

ISSUER COMMENT

12 July 2021

RATING

General Obligation (or GO Related) ¹

Aa2 No Outlook

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Madison County, MS

Annual Comment on Madison County

Issuer Profile

Madison County is located in west central Mississippi, immediately northeast of Jackson. The county seat of Canton is approximately 20 miles northeast of downtown Jackson. The county has a population of 104,562 and a moderate population density of 146 people per square mile. The county's median family income is \$90,177 (1st quartile) and the May 2021 unemployment rate was 4.7% (2nd quartile) ². The largest industry sectors that drive the local economy are retail trade, manufacturing, and administrative/waste management services.

Credit Overview

Madison County's credit position is very strong, and its Aa2 rating is aligned with the median rating of Aa2 for US counties. The notable credit factors include a robust financial position, an extensive tax base and a strong wealth and income profile. It also reflects a manageable debt burden and a somewhat elevated pension liability.

Finances: The financial position of the county is very healthy and is relatively favorable with respect to the assigned rating of Aa2. The cash balance as a percent of operating revenues (62.6%) is notably above the US median, and saw an increase between 2015 and 2019. Moreover, the fund balance as a percent of operating revenues (59.2%) is much stronger than the US median.

Economy and Tax Base: The economy and tax base of Madison County are very healthy and are a modest credit strength in comparison to the assigned rating of Aa2. The total full value (\$11.8 billion) is slightly above the US median, and rose significantly from 2015 to 2019. In addition, the full value per capita (\$112,387) is stronger than other Moody's-rated counties nationwide while the median family income equals a healthy 116.7% of the US level. Madison County benefits from its proximity to Jackson, the state capital, located in Hinds County, which is adjacent on Madison's southern border.

Debt and Pensions: The debt burden of the county is light and is slightly favorable relative to its Aa2 rating. The net direct debt to full value (0.7%) is consistent with the US median. Yet, the pension liability of Madison County is somewhat inflated and is quite unfavorable in comparison to the assigned rating of Aa2. The Moody's-adjusted net pension liability to operating revenues (1.9x) is unfavorably above the US median. The contribution rate for the pension plan is established by the State of Mississippi Legislature and is below "tread-water", the contribution required to maintain NPL at current levels assuming all other plan assumptions are met. As a result, the county's pension liabilities will continue to grow in future years absent reform at the state level. Significant growth of pension liabilities could present negative pressure on the county's rating.

Management and Governance: Mississippi counties have an institutional framework score ³ of "Aaa", which is very strong. Mississippi counties have a strong degree of revenue raising flexibility given the sector's major revenue source of property taxes is limited by annual operational levy cap of 10% plus new construction. 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. Fixed costs are driven mainly by debt service and pension costs. Unpredictable expenditure fluctuations tend to be moderate, between 5%-10% annually.

EXHIBIT 1

Key Indicators ^{4,5} Madison County

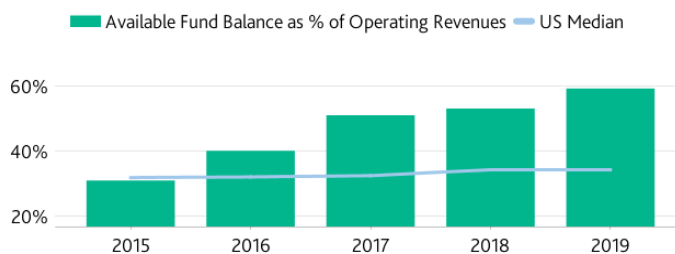
	2015	2016	2017	2018	2019	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$10,012M	\$10,245M	\$10,402M	\$10,862M	\$11,751M	\$8,266M	Improved
Full Value Per Capita	\$99,927	\$100,649	\$101,772	\$104,952	\$112,387	\$88,050	Improved
Median Family Income (% of US Median)	119%	119%	119%	118%	117%	93%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	31.0%	40.1%	51.0%	53.1%	59.2%	34.3%	Improved
Net Cash Balance as % of Operating Revenues	40.7%	54.7%	64.3%	61.5%	62.6%	39.5%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	1.0%	0.9%	0.9%	0.8%	0.7%	0.5%	Stable
Net Direct Debt / Operating Revenues	1.95x	1.96x	1.80x	1.71x	1.49x	0.56x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.8%	0.9%	1.0%	1.0%	0.9%	1.2%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.52x	1.93x	1.96x	2.05x	1.94x	1.39x	Stable
	2015	2016	2017	2018	2019	US Median	
Debt and Financial Data							
Population	100,202	101,791	102,212	103,498	104,562	N/A	
Available Fund Balance (\$000s)	\$16,317	\$19,084	\$26,319	\$27,199	\$33,355	\$26,112	
Net Cash Balance (\$000s)	\$21,383	\$26,009	\$33,160	\$31,511	\$35,265	\$30,464	
Operating Revenues (\$000s)	\$52,587	\$47,558	\$51,569	\$51,223	\$56,297	\$72,972	
Net Direct Debt (\$000s)	\$102,283	\$93,198	\$92,589	\$87,563	\$83,792	\$40,647	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$80,043	\$91,831	\$101,147	\$105,209	\$109,096	\$97,433	

Source: Moody's Investors Service

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.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

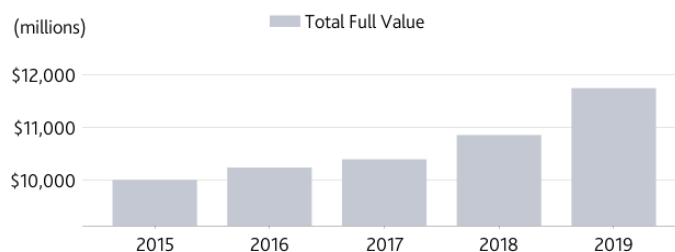
Available fund balance as a percent of operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

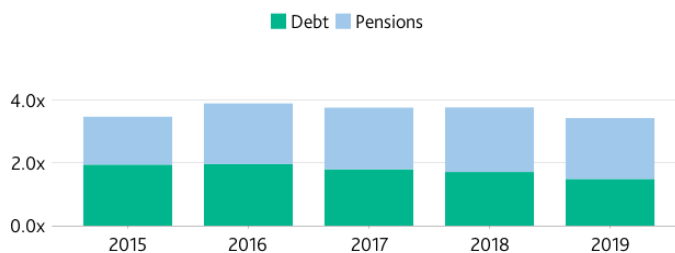
Full value of the property tax base increased from 2015 to 2019



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

EXHIBIT 4

Moody's-adjusted net pension liability and debt to operating revenue remained stable from 2015 to 2019



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

Endnotes

- 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.
 - 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.
- 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 \(July 2020\)](#) methodology report for more details.
 - 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.
 - The medians come from our most recently published local government medians report, [Medians - Tax base expansion bolsters revenue, but pensions remain a hurdle \(May 2020\)](#) 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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