

ISSUER COMMENT

15 March 2019

RATING

General Obligation (or GO Related) ¹

Aa3 No Outlook

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Town of Lincoln, NH

Annual Comment on Lincoln

Issuer Profile

The Town of Lincoln is located in Grafton County in northern New Hampshire's White Mountain National Forest, approximately 75 miles north of Manchester. The county has a population of 89,280 and a low population density of 52 people per square mile. The county's median family income is \$77,742 (1st quartile) and the December 2018 unemployment rate was 1.8% (1st quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and educational services.

Credit Overview

Lincoln has a healthy credit position, and its Aa3 rating is equivalent to the median rating of Aa3 for cities nationwide. Notable credit factors include a robust financial position, an extremely small debt burden, a mid-ranged pension liability, and a modestly sized tax base with an adequate wealth and income profile.

Finances: The financial position of Lincoln is very strong and is a strength in comparison to the assigned rating of Aa3. The town's fund balance as a percent of operating revenues (68.6%) is far superior to the US median, and increased significantly between 2013 and 2017. In addition, the cash balance as a percent of operating revenues (103.4%) is far above other Moody's-rated cities nationwide.

Debt and Pensions: The debt burden of the town is negligible and is quite favorable in comparison to its Aa3 rating. The net direct debt to full value (0.5%) is lower than the US median, and remained flat from 2013 to 2017. Lincoln has a moderate pension liability which is in line with the assigned rating of Aa3. The Moody's-adjusted net pension liability to operating revenues (0.97x) is favorably below the US median.

Economy and Tax Base: The town's economy and tax base are healthy overall and are comparable to its Aa3 rating. The full value per capita (\$626,160) is materially above the US median, and was flat between 2013 and 2017. Yet, the total full value (\$837 million) is weaker than other Moody's-rated cities nationwide, and the median family income equals just 81.8% of the US level.

Management and Governance: New Hampshire cities have an Institutional Framework score ³ of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. New Hampshire cities major revenue source is property taxes. Some cities have adopted local tax caps tied to a three-year average of the CPI-U index. The cap allows for moderate revenue-raising ability, can be overridden by a two-thirds vote of the city council and does not limit the city's obligation to pay debt service in accordance with the Municipal Finance Act. 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. However, New Hampshire has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - New Hampshire Cities

New Hampshire's economy continues to expand, largely attributed to the southeastern region of the state which benefits from the vibrant Boston economy. Job creation in manufacturing and a highly educated labor force will help fuel income gains and housing appreciation. Over the long-term the state's low tax burden will position the state favorably for continued economic improvement compared to other northeastern states. Cities will continue to rely on modest tax increases and a generally positive trend in property valuation to maintain balanced financial operations. Pension liabilities will continue to be slightly above the national median given the unfunded liability of the state's retirement system.

EXHIBIT 1

Key Indicators ⁴ ⁵ Lincoln

	2013	2014	2015	2016	2017	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$794M	\$763M	\$816M	\$886M	\$837M	\$1,867M	Improved
Full Value Per Capita	\$628,256	\$582,889	\$607,097	\$663,217	\$626,160	\$89,200	Stable
Median Family Income (% of US Median)	70%	74%	84%	82%	82%	113%	Improved
Finances							
Available Fund Balance as % of Operating Revenues	52.9%	54.2%	66.1%	70.5%	68.6%	33.9%	Improved
Net Cash Balance as % of Operating Revenues	82.2%	91.9%	95.0%	72.5%	103.4%	36.9%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	0.5%	0.5%	0.4%	0.5%	0.5%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.61x	0.55x	0.48x	0.73x	0.63x	0.88x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.8%	0.9%	0.8%	0.7%	0.7%	1.8%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.07x	1.09x	1.00x	0.93x	0.97x	1.51x	Stable

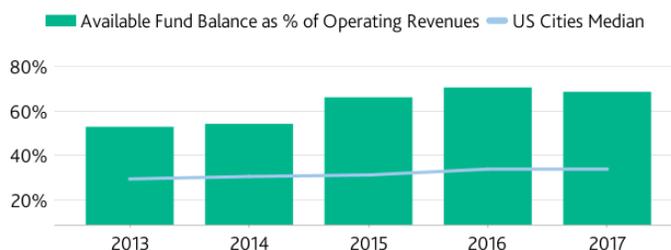
	2013	2014	2015	2016	2017	US Median
Debt and Financial Data						
Population	1,264	1,309	1,345	1,337	1,337	N/A
Available Fund Balance (\$000s)	\$3,217	\$3,432	\$4,152	\$4,625	\$4,451	\$7,419
Net Cash Balance (\$000s)	\$5,000	\$5,814	\$5,963	\$4,758	\$6,711	\$8,404
Operating Revenues (\$000s)	\$6,082	\$6,328	\$6,279	\$6,558	\$6,489	\$21,930
Net Direct Debt (\$000s)	\$3,681	\$3,503	\$2,999	\$4,762	\$4,101	\$18,580
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$6,526	\$6,876	\$6,264	\$6,122	\$6,268	\$32,507

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

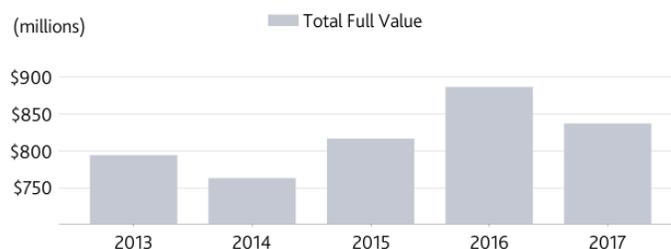
Available fund balance as a percent of operating revenues increased from 2013 to 2017



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

Full value of the property tax base increased from 2013 to 2017



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

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues was stable from 2013 to 2017



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 \(December 2016\)](#) 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 - 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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