Independent School District No. 831, Forest Lake, Minnesota

Recommendations for Issuance of Bonds

$11,315,000 General Obligation Refunding Bonds, Series 2015A

The School Board has under consideration the issuance of bonds to refinance an outstanding bond issue of the District. This document provides information relative to the proposed issuance. Complete bidder information will be provided in a separate document.

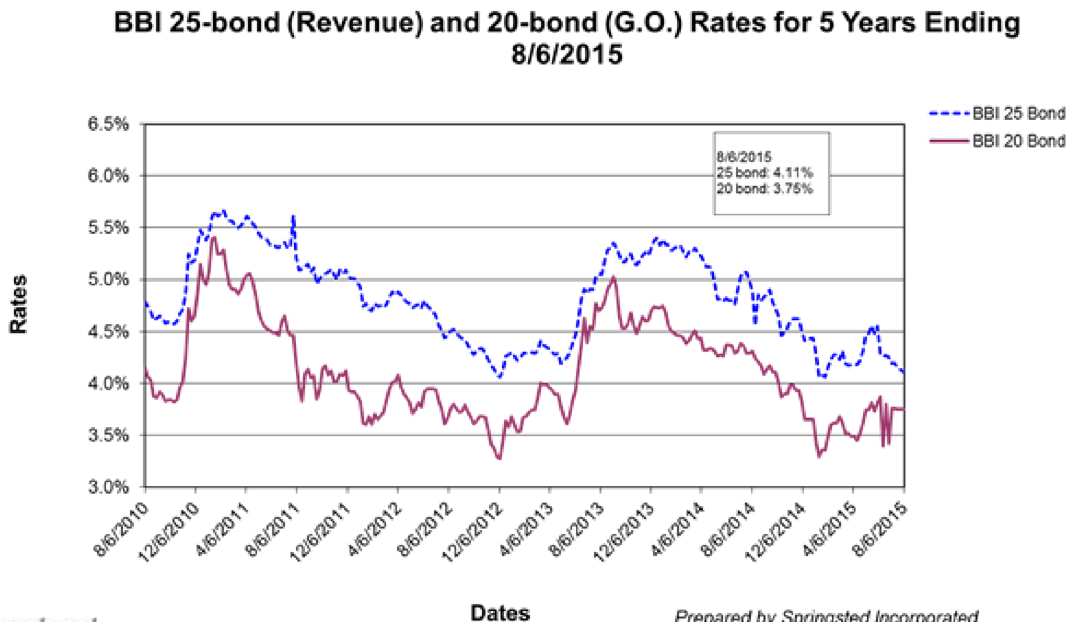
KEY EVENTS: The following summary schedule includes the timing of some of the key events that will occur relative to the bond issuance.

August 20, 2015	Board set sale date and terms
Week of August 24, 2015	Rating conference conducted
Week of August 31, 2015	Receipt of rating
September 10, 2015 10:30 a.m.	**Competitive proposals are received**
September 10, 2015 7:00 p.m.	**Board considers award of Bonds**
October 8, 2015	Proceeds are received
November 15, 2015	Refunded Bonds redemption date

RATING: An application will be made to Moody's Investors Service for a rating on the Bonds. The District's underlying general obligation debt is currently rated "A1" by Moody's.

The Bonds will also be enrolled the State's Credit Enhancement Program (MNSCEP). Currently, Moody's assigns a rating of "Aa2" to bonds enrolled in the program based on the credit rating of the State and the MNSCEP. Absent an intervening change in the State's credit rating, it is expected the Bonds will have a credit enhanced rating of "Aa2".

THE MARKET: Performance of the tax-exempt market is often measured by the Bond Buyer's Index ("BBI") which measures the yield of high grade municipal bonds in the 20th maturity year for general obligation bonds and the 25th maturity year for revenue bonds. The following chart illustrates these two indices over the past five years.



POST ISSUANCE COMPLIANCE:

The issuance of the Bonds will result in post-issuance compliance responsibilities. The responsibilities are in two primary areas: i) compliance with federal arbitrage requirements and ii) compliance with secondary disclosure requirements.

Federal arbitrage requirements include a wide range of implications that have been taken into account as the Bonds have been structured. Post-issuance compliance responsibilities for this tax-exempt issue include both rebate and yield restriction provisions of the IRS Code. In general terms the arbitrage requirements control the earnings on unexpended bond proceeds, including investment earnings and moneys held for debt service payments (which are both considered to be proceeds under the IRS regulations), and/or reserves. Under certain circumstances any “excess earnings” will need to be paid to the IRS to maintain the tax-exempt status of the Bonds. Any interest earnings on gross bond proceeds or debt service funds should not be spent until it has been determined based on actual facts that they are not “excess earnings” as defined by the IRS Code.

The arbitrage rules provide spend-down exceptions for proceeds that are spent within either a 6-month, 18-month or 24-month period in accordance with certain spending criteria. Proceeds that qualify for an exception will be exempt from rebate. These expectations are based on actual expenditures, not on reasonable expectations, and expenditures, including any investment proceeds will have to meet the spending criteria to qualify for the exclusion. Because this transaction is being conducted as a current refunding and the proceeds will be spent within 90 days, the District expects to meet the 6-month exception and the proceeds will qualify for an exception from rebate.

Regardless of whether the issue qualifies for an exemption from the rebate provisions, yield restriction provisions will apply to the debt service fund under certain conditions and any unspent bond proceeds remaining after three years. These funds should be monitored throughout the life of the Bonds.

Secondary disclosure requirements result from an SEC requirement that underwriters provide ongoing disclosure information to investors. To meet this requirement, any prospective underwriter will require the District to commit to providing the information needed to comply under a continuing disclosure agreement.

Springsted currently provides both arbitrage and continuing disclosure services to the District. Springsted is providing an Agreement for Municipal Advisor Services to District staff, under which Springsted will continue providing these services for the District’s outstanding issues, including the Bonds.

SUPPLEMENTAL INFORMATION AND BOND RECORD:

Supplementary information will be available to staff including detailed terms and conditions of sale, comprehensive structuring schedules and information to assist in meeting post-issuance compliance responsibilities.

Upon completion of the financing, a bond record will be provided that contains pertinent documents and final debt service calculations for the transaction.

PURPOSE:	Proceeds of the Bonds, plus $161,488 of available debt service funds, will be used to refund the February 1, 2017 through 2019 maturities of the District's General Obligation Refunding Bonds, Series 2005A, dated January 1, 2005 (the "2005A Bonds"). The February 1, 2016 maturity will not be refunded. The purpose of the refunding is to achieve interest cost savings. The 2005A Bonds were originally issued to refund selected maturities of the District's General Obligation School Bonds, Series 1997A, dated March 1, 1997; and selected maturities of the District's General Obligation School Building Bonds, Series 1998A, dated July 1, 1998.
AUTHORITY:	The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 126C.55.
SECURITY AND SOURCE OF PAYMENT:	The Bonds will be general obligations of the District, secured by its full faith and credit and taxing power. The Bonds will be enrolled in the State's Credit Enhancement Program to provide additional security. Under this program the State has a standing appropriation to cure any potential school district debt payment defaults. No such default is anticipated; however, use of the program is without cost to the District and often improves the marketability of the school bonds. The Bonds will be paid solely from ad valorem tax levies. The District will use previously established tax levies to make debt service payments on the 2005A Bonds through February 1, 2016. On November 15, 2015, the District will use the proceeds of the bonds to redeem the February 1, 2017 through 2019 maturities of the 2005A Bonds. Beginning with the August 1, 2016 interest payment, the District will begin to make debt service payments on the Bonds, realizing the interest cost savings. The District will make their first levy for the Bonds in 2015 for collection in 2016. Each year's collection of taxes will be used to make the August 1 interest payment due in the collection year and the February 1 principal and interest payment due in the following year.
STRUCTURING SUMMARY:	In consultation with the District, the principal repayment for the Bonds has been structured with a term matching the 2005A Bonds to achieve approximately level annual savings. Based on current interest rates, this refunding transaction is projected to result in debt service savings averaging approximately $244,621 per year. This results in future value savings of approximately $818,934, with a net present value benefit to the District of approximately $801,927. These estimates are net of all costs associated with the refunding.
SCHEDULES ATTACHED:	Schedules attached include a refunding summary, debt service comparison, and debt service requirements, given the current interest rate environment.
RISKS/SPECIAL CONSIDERATIONS:	The outcome of this financing will rely on the market conditions at the time of the sale. Any projections included herein are estimates based on current market conditions.

SALE TERMS AND MARKETING:

Variability of Issue Size: A specific provision in the sale terms permits modifications to the issue size and/or maturity structure to customize the issue once the price and interest rates are set on the day of sale.

Prepayment Provisions: Based on the short duration and to avoid possible negative pricing impacts, the Bonds will not be subject to redemption prior to their stated maturities.

Bank Qualification: The District will issue more than $10 million in tax-exempt obligations that count against the $10 million limit in 2015; therefore, the Bonds are not designated as bank qualified.

Good Faith Deposit: The lowest bidder will be required to provide a good faith deposit within a specified time after receipt of proposals. The good faith deposit will be deducted from the purchase price otherwise due at the time of closing. In the event the lowest bidder fails to comply with the accepted bid proposal, the Issuer will retain the good faith deposit.

$11,315,000

Independent School District 831, Forest Lake, Minnesota

General Obligation Refunding Bonds, Series 2015A

Current Refunding of Series 2005A

Refunding Summary

Dated 10/08/2015 | Delivered 10/08/2015

SOURCES OF FUNDS	
Par Amount of Bonds	$11,315,000.00
Transfers from Prior Issue Debt Service Funds	161,488.89
TOTAL SOURCES	**$11,476,488.89**
USES OF FUNDS	
Deposit to Current Refunding Fund	11,341,488.89
Costs of Issuance	68,000.00
Total Underwriter's Discount (0.575%)	65,061.25
Rounding Amount	1,938.75
TOTAL USES	**$11,476,488.89**
ISSUES REFUNDED AND CALL INFORMATION	
Prior Issue Call Price	100.000%
Prior Issue Call Date	11/15/2015
SAVINGS INFORMATION	
Net Future Value Benefit	$818,933.61
Net Present Value Benefit	$801,926.63
Net PV Benefit / $12,276,476.77 PV Refunded Debt Service	6.532%
BOND STATISTICS	
Average Life	2.324 Years
Average Coupon	1.1501796%
Net Interest Cost (NIC)	1.3975453%
True Interest Cost (TIC)	1.4012252%

$11,315,000

Independent School District 831, Forest Lake, Minnesota

General Obligation Refunding Bonds, Series 2015A

Current Refunding of Series 2005A

Debt Service Comparison

Date	Total P+I	Existing D/S	Net New D/S	Old Net D/S	Savings
02/01/2016	-	3,464,500.00	3,464,500.00	3,744,000.00	279,500.00
02/01/2017	3,871,411.25	-	3,871,411.25	4,104,000.00	232,588.75
02/01/2018	3,866,315.00	-	3,866,315.00	4,101,750.00	235,435.00
02/01/2019	3,879,790.00	-	3,879,790.00	4,110,750.00	230,960.00
Total	$11,617,516.25	$3,464,500.00	$15,082,016.25	$16,060,500.00	$978,483.75

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	978,483.75
Gross PV Debt Service Savings	961,476.77
Net PV Cashflow Savings @ 1.149%(Bond Yield)	961,476.77
Transfers from Prior Issue Debt Service Fund	(161,488.89)
Contingency or Rounding Amount	1,938.75
Net Future Value Benefit	$818,933.61
Net Present Value Benefit	$801,926.63
Net PV Benefit / $1,392,560.40 PV Refunded Interest	57.586%
Net PV Benefit / $12,276,476.77 PV Refunded Debt Service	6.532%
Net PV Benefit / $11,180,000 Refunded Principal	7.173%
Net PV Benefit / $11,315,000 Refunding Principal	7.087%

Refunding Bond Information

Refunding Dated Date	10/08/2015
Refunding Delivery Date	10/08/2015

$11,315,000

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General Obligation Refunding Bonds, Series 2015A

Current Refunding of Series 2005A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
02/01/2016	-	-	-	-
02/01/2017	3,710,000.00	0.850%	161,411.25	3,871,411.25
02/01/2018	3,775,000.00	1.100%	91,315.00	3,866,315.00
02/01/2019	3,830,000.00	1.300%	49,790.00	3,879,790.00
Total	$11,315,000.00	-	$302,516.25	$11,617,516.25

Yield Statistics

Bond Year Dollars	$26,301.65
Average Life	2.324 Years
Average Coupon	1.1501796%
Net Interest Cost (NIC)	1.3975453%
True Interest Cost (TIC)	1.4012252%
Bond Yield for Arbitrage Purposes	1.1487586%
All Inclusive Cost (AIC)	1.6672045%

IRS Form 8038

Net Interest Cost	1.1501796%
Weighted Average Maturity	2.324 Years