

Research Update:

Union County, TN Series 2025 GO School Bonds Assigned 'AA-' Rating; Outlook Stable

July 30, 2025

Overview

- S&P Global Ratings assigned its 'AA-' rating to [Union County](#), Tenn.'s \$9.75 million series 2025 general obligation (GO) school bonds .
- The outlook is stable.
- The rating reflects the application of our criteria, "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

Rationale

Security

The GO bonds are a full-faith-and-credit obligation of Union County, payable from unlimited ad valorem property taxes.

The series 2025 bond proceeds will fund the ongoing construction of the county's new middle school.

Credit highlights

The rating reflects Union County's stable financial position with the ability to cash fund capital projects, low debt burden, and below-average economic metrics. In fiscal 2024, the county reported a \$1.4 million deficit, resulting in a fund balance of about \$3.7 million, post transferring \$2.46 million to its capital projects fund. Fiscal 2025 projections reflect a slight general fund deficit after a \$2 million transfer to the capital projects fund. County officials estimate fiscal 2025's ending fund balance will be approximately \$3.5 million. The 2026 budget reflects balanced operations and county officials have no significant plans to draw down on reserves. Future credit quality reviews will assess Union County's ability to address the county's capital needs without significant deterioration of its financial profile.

The rating further reflects our view of the following:

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- Union County is located between the Appalachian and Cumberland mountains and approximately 25 miles north of the city of Knoxville. Its market values have increased about 20% over the past three years. Officials report favorable economic momentum given the widening of Highway 33, which will connect to the interstate and attract visitors to the county. Officials expect modest increases in market values in the coming years and report several residential developments will be completed in the near term. Despite ongoing developments and population growth, we view the county's local economy as limited and consider income levels to be below the national average.
- Management is conservative and proactive with its forward-looking budgeting, some long-term planning, and formal policy framework. Union County has well-founded budget assumptions based on historical trends and reasonable projections, and it reports budget-to-actual performance to the board monthly. The county also has formal debt and reserve policies. The reserve policy calls for maintaining general fund reserves at 35%-45% of expenditures. The county is working on a five-year long-term capital plan to account for upcoming HVAC, roofing, and jail projects.
- The debt burden is expected to remain low and manageable despite upcoming capital needs. Including this issuance, Union County's net direct debt per capita is \$973, which we consider low. Debt service costs are about 5% of revenues. The county plans to issue an additional \$6 million school bonds in 2026 to complete the middle school project. Within the next five years, it will issue about \$30 million to break ground on building a new jail. County officials are currently assessing the total cost and funding sources for the project.
- Minimal pension and other postemployment benefit costs. Union County participates in the Public Employee Pension Plan of the Tennessee Consolidated Retirement System, which is an agent multiple-employer plan. As of 2023, the county's component is 96% funded.
- 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 within our analysis.

Outlook

The stable outlook reflects S&P Global Ratings' view that Union County will experience tax base growth, which will generate revenues further supporting its positive operations.

Downside scenario

We could lower the rating if the county's financial position weakens and reserves decline beyond current expectations.

Upside scenario

We could raise the rating if Union County's economy were to significantly expand and diversify, coupled with stronger sociodemographic metrics in line with those of higher-rated peers, barring deterioration to other credit factors.

Union County, Tennessee--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.65
Economy	6.0
Financial performance	2
Reserves and liquidity	1
Management	3.00
Debt and liabilities	1.25

Union County, Tennessee--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	26	--	26	25
County PCPI % of U.S.	63	--	63	62
Market value (\$000s)	1,917,994	1,917,994	1,888,491	1,710,961
Market value per capita (\$)	90,955	90,955	90,913	83,169
Top 10 taxpayers % of taxable value	3.2	3.2	--	--
County unemployment rate (%)	3.5	3.5	3.3	3.4
Local median household EBI % of U.S.	74	--	74	75
Local per capita EBI % of U.S.	71	--	71	74
Local population	21,087	21,087	20,772	20,572
Financial performance				
Operating fund revenues (\$000s)	--	11,330	9,487	8,869
Operating fund expenditures (\$000s)	--	10,320	9,072	7,781
Net transfers and other adjustments (\$000s)	--	(2,481)	258	(798)
Operating result (\$000s)	--	(1,471)	673	290
Operating result % of revenues	--	(13.0)	7.1	3.3
Operating result three-year average %	--	(0.9)	7.3	6.6
Reserves and liquidity				
Available reserves % of operating revenues	--	33.2	56.7	55.7
Available reserves (\$000s)	--	3,756	5,376	4,943
Debt and liabilities				
Debt service cost % of revenues	--	3.7	4.1	5.4
Net direct debt per capita (\$)	973	117	153	188
Net direct debt (\$000s)	20,516	2,467	3,169	3,871
Direct debt 10-year amortization (%)	40	100	100	100
Pension and OPEB cost % of revenues	--	1.0	1.0	2.0
NPLs per capita (\$)	--	26	26	--
Combined NPLs (\$000s)	--	538	538	--

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.

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Ratings List

New Issue Ratings

US\$9.75 mil GO sch bnds ser 2025 due 06/01/2045

Long Term Rating	AA-/Stable
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