x	1.39x	1.54x	1.53x	1.38x	Stable

	2014	2015	2016	2017	2018	US Median
Debt and Financial Data						
Population	15,137	15,208	15,314	15,462	14,973	N/A
Available Fund Balance ($000s)	$7,430	$8,094	$8,722	$10,138	$12,863	$24,307
Net Cash Balance ($000s)	$7,516	$8,131	$8,813	$10,600	$13,383	$27,626
Operating Revenues ($000s)	$34,481	$37,311	$36,753	$38,687	$41,156	$72,972
Net Direct Debt ($000s)	$27,329	$25,464	$24,154	$22,032	$19,863	$40,162
Moody's Adjusted Net Pension Liability (3-yr average) ($000s)	N/A	$51,208	$51,244	$59,553	$62,789	$89,312

Source: Moody's Investors Service

Exhibit 2

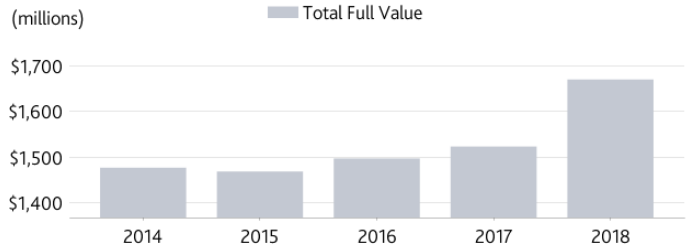
Available fund balance as a percent of operating revenues increased from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

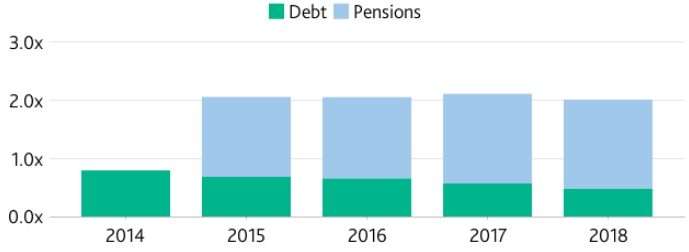
Full value of the property tax base increased slightly from 2014 to 2018



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

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues increased 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 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.

3 The medians come from our most recently published local government medians report, Medians - Tax base growth underpins sector strength, while pension challenges remain (May 2019) 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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