

Research Update:

Carroll County, TN Series 2025 Electric System Revenue And Tax Bonds Assigned 'AA-' Rating

September 25, 2025

Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to Carroll County, Tenn.'s \$10.0 million series 2025 electric system revenue and tax bonds.
- The outlook is stable.

Rationale

Security

The series 2025 guaranteed electric system revenue and tax bonds are secured by a pledge of the net revenues of the county's electric distribution system. An additional pledge of the county's unlimited ad valorem taxes levied on all taxable property secures the bonds should revenues from the system be insufficient.

Our rating on the 2025 guaranteed electric system revenue and tax bonds is based on the pledge of the county, which we view as the stronger security as per our criteria for multiple revenue streams.

Proceeds from the bonds will be used for improvements and extensions of the electric distribution system.

Credit highlights

The 'AA-' rating reflects Carroll County's positive general fund performance, credit-supportive reserves, and small debt burden with low costs, but is offset by its limited economy with incomes below those of higher-rated peers and adequate financial policies and planning. The county once again reported positive performance in the general fund in fiscal 2024 (June 30), which management attributes to its cautious budgeting practices, revenue growth from rising assessed values (AV), and the receipt of several state grants. The county's largest general fund revenue source in fiscal 2024 was property taxes (32% of total revenue), followed by state sources (29%), fees from other county offices (7%), sales taxes (5%), and a wheel tax (4%).

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In fiscal 2025, officials expect to report another general fund surplus, though not as strong as in prior years, driven by cautious budgeting and revenue exceeding the budget. In fiscal 2026, the budget calls for a one-time spend down of about \$5.5 million in reserves for fire equipment purchases. While this will reduce the county's reserve position, we do not expect it to affect its credit quality due to it being one-time in nature and the county's currently robust reserve position, which we expect will remain healthy heading into fiscal 2027.

The 'AA-' rating reflects our view of the following:

- Limited economy in northwestern Tennessee with gross county product (GCP) and incomes below national averages. The county is rural in nature, with much of it being farmland. Its largest GCP sector is finance and insurance (21% of GCP), followed by public administration (19%), education and health care services (15%), and manufacturing (11%). Management reports limited economic development, though Granges, the top taxpayer in the county, recently completed an expansion and officials note other smaller-scale manufacturing developments. Since 2020, AV has increased by \$31.6 million, or 7.1%, to \$479.0 million in 2025.
- Some financial policies and practices, but lacking financial planning. Cautious budgeting practices using a line-item budgeting approach, with up to five years of historical data, and officials provide the finance committee with a monthly budget-to-actual report. The county maintains a formal debt policy but lacks formal investment or fund balance policies, though it aims to maintain at least 15% in the unassigned fund balance, a target it is currently meeting. Officials do not maintain formal capital or long-term financial plans. In our view, the county continues to take steps to mitigate exposure to cyber security risks.
- After this issuance, net direct debt is expected to be \$14.6 million, and fixed costs are low. We expect revenue from the electric system to be sufficient to cover debt services, but should revenues be insufficient it could pressure the county's budget; however, we consider this unlikely at this time. Unlike most counties in Tennessee, Carroll County does not have to issue debt for its schools, as all schools within the county are special school districts. Pensions are well funded and not a credit pressure at this time.
- For more information on our institutional framework assessment for Tennessee municipalities, see "[Institutional Framework Assessment: Tennessee Local Governments](#)," Sept. 11, 2024.

Environmental, social, and governance

We view environmental, social, and governance factors as neutral in our credit rating analysis. In our view, oversight provided by the Tennessee comptroller's offices provides a basis for strong governance across the state. We note that the county is slightly more exposed to severe rainfall and flooding compared to most credits across the country, but we do not view its overall environmental physical risks as elevated.

Outlook

The stable outlook reflects our view that the county will maintain at least structurally balanced operations, with maintenance of healthy reserves. Further stability is provided by the county's low fixed costs.

Downside scenario

We could take a negative rating action if the county's encounters budgetary pressure for any reason, resulting in a drawdown in reserves beyond current expectations to levels we no longer view as credit-supportive.

Upside scenario

While we view this as unlikely at this time, we could raise the rating if the county's economic indicators, particularly its incomes, strengthen and align with those of higher-rated peers and the county implements comprehensive forward-looking financial and capital planning.

Carroll County, Tennessee--Credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.72
Economy	6.0
Financial performance	2
Reserves and liquidity	1
Management	3.35
Debt and liabilities	1.25

Carroll County, Tennessee--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	37	--	37	37
County PCPI % of U.S.	63	--	63	64
Market value (\$000s)	2,634,146	2,634,146	2,181,248	2,087,161
Market value per capita (\$)	92,323	92,323	78,417	75,035
Top 10 taxpayers % of taxable value	--	--	--	--
County unemployment rate (%)	4.0	4.0	4.0	3.9
Local median household EBI % of U.S.	73	73	70	70
Local per capita EBI % of U.S.	74	74	69	68
Local population	28,532	28,532	--	27,816
Financial performance				
Operating fund revenues (\$000s)	--	16,118	14,940	12,552
Operating fund expenditures (\$000s)	--	15,297	13,017	11,785
Net transfers and other adjustments (\$000s)	--	837	417	719
Operating result (\$000s)	--	1,658	2,340	1,486
Operating result % of revenues	--	10.3	15.7	11.8
Operating result three-year average %	--	12.6	--	--
Reserves and liquidity				
Available reserves % of operating revenues	--	59.8	55.7	52.8
Available reserves (\$000s)	--	9,636	8,318	6,628
Debt and liabilities				
Debt service cost % of revenues	--	2.0	2.1	6.8

Carroll County, Tennessee--Key credit metrics

	Most recent	2024	2023	2022
Net direct debt per capita (\$)	513	176	194	198
Net direct debt (\$000s)	14,637	5,030	5,408	5,521
Direct debt 10-year amortization (%)	47	75	70	63
Pension and OPEB cost % of revenues	--	--	--	--
NPLs per capita (\$)	--	41	42	20
Combined NPLs (\$000s)	--	1,174	1,174	562

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings	
US\$9.995 mil elec sys rev and tax bnds ser 2025 due 06/01/2045	
Long Term Rating	AA-/Stable
New Rating	
Pooled	
Carroll County, TN Electric System Revenues and Unlimited Tax General Obligation	AA-/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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