My Credit Profile

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19 Small Or Rural Mid-Atlantic Municipalities Are Upgraded On Criteria Revision And Financial Stability

Publication date: 22-Jan-2009

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Standard & Poor's Ratings Services has raised its ratings on general obligation (GO) bonds issued by 19 municipalities in Mid-Atlantic states that have previously been constrained by their small size or remote location. These upgrades reflect our continued review of issuers for whom the significance of their small size and more-remote location has lessened in our analysis, as well as our view that many Mid-Atlantic municipalities have maintained strong ratios in key GO performance measures (see table 1).

Despite disruptions in the financial markets and the U.S. recession, Standard & Poor's believes that stability and sound management practices characterize many governments and that most will successfully manage though current events. Therefore, we expect that each issuer whose debt is upgraded can withstand these challenges in a manner commensurate with the elevated rating.

Our rating actions will remain cautious and prudent. Upgrades, when, and if, they occur, will be for credits that we deem well positioned to manage through current conditions. Our actions will be based, in part, on communications with each issuer to understand their circumstances better. Previously, we constrained the ratings on the debt issued by some of these issuers because of the municipality's size and/or location. We believe, however, these entities have proven themselves worthy of a higher rating because of their strong and stable financial positions and generally high reserves, coupled with low debt burdens and very limited capital plans (see table 2).

In other cases, positive trends in several key ratios led to the upgrades. In general, economic activity throughout Mid-Atlantic States remains stable with average unemployment, a moderate effect from the housing slowdown to date, and strong overall tax receipts, which, we believe, serve to stabilize revenues further.

Municipalities Benefit From Economic Diversification

The Mid-Atlantic region has benefited from a growing and diversifying economy. In our view, major growth drivers, specifically in the small and rural municipalities of North Carolina, South Carolina, and Georgia, include:

- A strong military presence that has, for the most part, benefited from base realignment and closure;
- A strong port and related distribution industry tied to Savannah and Charleston;

- A stable and affordable tourism component with attractive "drive-to" coastal destinations; and
- A manufacturing sector that has fed off the economic expansions of Atlanta, Raleigh, Charlotte, and other active metropolitan regions.

Excluding the coastal areas, the majority of the municipalities whose ratings we have raised had at least some historical dependence on the textile industry, which has, for the most part, been offshored in recent years. In our opinion, the municipalities we have identified for upgrading have demonstrated economic resilience and stability through the region's last economic transformation; and they no longer depend on the benefits of one volatile industry, further stabilizing their creditworthiness. The affordability of the Mid-Atlantic region remains one of its attractions to new development, which provides comfort with the just-adequate income and wealth indicators broadly attributable to each of these issuers.

Due to stable or growing tax revenues, many of these municipalities have seen strengthening financial performance in recent years, leading to healthy fiscal positions that we believe will provide an adequate cushion to weather the current national economic downturn. Despite disruptions in the financial markets and a weakening economy, we believe these credits have demonstrated some combination of the following credit strengths:

- Stability or expansion of economic base;
- Strong financial performance;
- Good management policies and performance that, in part, have led to overall strong and stable financial profiles; and
- Low to moderate debt burden.

Trend Of Solid Finances And Stability

While relative size and location are still important factors in our analysis, overall we believe that municipalities that lack heft and/or a favorable location can, in fact, be as strong -- or stronger in some cases -- than their large urban counterparts. The key to achieving a higher rating in our analysis is for a municipality to demonstrate what we view as stability, both economic and financial. The upgraded credits listed in table 1 reflect rating changes based on our view that the issuer has demonstrated a trend of solid financial position and a stable economy. (For more information, see the article "Criteria: Key General Obligation Ratio Credit Ranges—Analysis vs. Reality," published April 2, 2008, on RatingsDirect.)

Historically, we have viewed small municipalities as having weaker credit quality due to their smaller tax and population bases. Although these factors can limit some credits, we believe many municipalities still exhibit strong and stable credit quality despite their smaller size. We consider a small-sized community to be a municipality with fewer than 15,000 residents or a total market value of less than $500 million. In our view, these credits can, and often do, exhibit many of the same economic and financial strengths as their larger counterparts. For smaller-sized credits, however, we believe stability and flexibility can be of even greater importance if they lack the economic diversity found in their larger sized brethren. The key to a higher rating, in our opinion, is achieving a balance between location and economic opportunity that helps maintain financial stability. (For more information, see the article "Does Bigger Always Mean Better? Sizing up the Impact of Size on Municipal Ratings," published April 22, 2008, on RatingsDirect).

Prior to these upgrades, our analysis assumed that, without access to a metropolitan center, the ratings of many rural or nonurban credits were constrained by what we considered economic isolation. We consider a rural or nonurban credit to be a municipality not in a metropolitan statistical area or located beyond the borders of exurbia. Although, in our view, location remains an important credit factor when considering a rating, we no longer believe it to be the overriding factor. While we believe that limited access to a metropolitan area can restrict access to a larger employment base, in our view, it does not necessarily translate into a less-stable economy. (For more information, see the article "Location, Location, Location: What Does it Mean for my Community's Rating," published April 22, 2008, on RatingsDirect).

Issuer Review

Table 1 | Download Table

Issuer/Current Rating/Comments	Previous Rating	Primary Analyst
Gordon County, GA (AA-/Stable)		

Gordon County is located in the northwest corner of Georgia, approximately 60 miles northwest of Atlanta and 45 miles south of Chattanooga, Tenn. The local economy is heavily concentrated in manufacturing -- specifically carpet and rug manufacturing. The two leading employers, Mohawk Industries and Shaw Industries, account for 18% of employment. Although they have not had layoffs in Gordon County, they have laid off and even ceased operations at other plants in Georgia and nationwide. Income levels are in our view good, with median household effective buying income at 91% of the national average. Property wealth is also what we consider strong, with a per capita market value of $69,617. We believe the county’s financial position is very strong, with an unreserved general fund balance of $15 million at June 30, 2008, or 55% of expenditures. The county also has a very favorable debt position, with a very low debt burden of $528 per capita and 0.8% of market value (MV).	A/Stable	Jesse Brady
Habersham County, GA (A+/Stable)		
Habersham County is located about 85 miles northeast of Atlanta. Since 2000, the population has grown 13% to 40,544 in 2007. The economy is concentrated in the service and manufacturing sectors, accounting for 21% and 20% of employment, respectively. Median household income is adequate in our opinion at 86% of the national average. We believe property wealth, measured by per capita market value, to be very strong at $100,000. We believe the county’s financial position has been very strong with the unreserved fund balance averaging 37.4% of expenditures over the past four fiscal years. Fiscal 2007 closed with a slight drawdown in fund balance, due to a land purchase which will be used for a future industrial park. Officials expect fiscal 2008 to have closed with an operating surplus of approximately $600,000, lending to an even stronger financial position. The county secures its Hospital Authority's debt, though hospital revenues have been sufficient to cover debt service and have not required county subsidies. We believe the county’s debt burden to be moderate at $3,100 per capita and 3.5% of MV.	A-/Stable	Jesse Brady
Monroe, GA (A/Stable)		
The city of Monroe, with a population of 12,662 in 2007, is located 45 miles east of Atlanta in Walton County. Historically a manufacturing-based economy, the city’s local economy reflects a growing service sector (currently 32% of employment). In our view, the city’s tax base has displayed strong growth over the past four years, averaging 12.5% annually to a total market value of $865 million in 2007, and is expected to continue due to the commercial development spurred by the recent groundbreaking of a new $100 million hospital. Despite what we consider a strong per capita market value of $68,000 indicating somewhat above-average property wealth, median household effective buying income is, in our view, adequate at 69% of the national average. While we still consider Monroe’s current financial position to be very strong with an unreserved fund balance equal to 15.7% of expenditures, it has been steadily trending downwards. Overall net debt is in our view low at $1,844 per capita and 2.7% of market value.	BBB+/Stable	Jesse Brady
Beaufort County, NC (A+/Stable)		
With a population of 46,547 in 2007, Beaufort County’s economy is primarily manufacturing-based, with agriculture and phosphate mining also playing important roles. Income levels are in our view adequate, with median household effective buying income at 75% of the national average. The property tax base has seen modest growth over the past four years, averaging 4% annually to $3.5 billion in fiscal 2008. Per capita market value is a strong $77,000. We believe the county has very favorable financial and debt positions. Reserve levels are very strong with an unreserved fund balance equal to 34% of expenditures in fiscal 2007. We believe the county's overall net debt burden to be low at $1,046 per capita and 1.4% of market value.	A/Stable	Jesse Brady
Bessemer, NC (A+/Stable)		
The city has in our view a strong manufacturing base, which accounted for approximately 20% of employment in 2005, down from 38% in 1991, and continues to see industrial development. The tax base is anchored by a Dole Food processing center and FMC Lithium, which together account for 24% of the city’s assessed valuation. Wealth levels are what we consider adequate, with household effective buying income at 76% of the national average, while market value per capita is equal to $53,823. The city’s financial profile, while on a limited budget, is in our view strong, with unreserved fund balance levels consistently above 30% of expenses. We believe the debt burden is low at only $169 per capita and 0.3% of market value. The city expects all debt to be amortized within 10 years.	BBB+/Stable	Armen Hratchian
Bladen County, NC (A+/Stable)		
Bladen County (population: 33,114) is located in midway between Fayetteville and Wilmington. The county has historically centered around agriculture but has more recently shifted toward manufacturing. Wealth levels remain in our view adequate at 68% of the national level. Unemployment has historically averaged slightly above the state at 7.1% in fiscal 2007. A revaluation in 2008 increased the tax base by 38.6% to $2.5 billion, which translates into what we consider a strong per capita market value of $77,610. The county’s financial position has improved after two deficits in fiscal 2006 and 2007. It closed unaudited fiscal 2008 with a surplus of $2.3 million mainly due to a 17% increase in property tax revenues. Fund balance	A/Stable	Marilyn Cruz

levels remained in our view very strong at $12.6 million, or 34% of operating expenditures. We understand that the county currently has no long-term debt plans.		
Craven County, NC (AA/Stable)		
Craven County is located in eastern North Carolina, and had a population of 90,571 in 2007. While manufacturing plays a small role, the economy is dominated by stable government jobs -- specifically military. The U.S. Marine Corps Air Station at Cherry Point is the county's leading employer. The county expects there to be base expansions that will likely result in the addition of more than 2,000 residents in the next two years, and residential development activity reflects this expectation. Income levels are in our view adequate, with median household effective income at 88% of the national average. Per capita market value is what we consider strong at $69,415. We believe the financial position remains very strong, with an unreserved fund balance of $17.8 million -- equal to 20% of expenditures at the close of fiscal 2008. The fiscal 2009 budget was balanced with a $1 million fund balance appropriation. The county's debt burden is low at $1,218 per capita and 1.6% of market value.	A+/Stable	Jesse Brady
Emerald Isle, NC (AA/Stable)		
Emerald Isle is a beach community on Bogue Banks, which is a 25-mile barrier island off North Carolina's central coast. The town's permanent population is 3,752 and is estimated to swell up to 40,000 during summer. Wealth and income levels are what we consider strong at 125% and 142% of the nation, respectively. AV increased by 180% in fiscal 2008 due to a revaluation, to $4.3 billion. Fiscal 2008 operations resulted in a surplus of $196,000, increasing the reserves to $2 million -- all unreserved, which represents a very strong 33% of expenditures. Management adopted a balanced fiscal 2009 general fund budget of $7.7 million. More recently, management proposed and the board approved a $170,000 budget reduction. The overall net debt is moderate at $2,205 but low at 0.2% on a market value basis.	A+/Stable	Marilyn Cruz
Graham, NC (AA/Stable)		
The city sits conveniently on the I-40 corridor, approximately 20 miles from Greensboro to the west and 30 miles from Chapel Hill to the east. The access to major employment centers has transformed the city in recent years from a textile-based economy to a bedroom community, as the tax base has expanded and become more diverse, reaching a strong $67,155 per capita as of fiscal 2007. As a result of growing retail sales, the city has maintained what we consider an extremely strong financial profile, with unreserved cash totaling $10.8 million in fiscal 2007, representing 128% of expenses and a doubling of reserves the past five years. However, management does expect a slowing economy and lower interest returns to level off the city's operations in coming years. In our view, the debt burden is low, totaling only $860 per capita and 1.3% of market value, while all debt is scheduled to be amortized within 12 years.	A/Stable	Armen Hratchian
Mooresville, NC (AA/Stable)		
Mooresville, with a population of 21,000, is located in Iredell County approximately 25 miles north of Charlotte. The economy continues to show strong growth, which is reflected in its large tax base of $3.4 billion, or an extremely strong $170,233 market value per capita. Lowes Home Centers Inc.'s headquarters is located in the city and represents 9.5% of the tax base. NASCAR teams and related performance racing and engineering-based companies contribute to the tax base. Wealth levels remain in our view good at roughly 103% of the nation. Fiscal 2007 closed with higher-than-anticipated surplus of $4.3 million, increasing the general fund balance to a very strong $13.7 million, of which $10.4 million is unreserved, or 37% of general fund expenditures. The overall net debt burden is low at $1,911 of fiscal 2007 AV. We understand that the city may issue revenue bonds for its water and sewer within the next year or two.	AA-/Stable	Marilyn Cruz
New Bern, NC (A/Stable)		
New Bern is located along the Neuse River in northeastern North Carolina and is the county seat of Craven County. A sizable military presence and manufacturing sector contribute to the employment base. The tax base is large and grew by 6.1% in fiscal 2008 to $2.2 billion. We believe the city's financial position is sound. Its general fund has typically been bolstered by electric fund transfers. A decrease in the unreserved fund balance in fiscal 2008 was the result of a one-time $2.7 million loan to the electric and sewer funds primarily to offset unanticipated high increases in power wholesale costs. The town has increased electric and sewer rates for 2009 to offset the situation. The sewer portion of the loan has essentially been repaid. Fund balance levels remain, in our view, very strong at 23% of operating expenditures. Overall debt profile is low at $721 per capita, or $0.8% of market value.	A-/Stable	Marilyn Cruz
Newton, NC (A+/Stable)		
Located approximately 40 miles northwest of Charlotte, Newton has undergone an economic transformation from dependence on textile manufacturing to increasing activity in retail, residential and distribution center development. While the tax base shrank as textiles companies left, new development since 2006 has increased the city's full valuation 11%, to $955 million, or in our view a strong $73,501 per capita in 2008. Meanwhile, driven primarily by steadily increasing property and sales tax revenues, the city has maintained a consistently	A/Stable	Armen Hratchian

strong financial position, with unreserved fund balance levels remaining above 20% for at least the past eight years. We consider the city's debt burden to be moderate to low, at $2,117 per capita and 2.9% of full value. Debt service only accounts for 7% of the city's budget, while amortization has historically been rapid.

Northampton County, NC (A/Stable)		
Northampton County, with a population of 21,360, is primarily a residential county that has historically centered on agriculture and manufacturing. Wealth levels remain in our view adequate at 69% of the nation. Historically, the unemployment rate has been above the state average and was at 6% as of December 2007. The county's last revaluation took effect Jan. 1, 2008, resulting in a 52% jump in AV to $1.8 billion with very strong market value per capita at $86,771. In fiscal 2008, management posted a $368,000 surplus, which boosted reserves to $4.9 million, or 19% of expenditures. The unreserved fund balance increased to $3.2 million from $1.2 million in fiscal 2007 and remains in our view strong at 13% of expenditures. Overall net debt is very low at $645 per capita. Carrying charge remains low at 6.5% of operating expenditures in fiscal 2008.	BBB+/Stable	Marilyn Cruz
River Bend, NC (A+/Stable)		
The town of River Bend (population: 3,069) is three square miles in size and primarily residential. Residents have access to the New Bern employment base and a broader base with the Cherry Pointe Marine Corps Air Station and Naval Aviation Depot in Craven county. Wealth levels are strong at 114% of the nation. The town has a significant retiree population, with 41% over the age of 65. The tax base remains stable. AV grew by 1.3% in fiscal 2008 to $241 million, or a strong per capita market value of $78,387. We believe the town's financial performance is solid. Fiscal 2008 closed with a surplus of $161,167, increasing the reserve levels to $911,137, or in our view a very strong 77% of operating expenditures. Net direct debt is low with overall net debt per capita at $1,334, or 1.7% of market value.	A/Stable	Marilyn Cruz
Vance County, NC (A+/Stable)		
Vance County is located in north-central North Carolina bordering the state of Virginia. Population has remained steady at 43,880, with a 2.2% growth rate since 2000. The economy is centered in agriculture and the industrial sector. Wealth and income indicators are in our view adequate at 74% and 72% of the nation, respectively. AV increased 18% to $2.5 billion due to a revaluation in fiscal 2008. MV per capita is strong at $56,974. Fiscal 2007 closed with a $1.7 million surplus after transfers, increasing the fund balance to $13.2 million, or 33.5% of general fund expenditures. Unreserved fund balance also increased to $10.6 million, or a very strong 27% of general fund expenditures. Unaudited 2008 results indicate a surplus of $513,000, which would boost the fund balance to $15.4 million. The overall net debt burden is very low at $347 per capita. We understand that there are no immediate plans to issue long-term debt.	A/Stable	Marilyn Cruz
Washington, NC (A/Stable)		
The local economy is driven by manufacturing, tourism, and local government employment. More recently, it has seen growth in the health care sector and continues to transform into a more service-oriented economy. Wealth levels remain in our view low at 56% of the nation. Unemployment was higher than state and national levels at 6.3% in 2007. The tax base is modest and grew by 2.7% to $605 million. Financial performance is solid with operating results after transfers from the electric fund in each of the last three fiscal years. Fund balance levels are very strong at $7.9 million or 73% of operating expenditures. The city's debt levels are in our view low on a per capita basis at $1,917 but moderate on a market value basis at 2.3%. We understand that the city does not have future debt plans.	A-/Stable	Marilyn Cruz
Beaufort County, SC (AA+/Stable)		
Beaufort County (population of 142,959) continues to be one of the fastest growing areas in South Carolina. The county serves as a center for tourism, retirement and the associated services, and the military. Home to Hilton Head Island, the county ranks third in the state in tourism with approximately three million visitors a year. Local employment opportunities are somewhat limited to the retail and service sectors, but the unemployment rate has consistently been, in our view, low. We consider wealth levels to be good as measured by a median household effective buying income at 124% of the state and 109% of national levels. Audited fiscal 2007 results show a general fund surplus of nearly $1.35 million, increasing the county's unreserved general fund balance to more than $19.6 million, or a very strong 24% of expenditures. Overall net debt levels are moderate on a per capita basis at $4,000, but account for a low 1.8% of total market value.	AA/Stable	Eden Perry
Clarendon County, SC (A+/Stable)		
Clarendon County (population of 34,000) is located in east-central South Carolina, about 15 miles south of Sumter. The county is large and rural and is located along I-95 with large timber resources that have spurred economic development. Unemployment remained a high 8.7% in 2007. Wealth and income levels are adequate, with median household effective buying income at 70%. We believe the county's financial position has been historically very strong, aided by	A/Stable	Eden Perry

more than five straight years of positive operating results. Fiscal 2007 ended with a small operating surplus after transfers, bringing the general fund balance to $4.9 million, or a very strong at 25.3% of expenditures. Debt levels are currently very low, with overall net debt at $104 per capita and 0.2% of market value. We understand that the county may do a capital lease for fire engines and plans to issue GO debt for an administrative building in the next two to three years.

Isle of Palms, SC (AA/Stable)

The city is a vacation destination with a large second-family home component and has a primarily residential tax base that is approaching full build-out. The year-round population is limited at 4,600, but does swell to over 15,000 during the summer months. Wealth levels among year-round residents are in our view very high, with median household effective buying income level equal to 166% of the nation. The financial position remains strong, with the city achieving balanced operations each year. As per its adopted ordinance, the city typically transfers any general fund surplus to the capital project fund. The general fund balance was $1.9 million, which represents in our view a very strong 29.8% of the fiscal 2007 general fund expenditures. The city's debt burden is still low, with overall net debt representing a below-average $1,856 per capita and a low 0.2% of market.	A+/Stable	Eden Perry

Table 2 | Download Table

Selected Credit Ratios

	Median Household Effective Buying Income (% of U.S.)	Market Value Per Capita ($)	Unreserved General Fund Balance (% of Operating Expenditures)	Financial Management Assessment	Debt Service Carrying Charges (%)
Gordon County, GA	91	69,617	55.0	Standard	15
Habersham County, GA	86	100,000	32.9	Good	0
Monroe, GA	69	68,299	15.7	Standard	6
Beaufort County, NC	75	76,628	34.2	Standard	6
Bessemer, NC	76	53,823	34.8	Standard	5.8
Bladen County, NC	68	77,610	34.0	Standard	7.2
Craven County, NC	89	69,415	20.0	Good	8.6
Emerald Isle, NC	125	1,135,458	33.0	Strong	23
Graham, NC	83	67,155	128.3	Standard	1
Mooresville, NC	103	170,233	37.0	Good	3
New Bern, NC	98	92,129	23.0	Standard	8
Newton, NC	82	73,501	25.2	Standard	7
Northampton County, NC	69	86,771	12.6	Standard	6.5
River Bend, NC	114	78,387	77.4	Standard	7

Vance County, NC	74	56,974	28.4	Standard	6.5
Washington, NC	56	61,528	73.2	Standard	3
Beaufort County, SC	109	220,396	25.0	Standard	13
Clarendon County, SC	71	49,132	10.8	Standard	2.6
Isle of Palms, SC	166	820,553	23.7	Standard	3

Contact Information

Table 3 | Download Table

Contact Information

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