

Rating Action: Moody's upgrades to Aa3 from A1 the rating on Bay County's (MI) GOLT debt

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Upgrade affects \$1.43 million of rated GOLT debt

New York, March 01, 2013 -- Moody's Investors Service has upgraded to Aa3 from A1 the rating on Bay County's (MI) general obligation limited tax debt. The county has \$23.8 million of general obligation limited tax debt outstanding, of which \$1.43 million is rated by Moody's.

SUMMARY RATINGS RATIONALE

The county's general obligation limited tax debt is secured by its limited tax pledge payable from all taxable property subject to constitutional and statutory levy limitations. The upgrade to Aa3 reflects the county's sound financial operations supported by steady growth in reserve levels and the presence of additional alternative liquidity, sizable tax base that has experienced modest declines in valuation, below average wealth indices, and a low debt burden with rapid principal amortization. The Aa3 limited tax rating is one notch below an implied Aa2 general obligation unlimited tax rating. Debt service on general obligation limited tax bonds are payable by operating funds of the county, which are subject to levy limits.

STRENGTHS

- Strong reserves in the General Fund and Delinquent Tax Fund
- Conservative financial management which has driven stable financial operations

CHALLENGES

- Small declines in valuation
- Limited operating flexibility
- Below average wealth levels

WHAT COULD CHANGE THE RATING UP

- Substantial expansion and diversification of the county's tax base
- Strengthening of the county's demographic profile

WHAT COULD CHANGE THE RATING DOWN

- Erosion of the county's tax base and demographic profile below similarly rated entities
- Significant reductions in reserves and liquidity levels in the General Fund and/or other funds

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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