

RatingsDirect®

Summary:

Atlanta Independent School District, Texas; School State Program

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

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Credit Profile

Atlanta Indpt Sch Dist Texas PSF

Long Term Rating

AAA/Stable

Affirmed

School Issuer Credit Rating

A+/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' program rating and 'A+' issuer credit rating on Atlanta Independent School District (ISD), Texas' general obligation bonds outstanding. The outlook on all ratings is stable.

The program rating reflects our assessment of the strength and stability of the Texas Permanent School Fund bond guarantee program.

The ICR reflects our view of the district's:

- Steadily expanding property tax base;
- Very strong financial position; and
- Moderate overall net debt burden as a percent of market value, coupled with limited future capital needs requiring the issuance of additional debt.

In our opinion, the preceding credit strengths are partly offset by the district's moderately concentrated tax base.

An unlimited ad valorem property tax pledge secures the bonds.

Atlanta ISD serves an estimated population of 9,465 in Cass County and includes the cities of Atlanta and Douglassville. The district is located about 24 miles south of Texarkana. Atlanta serves as the principal commercial center of Cass County. The local economy is based largely on forestry and timber, retail, and petroleum production. Primary employers within the district include Cass County, Atlanta ISD, and The Texas Department of Transportation; some residents choose to commute to nearby Texarkana for additional employment opportunities. Income levels in the district are good, in our opinion, with median household effective buying income at 97% of the national level. Taxable assessed value (AV) has grown by an average annual rate of 7.3% since fiscal 2009 to \$524.0 million in fiscal 2012, or \$55,395 per capita, which we consider strong. AV for fiscal 2013 increased by about 6% to reach approximately \$557 million. The top 10 taxpayers, five of which are petrochemical-related companies, accounted for about 36.4% of AV for fiscal 2013. Between fiscal 2009 and fiscal 2012, enrollment decreased by 14.5% to 1,565. However, enrollment rose by about 3% in fiscal 2013, and management expects enrollment will continue to increase in the near term due largely to the amount of student transfers from neighboring districts. District officials expressed that there are no capacity concerns at this point, as current facilities can accommodate additional students.

In our view, the district's finances are very strong. The district posted a \$807,000 deficit in fiscal 2012, bringing the available general fund balance to \$2.9 million, or 22.4% of expenditures, which we view as very strong. The deficit was due to the result of an intentional use of fund balance for some large capital projects, and not to an operational imbalance. The district's total general fund balance, including restricted funds, totaled approximately \$7.6 million at the end of fiscal 2012. Management indicates it expects an additional drawdown of about \$157,000 for fiscal 2013 due to additional planned capital projects. We understand that the district has adopted a balanced budget without the use of reserves for fiscal 2014.

The district's management practices are considered "standard" under Standard & Poor's Financial Management Assessment (FMA) methodology. An FMA of "standard" indicates that the finance department maintains adequate policies in some, but not all, key areas.

We consider the district's overall net debt burden to be low on a per capita basis, at \$1,734, and moderate as a percent of market value, at 3.7%. Carrying charges are 4.6%, which we consider low. The district currently has no plans to issue additional debt within the next two years.

The district participates in the Teacher Retirement System of Texas (TRS), and the district's contribution, combined with federal and private grants, totaled \$199,517 in fiscal 2012. The district also contributes to the TRS-Care postemployment benefit (OPEB) plan, which is funded on a pay-as-you-go basis. Most recently, in 2012, the district contributed \$225. The combined pension and OPEB contributions represented 1.0% of total government expenditures for fiscal 2012.

Outlook

The stable outlook on the enhanced program rating reflects the outlook of the Texas Permanent School Fund. The stable outlook on the ICR reflects our anticipation that the district's financial position will remain very strong and that the district's limited future capital needs will allow the district's overall net debt burden to remain moderate. Given these expectations, coupled with our anticipation that that the district's tax base concentration will remain relatively unchanged, we do not expect to change the rating during the two-year outlook time frame.

Related Criteria And Research

Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: State Credit Enhancement Programs, Nov. 13, 2008

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