

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's upgrades Wink-Loving ISD, TX's GOULTs to Aa3; outlook stable

21 Aug 2018

Assigns Aa3 underlying/Aaa enhanced to Series 2018 GOULTs

New York, August 21, 2018 -- Moody's Investors Service has upgraded the rating of Wink-Loving Independent School District, TX's unlimited tax bonds to Aa3 from A1 and has assigned the Aa3 underlying rating to the district's \$50 million Unlimited Tax School Building Bonds, Series 2018. Moody's has also assigned a Aaa enhanced rating to the Series 2018 bonds. The outlook is stable.

RATINGS RATIONALE

The upgrade of the underlying rating to Aa3 reflects the district's strong financial and debt management practices which help mitigate the impact of potential tax base volatility stemming from the very high percentage of the district's tax base that is made up of oil and gas reserves. Oil and gas production within the district has increased annually for the past several years. The district's financial position is very strong, particularly compared to true district operations which have been steady. The rating further incorporates the district's rapid debt amortization, manageable fixed costs, and above average resident incomes, all of which further mitigate tax base exposure to oil and gas values.

The Aaa enhanced rating is based on the rating of the Texas Permanent School Fund and the structure and legal protections of the transaction which provide for timely payment by the PSF if necessary. Moody's currently rates the Permanent School Fund Aaa. For additional information on the PSF program, please see Moody's Credit Opinion on the Texas Permanent School Fund dated March 5, 2018.

RATING OUTLOOK

The stable outlook reflects the expectation that while highly vulnerable to fluctuations in the oil and gas industry and possible tax base contraction, the district will continue to benefit from conservative financial management and retain strong financial flexibility based on the state funding formula and accumulated reserves.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Significant diversification of the tax base

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Substantial deterioration of reserves
- Significant tax base contraction

LEGAL SECURITY

The bonds are secured by the proceeds of a direct annual ad valorem tax levied against all taxable property within the district without limitation as to rate or amount.

USE OF PROCEEDS

Proceeds will be used to construct a new elementary school and several other facilities.

PROFILE

Wink-Loving ISD serves all of Loving County and a portion of Winkler County in the Permian Basin region of west Texas. As of fiscal 2018, enrollment within the district was 431 students.

METHODOLOGY

The principal methodology used in the underlying ratings was US Local Government General Obligation Debt published in December 2016. The principal methodology used in the enhanced ratings was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts published in May 2017. Please see the Rating Methodologies page on www.moody.com for a copy of these methodologies.

REGULATORY DISCLOSURES

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Sarah Jensen
Lead Analyst
Regional PFG Dallas
Moody's Investors Service, Inc.
Plaza Of The Americas
600 North Pearl St. Suite 2165
Dallas 75201
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Thomas Jacobs
Additional Contact
Regional PFG Northeast
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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