



## **Rating Action: MOODY'S ASSIGNS INITIAL Aa3 RATING TO CITY OF CROSSLAKE'S (MN) \$4.4 MILLION GO REFUNDING BONDS, SERIES 2012A**

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Global Credit Research - 08 Dec 2011

New York, December 08, 2011 -- Moody's Rating

Issue: General Obligation Refunding Bonds, Series 2012A; Rating: Aa3; Sale Amount: \$4,425,000; Expected Sale Date: 12/21/2011; Rating Description: General Obligation

### OPINION

Moody's Investors Service has assigned an initial Aa3 rating to City of Crosslake's (MN) \$4.4 million General Obligation Refunding Bonds, Series 2012A. Post-sale, the city will have \$5.7 million in general obligation debt outstanding.

### SUMMARY RATING RATIONALE

The bonds are secured by the city's general obligation unlimited tax pledge. Proceeds of the bonds will refund the city's outstanding General Obligation Bonds, Series 2003A and Series 2004A for estimated net present value savings of 7% of refunded par. Assignment of the Aa3 rating reflects the city's moderately-tax base with recent declines in valuation and heavily tourism dependent economy, sound financial operations supported by healthy reserves, and low debt burden.

### STRENGTHS

- Sound financial operations with ample reserves for modest budget
- No reliance on state Local Government Aid (LGA)

### CHALLENGES

- Declines in full valuation likely to continue in near-term
- Heavily tourism dependent economy driving depreciation in residential values

### WHAT COULD CHANGE THE RATING UP:

- Significant expansion and diversification of the city's tax base
- Improvement to the resident demographic profile

### WHAT COULD CHANGE THE RATING DOWN:

- Substantial deterioration in the city's financial reserves
- Notable decrease in the health of the city's residential housing market that negatively affects both valuations and property tax collections.

### PRINCIPAL METHODOLOGY

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.moody.com](http://www.moody.com) for a copy of this methodology.

### REGULATORY DISCLOSURES

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