

RatingsDirect®

Summary:

Barrow County, Georgia; General Obligation; General Obligation Equivalent Security

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Credit Profile

Barrow Cnty GO RFDG bnds ser 2012

Long Term Rating AA-/Stable Upgraded

Barrow Cnty GO

Unenhanced Rating AA-(SPUR)/Stable Upgraded

Winder-Barrow Cnty Jt Dev Auth, Georgia

Barrow Cnty, Georgia

Winder-Barrow Cnty Jt Dev Auth (Barrow Cnty) GO (ASSURED GTY)

Unenhanced Rating AA-(SPUR)/Stable Upgraded

Winder-Barrow Indl Bldg Auth, Georgia

Barrow Cnty, Georgia

Winder-Barrow Indl Bldg Auth (Barrow Cnty) (Barrow Cnty Economic Dev Proj) ser 2006

Unenhanced Rating AA-(SPUR)/Stable Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its long-term rating and underlying rating (SPUR) to 'AA-' from 'A+' on Barrow County, Ga.'s existing general obligation (GO) debt based on the application of our local GO criteriareleased Sept. 12, 2013. At the same time, Standard & Poor's raised its SPUR to 'AA-' from 'A+' on Winder-Barrow County Joint Development Authority, Ga.'s series 2010 refunding revenue bonds and Winder-Barrow Industrial Building Authority's series 2006 taxable revenue bonds, supported by the county. The outlook is stable.

The unlimited ad valorem tax pledge of the county secures the county's GO bonds and the industrial building authority's bonds. A 1-mill limited-tax ad valorem pledge of the county secures the joint development authority's bonds. Based on the county's fiscal 2013 net maintenance and operations tax digest, 1 mill provides 1.20x coverage (assuming a 94% collection rate, which is consistent with historical trends) of maximum annual debt service (MADS) on the bonds. Given current coverage levels, we are not making a distinction between the rating on the 1-mill limited-tax pledge and the rating on the county's GO debt. However, if coverage levels decrease, we could make a distinction between the two ratings.

The rating reflects our assessment of the following factors for the county:

- Adequate economy in light of projected per capita effective buying income at 77% of the national level and market value per capita of \$61,000. The county also has access to the broad and diverse Atlanta metropolitan area for employment, and its unemployment rate for calendar 2013 was 7.4%. The leading employment sectors in the

county include government, manufacturing, retail trade, and health care.

- Adequate management conditions and we consider the county's financial management practices "standard" under our financial management assessment (FMA) methodology, indicating our view that the finance department maintains adequate policies in some, but not all, key areas. The county recently adopted a policy targeting maintenance of available reserves equal to at least 30% of expenditures.
- Very strong budgetary flexibility, with available reserves above 15% of general fund expenditures for the past three audited years (since fiscal 2011) and with no plans to significantly spend them down below a level we consider to be very strong. The audited fiscal 2013 available general fund balance was approximately \$9.7 million or close to 30% of general fund expenditures. For fiscal 2014, management anticipates that reserves will remain close to 2013 levels.
- Strong budgetary performance, with a fiscal 2013 surplus of 2.8% for the general fund and a concurrent surplus of 0.1% for the total governmental funds when smoothing for capital expenditures. The county incurred three consecutive net operating surpluses from fiscal years 2011 to 2013, resulting in an addition to available reserves. The county has budgeted to end fiscal 2014 with balanced results. Property taxes continue to be the county's largest source of operating revenue, accounting for 52% of general fund revenues in 2013. Capital needs are largely funded with revenues from a 1% special purpose local option sales tax (SPLOST).
- Supporting the county's finances is its liquidity that we consider very strong, with total government available cash at more than 15% of total governmental fund expenditures and more than 120% of debt service at the end of 2013. Based on past debt issuances, we believe that the county has strong access to capital markets to provide for liquidity needs if necessary.
- In our opinion, the county's debt and contingent liability profile is weak, with total governmental fund debt service at 12.5% of total governmental fund expenditures and net direct debt at 175% of total governmental fund revenue. We note that a significant portion of the county's GO debt is paid from dedicated SPLOST revenues. We understand that the electorate approved an extension of the SPLOST program through July 2018 via a referendum held in March 2011. Management reports that the county has no plans to issue additional debt in the near future.
- Barrow County participates in Association County Commissioners of Georgia pension plan, which was 73% funded as of the Jan. 1, 2013, actuarial valuation. It has contributed its full annual required contribution (ARC) in each of the past two years. The combined ARC pension and pay-as-you-go other postemployment benefits costs for fiscal 2013 were 3.5% of total governmental funds expenditures, and we do not anticipate that these costs will increase substantially in the near term.
- We consider the Institutional Framework score for Georgia counties to be very strong. See Institutional Framework score for Georgia.

Outlook

The stable outlook reflects our view of the county's continued consistent financial performance that has contributed to what we consider very strong budgetary flexibility. The outlook also reflects the county's very strong liquidity profile with access to a broad and diverse metropolitan economy. We do not anticipate raising our ratings during the two-year outlook horizon because of the county's economic profile, and do not anticipate lowering our ratings unless the county's budgetary performance and flexibility significantly deteriorates.

Related Criteria And Research

Related Criteria

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Georgia Local Governments

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