NEW YORK--( BUSINESS WIRE )--Fitch Ratings takes the following rating action on Horry County, South Carolina (the county):

--$108.6 million general obligation (GO) affirmed at 'AA+'.

The Rating Outlook is Stable.

SECURITY

The GO bonds are general obligations of Horry County (the county) backed by the full faith, credit, and taxing power of the county.

KEY RATING DRIVERS

TOURISM BASED ECONOMY: Horry County's economy is highly dependent on the leisure and hospitality sectors in addition to retail, each highly vulnerable to changes in regional macro-economic conditions. This risk is somewhat offset by Myrtle Beach's sustained popularity as a leisure destination.

SOUND FISCAL MANAGEMENT: The county continues to exhibit strong financial operations with a diverse mix of revenue streams, a relatively flexible expenditure environment and sizeable reserve levels.

AFFORDABLE DEBT PROFILE: The debt burden is low and reflects the county's prudent leveraging of its tourism-based revenues to finance capital needs arising from population growth and increasing tourism.

RATING SENSITIVITIES

TOURISM BASED ECONOMY: The rating is sensitive to shifts in fundamental credit characteristics including the county's tourism based economy. The Stable Outlook reflects Fitch's expectation that such shifts are unlikely over the near to medium term.

CREDIT PROFILE

Situated in the north-eastern corner of South Carolina, Horry County has more than 50 miles of the Atlantic Ocean coastline commonly known as the Grand Strand. The 2012 resident population of 282,285 is up about 5% from the 2000 level.

TOURISM-DRIVEN LOCAL ECONOMY

The Myrtle Beach area hosted approximately 14.5 million visitors in 2012, up 4% year-over-year. Seasonal residents drive the population of the county to nearly 700,000 on peak days. Economic indicators are trending in a favorable direction. Solid gains in retail sales and tourism-sensitive taxes and fees underscore the county economy's rebound from recessionary declines. The unemployment rate has also improved. As of July 2013 the rate was 7.6% compared to 9% a year prior.

Tourism dominates Horry County's economy and accounts for approximately 70% of county employment. Economic development efforts are centered on diversifying the economy, with recent expansions in manufacturing and distribution. Elm Street Associates is relocating its aerospace manufacturing, research, and development operations to the county, adding 51 new jobs. The $3 million capital investment is projected to be completed in 2014. PTR Industries, a rifle manufacturer, is relocating its manufacturing operations and a corporate headquarters to the Myrtle Beach, S.C. area. The project will consist of a capital investment of approximately $8 million plus the creation of 145 new jobs.

STRONG FISCAL MANAGEMENT AND AMPLE RESERVE LEVELS

The county's sound finances benefit from prudent fiscal management and a stable revenue stream. The county ended fiscal 2012 with a modest $362,000 (0.29% of general fund spending) operating deficit, following four consecutive net operating surpluses. The 2012 results reflected a favorable budgetary variance driven by conservative budgeting of expenditures. The unrestricted balance totaled $36.5 million or an ample 29.2% of spending and transfers out.

Property tax receipts contributed the major share of general fund revenues. The county's taxbase has increased modestly on a consistent basis. Permit activity suggest continued modest growth.

The county's fiscal 2013 budget included a $8.2 million use of fund balance (7.8% of projected spending) and no revenue enhancements. Preliminary year-end results show a $761,277 operating surplus. The positive year-to-date budgetary variance is driven by 3% positive revenue variance and 6% expenditure budget variance.

The 2014 budget appropriates a lesser $8.2 million of fund balance and does not include any revenue enhancements. The budget funds $5.5 million for capital and one time uses, a $250,000 increase to the county's post-employment benefits and a $1.6 million cost of living adjustment. Historically the county has budgeted a similar amount of fund balance use and has recorded operating surpluses.

FAVORABLE DEBT PROFILE

Overall debt, including overlapping debt from schools and incorporated municipalities, is a moderate $2,685 per capita and 2.1% of property market value. Fitch notes the county's debt servicing costs are high, representing 17% of total governmental spending. The county's high debt servicing costs reflect the rapid rate of amortization of 96% of principal retired in 10 years. The five-year capital improvement plan (CIP) totals $87.9 million and includes just $24.1 million in funding anticipated from general obligation bonds in 2017 to fund a critical services facility. Pay-go funding totals $16.6 million. The majority of the plan funds road construction and is funded with road fund moneys.

Debt levels incorporate significant county funding of road projects through state infrastructure bank (SIB) loans, accounting for 67% of direct debt. This debt is supported by a hospitality fee paid predominantly by visitors. Pledged revenues increased by 6.9%, 7% and 1.26% year-over-year respectively between fiscal 2011 and 2013. The collected revenue in excess of the scheduled debt payments is maintained in a reserve account at the SIB.

PENSION & OPEN COSTS ARE MODEST

Long-term liabilities related to pension and other post-employment benefits (OPEB) represent a small portion of county spending and as a result are not expected to pressure future operations. Substantially all county employees are members of the South Carolina Retirement System (SCRS) or the Police Officers Retirement System (SCPORS). Both plans are cost-sharing multiple-employer pension plans. In fiscal 2012 the county paid $8.17 million in pension costs or a low 3% of spending. The funding level of the SCRS and SCPORS were 63.8% and 69% respectively as of the July 1, 2012 valuation. Although the state's unfunded liability has increased significantly in the last 10 years, South Carolina has consistently funded its actuarial required contributions and is considering several reform measures to improve funding ratios.

The county also provides OPEB to its retirees. The county funded its OPEB cost for fiscal 2012 on a pay-go basis, which accounted for less than 1% of spending. As of 2012, the unfunded actuarial accrued liability (UAAL) associated with OPEB totaled $24.2 million or 1.2% of taxable assessed value. The county has implemented several changes to benefits that should reduce the UAAL over time.

Additional information is available at ' www.fitchratings.com '.

In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, S&P/Case-Shiller Home Price Index, IHS Global Insight, National Association of Realtors, RealEstate Business Intelligence, S.C. Department of Employment & Workforce.

Applicable Criteria and Related Research:

--'Tax-Supported Rating Criteria' (Aug. 14, 2012);

--'U.S. Local Government Tax-Supported Rating Criteria' (Aug. 14, 2012).

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015

U.S. Local Government Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=685314

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=803932

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