S&P Global
Ratings

130 East Randolph Street
Suite 2900
Chicago, IL 60601
tel 312-233-7000
reference no.: 40382336

April 22, 2019

County of Antrim
203 East Cayuga Street
Bellaire, MI 49615
Attention: Ms. Debra Haydell, Financial Director

Re: ***Antrim County General Obligation Limited Tax Bonds, Michigan***

Dear Ms. Haydell:

S&P Global Ratings has reviewed the rating on the above-listed obligations. Based on our review, we have raised our credit rating from "AA" to "AA+" while affirming the stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes S&P Global Ratings' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements or to allow the Issuer to comply with its regulatory obligations) will become effective only after we have released the ratings on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable. Any such dissemination shall not be done in a manner that would serve as a substitute for any products and services containing S&P Global Ratings' intellectual property for which a fee is charged.

To maintain the rating, S&P Global Ratings must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E.C. Rule 15c2-12. You understand that S&P Global Ratings relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to pubfin_statelocalgovt@spglobal.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:

S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter

applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

S&P Global Ratings is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing S&P Global Ratings.

Sincerely yours,

S&P Global Ratings
a division of Standard & Poor's Financial Services LLC

mn
enclosure

S&P Global
Ratings

S&P Global Ratings
Terms and Conditions Applicable To Public Finance Credit Ratings

General. The credit ratings and other views of S&P Global Ratings are statements of opinion and not statements of fact. Credit ratings and other views of S&P Global Ratings are not recommendations to purchase, hold, or sell any securities and do not comment on market price, marketability, investor preference or suitability of any security. While S&P Global Ratings bases its credit ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, S&P Global Ratings does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and S&P Global Ratings' opinions should not be relied upon in making any investment decision. S&P Global Ratings does not act as a "fiduciary" or an investment advisor. S&P Global Ratings neither recommends nor will recommend how an issuer can or should achieve a particular credit rating outcome nor provides or will provide consulting, advisory, financial or structuring advice. Unless otherwise indicated, the term "issuer" means both the issuer and the obligor if the obligor is not the issuer.

All Credit Rating Actions in S&P Global Ratings' Sole Discretion. S&P Global Ratings may assign, raise, lower, suspend, place on CreditWatch, or withdraw a credit rating, and assign or revise an Outlook, at any time, in S&P Global Ratings' sole discretion. S&P Global Ratings may take any of the foregoing actions notwithstanding any request for a confidential or private credit rating or a withdrawal of a credit rating, or termination of a credit rating engagement. S&P Global Ratings will not convert a public credit rating to a confidential or private credit rating, or a private credit rating to a confidential credit rating.

Publication. S&P Global Ratings reserves the right to use, publish, disseminate, or license others to use, publish or disseminate a credit rating and any related analytical reports, including the rationale for the credit rating, unless the issuer specifically requests in connection with the initial credit rating that the credit rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private credit rating or the existence of a confidential or private credit rating subsequently becomes public through disclosure other than by an act of S&P Global Ratings or its affiliates, S&P Global Ratings reserves the right to treat the credit rating as a public credit rating, including, without limitation, publishing the credit rating and any related analytical reports. Any analytical reports published by S&P Global Ratings are not issued by or on behalf of the issuer or at the issuer's request. S&P Global Ratings reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public credit ratings that have been withdrawn, regardless of the reason for such withdrawal. S&P Global Ratings may publish explanations of S&P Global Ratings' credit ratings criteria from time to time and S&P Global Ratings may modify or refine its credit ratings criteria at any time as S&P Global Ratings deems appropriate.

Reliance on Information. S&P Global Ratings relies on issuers and their agents and advisors for the accuracy and completeness of the information submitted in connection with credit ratings and the surveillance of credit ratings including, without limitation, information on material changes to information previously provided by issuers, their agents or advisors. Credit ratings, and the maintenance of credit ratings, may be affected by S&P Global Ratings' opinion of the information received from issuers, their agents or advisors.

Confidential Information. S&P Global Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received from issuers, their agents or advisors. For these purposes, "Confidential Information" shall mean verbal or written information that the issuer or its agents or advisors have provided to S&P Global Ratings and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential."

S&P Global Ratings Not an Expert, Underwriter or Seller under Securities Laws. S&P Global Ratings has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. S&P Global Ratings has not performed and will not perform the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with a credit rating engagement.

Disclaimer of Liability. S&P Global Ratings does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a credit rating or the results obtained from the use of such information. S&P GLOBAL RATINGS GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. S&P Global Ratings, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to any person for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to a credit rating or the related analytic services even if advised of the possibility of such damages or other amounts.

No Third Party Beneficiaries. Nothing in any credit rating engagement, or a credit rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of a credit rating. No person is intended as a third party beneficiary of any credit rating engagement or of a credit rating when issued.

Summary:

Antrim County, Michigan; General Obligation

Primary Credit Analyst:
Moreen T Skyers-Gibbs, New York (1) 212-438-1734; moreen.skyers-gibbs@spglobal.com

Secondary Contact:
Benjamin D Gallovic, Chicago + 1 (312) 233 7070; benjamin.gallovic@spglobal.com

Table Of Contents

Rationale

Outlook

Related Research

Summary:

Antrim County, Michigan; General Obligation

Credit Profile		
Antrim Cnty GO ltd tax bnds		
Long Term Rating	AA+/Stable	Upgraded

Rationale

S&P Global Ratings raised its long-term rating to 'AA+' from 'AA' on Antrim County, Mich.'s series 2012 limited-tax general obligation (GO) bonds. The outlook is stable.

The higher rating reflects our opinion of the county's improved economy based on its growing tax base. Its debt and contingent liability also improved given its lack of additional debt and faster payoff of its debt. Antrim County's long track record of achieving positive operating results due to its conservative and tight budgeting continues to support strong budgetary performance and very strong budgetary flexibility, with reserves in excess of 200% of expenditures. These credit strengths are, however, partially offset by what we consider its below-average income levels and high unemployment rate due to the limited, recreation-based local economy, and limited formalized fiscal policies and practices.

The series 2012 limited GO bonds are secured by the county's limited-tax GO pledge. The bonds are payable from ad valorem taxes levied on all taxable property, subject to statutory limitations. We rate the limited-tax GO debt at the same level as our view of the county's general creditworthiness given that ad valorem taxes are collected from the county's entire tax base and that there are no limitations on the fungibility of resources available for debt service.

The rating reflects our opinion of the following factors for the county, specifically its:

- Strong economy, with projected per capita effective buying income (EBI) at 98.4% of the national level and market value per capita of $202,529;
- Strong management, with the ability to consistently maintain balanced operations and standard financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2017;
- Very strong budgetary flexibility, with a high available fund balance in fiscal 2017 of 201% of operating expenditures;
- Very strong liquidity, with total government available cash at 2.5x total governmental fund expenditures and 45.9x governmental debt service, and access to external liquidity we consider strong;
- Very strong debt and contingent liability position, with debt service carrying charges at 5.4% of expenditures and net direct debt that is 65.4% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 76% of debt scheduled to be retired in 10 years; and

- Strong institutional framework score.

Strong economy

We consider Antrim County's economy strong. The county encompasses 475 square miles in northwestern Michigan's Lower Peninsula and serves an estimated population of 23,061 (down by 6.5% since 2007). The population is aging; its age dependency ratio is 43.1%. The economy is mainly recreation-based, given its natural resources, which include part of the Mackinaw State Forest and numerous inland lakes, rivers, and the Lake Michigan shoreline. Within Antrim County, there are four skiing and resort facilities, seven golf courses, and a convention center. Smaller manufacturing firms are engaged in food processing, metal fabrication, and armored car services. Both county residents and tourists have access to nearby Traverse City, a larger regional economic center, for additional employment and recreational opportunities. The county unemployment rate, although down to 6.7% in 2017, from 9.4% in 2014 remains high and above the state and national rates.

The county has a projected per capita EBI of 98.4% of the national level and per capita market value of $202,529 up from $180,202. Overall, market value grew by 2.8% over the past year to $4.7 billion in 2018. Market value per capita reflects the high value of second homes, particularly the lakefront properties. Taxable value (TV) increased by about 6% since 2016 and stood at $1.9 billion in 2018. The county is anticipating modest growth over the next couple of years.

In our opinion, although the economy is strong and likely to remain stable, it is somewhat limited and its incomes are below those of is higher rated peers. Therefore, we believe that the rating will remain constrained.

Strong management

We have revised our view of the county's management to strong from adequate. In our opinion, while there is a lack of formalized planning and policies, the county has consistently maintained balanced operations. Over the past three years, general fund operating results have ranged from 3.4% to 5.0%. A highlight, in our opinion, is the county's solid and conservative budgeting assumptions, as well as historical trend analysis in projecting revenues and expenditures. It also reflects its prolonged track record of rare negative budget-to-actual variances.

Additionally, the budget is monitored and reported on a monthly basis to the board. The county has a formal investment policy and the board receives quarterly cash summary reports as well as annual investment reports. According to the county, it has a rolling ten-year capital improvement plan that is also shared with the board. The plan only identifies some projects---not for all the years that are indicated. However, limiting our view of the county's policies and practices is its lack of multiyear financial planning, a debt management policy, and fund balance policy. We understand, however, that it targets to maintain adequate reserves to avoid any potential cash-flow issues. Therefore, we view its financial policies and practices as standard under our FMA methodology, indicating the finance department maintains adequate policies in some, but not all, key areas.

Strong budgetary performance

Antrim County's budgetary performance is strong, in our opinion. The county has a history of generating operational surpluses in the general and across all governmental funds. In our opinion, this is expected to continue given its budgetary practices, track record, and stable revenue growth. Furthermore, it is the county's practice to appropriate fund balance but consistently end with positive results.

We have adjusted the general and governmental fund operating results to take into account adjustments for recurring transfers between various funds and one-time capital expenditures.

Over the past three audited years, the county achieved consecutive operating surpluses averaging $500,000 and $700,000 or 4% of expenditures in its general fund and across all governmental funds, respectively. However, the county has a history of budgeting conservatively and ending the year with at least break-even operations.

In 2018, the county appropriated $968,000 of its general fund balance, but is expecting to end the year with results similar to prior years. Beginning in 2018, there is a millage in place for countywide recycling that will generate over $300,000 in revenues. No transfers will be made from the general fund.

The 2019 (Dec. 31) totals $13.6 million, 4% lower year over year, and appropriates $609,000 fund balance. Property tax revenue accounts for about three-fourths of general fund revenues. The county is operating at its maximum allowable tax rate for operating purposes, which limits its revenue-raising flexibility.

Budgetary pressures that the county will likely face involve making the necessary contributions to lower its pension liability. Beginning in 2018, it made surplus payments in an attempt to do so.

Very strong budgetary flexibility

Antrim County's budgetary flexibility is very strong, in our view, with a high available fund balance in fiscal 2017 of 201% of operating expenditures, or $26.7 million. We expect the available fund balance to remain above 75% of expenditures for the current and next fiscal years, which we view as a positive credit factor. The available fund balance includes $12.1 million (91.4% of expenditures) in the general fund and $14.6 million (110%) that is outside (100% tax payment fund) the general fund but legally available for operations.

Available fund balance averaged more than $20 million, or over 200% of general fund expenditures. In our opinion, the county is expected to maintain its high available fund balance levels.

Very strong liquidity

In our opinion, Antrim County's liquidity is very strong, with total government available cash at 2.5x total governmental fund expenditures and 45.9x governmental debt service in 2017. In our view, the county has strong access to external liquidity if necessary.

We believe the county has strong access to external liquidity if necessary because it issued GO-debt within the past 15 years, which demonstrates its access to capital markets. It has demonstrated a consistent trend of maintaining very strong cash balances across its governmental funds and there are no plans that could cause deterioration despite pay-as-you-go capital spending. Therefore, we believe the county will likely maintain very strong liquidity.

The county's investments are primarily in money market and mutual funds.

Very strong debt and contingent liability profile

The series 2012 bonds, outstanding $10.7 million, is the county's only debt obligation. With no current plans for additional debt, this will continue to decrease. In our view, Antrim County's debt and contingent liability profile is very strong. Total governmental fund debt service is 5.4% of total governmental fund expenditures, and net direct debt is 65.4% of total governmental fund revenue. Overall net debt is low at 0.9% of market value, and approximately 76% of

the direct debt is scheduled to be repaid within 10 years, which are, in our view, positive credit factors.

Antrim County's combined required pension and actual other postemployment benefit (OPEB) contributions totaled 5.7% of total governmental fund expenditures in 2017. The county made its full annual required pension contribution in 2017.

County employees participate in the Michigan Municipal Employee Retirement System, an agent multiple-employer defined-benefit pension plan, for which Antrim County makes annually required contributions. As of Dec. 31, 2017, the total liability was $11.9 million and the funded ratio was 73.6% (2016), measured using a higher -than-average 8% discount rate.

We understand that the county will be contributing surpluses to the plan and has introduced a defined-contribution plan for new hires.

The county does not offer retiree health care benefits except for a small stipend to retired sheriffs, which is capped at 10 years, and accounted for a small $464,000 unfunded actuarially accrued liability as of Dec. 31, 2017.

Strong institutional framework

The institutional framework score for Michigan counties with a population greater than 4,000 is strong.

Outlook

The stable outlook reflects our expectation that management's conservative budgeting practices will lead to continued balanced operations and the maintenance of very strong reserves that will continue to support its strong budgetary performance and flexibility. It also reflects our expectation that the economy will likely remain strong and generate continued revenue growth. Additionally, given the lack of the need for additional debt, its debt and contingent liability will remain very strong. Therefore, we do not expect to change the rating within our two-year outlook period.

Upside scenario

A higher rating will be predicated on diversification of the county's economic base, resulting in significant improvement in its incomes similar to those of its higher rated peers, coupled with formalization of more financial practices and policies.

Downside scenario

We could lower the rating if several factors weaken, including the economy, budgetary flexibility, and liquidity.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed

to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.