OFFICIAL STATEMENT DATED JULY 19, 2013

NEW ISSUE **Rating: Requested from Moody's Investors Service**

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on current law, interest on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Such interest is included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions and in adjusted current earnings of corporations for federal alternative minimum tax purposes. See **"***TAX EXEMPTION" and "RELATED CONSIDERATIONS" herein.*

$3,400,000*

Independent School District No. 831
Forest Lake, Minnesota

General Obligation Tax Abatement Bonds, Series 2013A

(Minnesota School District Credit Enhancement Program)

(Book Entry Only)

Dated Date: Date of Delivery **Interest Due: Each February 1 and August 1, commencing August 1, 2014**

The Bonds will mature February 1 as follows:

2015	$190,000	2018	$225,000	2021	$235,000	2024	$255,000	2027	$275,000
2016	$220,000	2019	$230,000	2022	$245,000	2025	$260,000	2028	$285,000
2017	$225,000	2020	$235,000	2023	$250,000	2026	$270,000		

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above.

The District may elect on February 1, 2023, and on any day thereafter, to prepay Bonds due on or after February 1, 2024 at a price of par plus accrued interest.

The Bonds will be general obligations of the District for which the District will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the District will pledge available tax abatement revenues derived from certain abated parcels within the District. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment. The proceeds will be used to finance the acquisition of an ice arena and field house within the District.

Proposals shall be for not less than $3,362,600 plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity must be 98.0% or greater. Proposals must be accompanied by good faith deposit in the amount of $34,000, in the form of a certified or cashier's check payable to the order of the District, a wire transfer, or a Financial Surety Bond and delivered to Springsted Incorporated prior to the time proposals will be opened. Award of the Bonds will be on the basis of True Interest Cost (TIC).

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) U.S. Bank National Association, St. Paul, Minnesota will serve as registrar (the "Registrar") for the Bonds. Bonds will be available for delivery at DTC on or about August 27, 2013.

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* *Preliminary; subject to change.*

PROPOSALS RECEIVED: August 1, 2013 (Thursday) until 10:00 A.M., Central Time

AWARD: August 1, 2013 (Thursday) at 7:00 P.M., Central Time

Springsted

Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the District, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Issuer from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Obligations described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Issuer, except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Obligations, together with any other information required by law, shall constitute a "Final Official Statement" of the Issuer with respect to the Obligations, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

By awarding the Obligations to any underwriter or underwriting syndicate submitting a Proposal therefor, the Issuer agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Obligations are awarded copies of the Official Statement and the addendum or addenda described in the preceding paragraph in the amount specified in the Terms of Proposal.

The Issuer designates the senior managing underwriter of the syndicate to which the Obligations are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a Proposal with respect to the Obligations agrees thereby that if its bid is accepted by the Issuer (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Obligations for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

No dealer, broker, salesman or other person has been authorized by the Issuer to give any information or to make any representations with respect to the Obligations, other than as contained in the Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the Issuer and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER SINCE THE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts of documents prepared by or on behalf of the Issuer have not been included as appendices to the Official Statement or the Final Official Statement, they will be furnished on request.

Any CUSIP numbers for the Obligations included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Obligations have been assigned by an organization unaffiliated with the Issuer. The Issuer is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Obligations or as set forth in the Final Official Statement. No assurance can be given that the CUSIP numbers for the Obligations will remain the same after the date of issuance and delivery of the Obligations.

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THE DISTRICT HAS AUTHORIZED SPRINGSTED INCORPORATED TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

$3,400,000*

INDEPENDENT SCHOOL DISTRICT NO. 831
FOREST LAKE, MINNESOTA

GENERAL OBLIGATION TAX ABATEMENT BONDS, SERIES 2013A

(MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM)

(BOOK ENTRY ONLY)

Proposals for the Bonds and the Good Faith Deposit ("Deposit") will be received on Thursday, August 1, 2013, until 10:00 A.M., Central Time, at the offices of Springsted Incorporated, 380 Jackson Street, Suite 300, Saint Paul, Minnesota, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the School Board at 7:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Springsted will assume no liability for the inability of the bidder to reach Springsted prior to the time of sale specified above. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the District to purchase the Bonds regardless of the manner in which the Proposal is submitted.

(a) ***Sealed Bidding.*** Proposals may be submitted in a sealed envelope or by fax (651) 223-3046 to Springsted. Signed Proposals, without final price or coupons, may be submitted to Springsted prior to the time of sale. The bidder shall be responsible for submitting to Springsted the final Proposal price and coupons, by telephone (651) 223-3000 or fax (651) 223-3046 for inclusion in the submitted Proposal.

OR

(b) ***Electronic Bidding.*** Notice is hereby given that electronic proposals will be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all Bids submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic Bid in a timely manner and in compliance with the requirements of the Terms of Proposal*. Neither the District, its agents nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the District, its agents nor PARITY® shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The District is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the District.

If any provisions of this Terms of Proposal conflict with information provided by PARITY®, this Terms of Proposal shall control. Further information about PARITY®, including any fee charged, may be obtained from:

PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018
Customer Support: (212) 849-5000

* *Preliminary; subject to change.*

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery, as the date of original issue, and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2014. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature February 1 in the years and amounts* as follows:

2015	$190,000	2018	$225,000	2021	$235,000	2024	$255,000	2027	$275,000
2016	$220,000	2019	$230,000	2022	$245,000	2025	$260,000	2028	$285,000
2017	$225,000	2020	$235,000	2023	$250,000	2026	$270,000		

* *The District reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity in multiples of $5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per $1,000 of Bonds as that of the original proposal. Gross spread is the differential between the price paid to the District for the new issue and the prices at which the securities are initially offered to the investing public.*

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the Proposal form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR

The District will name the registrar which shall be subject to applicable SEC regulations. The District will pay for the services of the registrar.

OPTIONAL REDEMPTION

The District may elect on February 1, 2023, and on any day thereafter, to prepay Bonds due on or after February 1, 2024. Redemption may be in whole or in part and if in part at the option of the District and in such manner as the District shall determine. If less than all Bonds of a maturity are called for redemption, the District will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the District for which the District will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the District will pledge available tax abatement revenues derived from certain abated parcels within the District. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment. The proceeds will be used to finance the acquisition of an ice arena and field house within the District.

BIDDING PARAMETERS

Proposals shall be for not less than $3,362,600 plus accrued interest, if any, on the total principal amount of the Bonds.

No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the District scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

GOOD FAITH DEPOSIT

Proposals, regardless of method of submission, shall be accompanied by a Deposit in the amount of $34,000, in the form of a certified or cashier's check, a wire transfer, or Financial Surety Bond and delivered to Springsted Incorporated prior to the time proposals will be opened. Each bidder shall be solely responsible for the timely delivery of their Deposit whether by check, wire transfer or Financial Surety Bond. Neither the District nor Springsted Incorporated have any liability for delays in the transmission of the Deposit.

Any Deposit made by **certified or cashier's check** should be made payable to the District and delivered to Springsted Incorporated, 380 Jackson Street, Suite 300, St. Paul, Minnesota 55101.

Any Deposit sent via **wire transfer** should be sent to Springsted Incorporated as the District's agent according to the following instructions:

Wells Fargo Bank, N.A., San Francisco, CA 94104
ABA #121000248
for credit to Springsted Incorporated, Account #635-5007954
Ref: Forest Lake ISD No. 831, MN Series 2013A Good Faith Deposit

Contemporaneously with such wire transfer, the bidder shall send an e-mail to bond_services@springsted.com, including the following information; (i) indication that a wire transfer has been made, (ii) the amount of the wire transfer, (iii) the issue to which it applies, and (iv) the return wire instructions if such bidder is not awarded the Bonds.

Any Deposit made by the successful bidder by check or wire transfer will be delivered to the District following the award of the Bonds. Any Deposit made by check or wire transfer by an unsuccessful bidder will be returned to such bidder following District action relative to an award of the Bonds.

If a **Financial Surety Bond** is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota and pre-approved by the District. Such bond must be submitted to Springsted Incorporated prior to the opening of the proposals. The Financial Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to an underwriter using a Financial Surety Bond, then that underwriter is required to submit its Deposit to the District in the form of a certified or cashier's check or wire transfer as instructed by Springsted Incorporated not later than 3:30 P.M., Central Time on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the District to satisfy the Deposit requirement.

The Deposit received from the purchaser, the amount of which will be deducted at settlement, will be deposited by the District and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the District.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the District. The District's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The District will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the District determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

The District has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Bonds. If the Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's Proposal. The District specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the District. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the District) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

SETTLEMENT

On or about August 27, 2013, the Bonds will be delivered without cost to the purchaser through DTC in New York, New York. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Dorsey & Whitney LLP of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the

District or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the District, or its agents, the purchaser shall be liable to the District for any loss suffered by the District by reason of the purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

In accordance with SEC Rule 15c2-12(b)(5), the District will undertake, pursuant to the resolution awarding sale of the Bonds, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Official Statement. The purchaser's obligation to purchase the Bonds will be conditioned upon receiving evidence of this undertaking at or prior to delivery of the Bonds.

OFFICIAL STATEMENT

The District has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the District, Springsted Incorporated, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the District with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the District agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 25 copies of the Official Statement and the addendum or addenda described above. The District designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the District (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated June 27, 2013 BY ORDER OF THE SCHOOL BOARD

/s/ Kathy Bystrom
Clerk

OFFICIAL STATEMENT

$3,400,000*

INDEPENDENT SCHOOL DISTRICT NO. 831
FOREST LAKE, MINNESOTA

GENERAL OBLIGATION TAX ABATEMENT BONDS, SERIES 2013A

(MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information regarding Independent School District No. 831, Forest Lake, Minnesota (the "District" or the "Issuer") and its issuance of $3,400,000* General Obligation Tax Abatement Bonds, Series 2013A (the "Bonds," the "Obligations," or the "Issue"). The Bonds are general obligations of the District for which the District pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the District will pledge available tax abatement revenues derived from certain abated parcels within the District. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment.

Inquiries may be addressed to Mr. Lawrence Martini, Director of Business Affairs, Independent School District No. 831, 6100 North 210th Street, Forest Lake, Minnesota 55025-9796, or by telephoning (651) 982-8125. Information can also be obtained from Springsted Incorporated, 380 Jackson Street, Suite 300, St. Paul, Minnesota 55101-2887, or by telephoning (651) 223-3000. Inquiries of a specific legal nature may be directed to Ms. Andrea Hedtke, Dorsey & Whitney LLP, Bond Counsel, 50 South Sixth Street, Minneapolis, Minnesota 55402, or by telephoning (612) 340-2643.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the District will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided

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* *The District reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity in multiples of $5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per $1,000 of Bonds as that of the original proposal. Gross spread is the differential between the price paid to the District for the new issue and the prices at which the securities are initially offered to the investing public.*

on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix II to this Official Statement.

The District has not failed within the past five years to comply in all material respects with any previous Disclosure Covenants under the Rule to provide annual reports or material events. Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Bonds or the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the District to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General Description

The Bonds are dated as of the date of delivery and will mature annually on the dates and in the amounts set forth on the front cover of this Official Statement. The Bonds are being issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2014. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar on the fifteenth day of the calendar month next preceding such interest payment date. Principal of and interest on the Bonds will be paid as described in the section herein entitled “Book Entry System.” U.S. Bank National Association, St. Paul, Minnesota, will serve as Registrar for the Bonds. The District will pay for registration services.

Optional Redemption

The District may elect on February 1, 2023, and on any day thereafter, to prepay Bonds due on or after February 1, 2024. Redemption may be in whole or in part and if in part at the option of the District and in such manner as the District shall determine. If less than all the Bonds of a maturity are called for redemption, the District will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All optional prepayments shall be at a price of par plus accrued interest.

Thirty days’ notice of redemption shall be given by ordinary mail to the registered owner(s) of the Bonds. Failure to give such notice by mail to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices are required to be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any such other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer or Bond Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Obligations will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, the Bond Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, Issuer, or the Issuer's agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Obligations purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Obligations by causing the Direct Participant to transfer the Participant's interest in the Obligations, on DTC's records, to Agent. The requirement for physical delivery of Obligations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Obligations to Trustee's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the Issuer or its agent. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 469 and 475. The proceeds of the Bonds, along with available District funds, will be used to finance the acquisition of an ice arena and field house within the District.

The composition of the Bonds is as follows:

Sources of Funds:	
Principal Amount	$3,400,000
Available District Funds	13,250
Total Sources of Funds	$3,413,250
Uses of Funds:	
Deposit to Project Fund	$3,332,000
Cost of Issuance	43,850
Allowence for Discount Bidding	37,400
Total Uses of Funds	$3,413,250

SECURITY AND FINANCING

The Bonds are general obligations of the District for which the District pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the District will pledge available tax abatement revenues derived from certain abated parcels within the District, abd will apply any tax abatement revenues collected for repayment of the Bonds. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to guarantee the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment.

The District will make its first levy for the Bonds in 2013 for collection in 2014. Each year's collection of taxes and available tax abatement revenues, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 in the collection year and the principal and interest payment due February 1 of the following year.

MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

The District will participate in the Minnesota School District Credit Enhancement Program (the “Program”) created by Minnesota Statutes, Section 126C.55 (the “Act”). Under the Act, if the District believes it may be unable to make a principal or interest payment on the due date, it must notify the Commissioner of Education as soon as possible, but not less than 15 working days prior to the due date, which notice is to specify certain information. After consultation with the District and paying agent, and after verification of the accuracy of the information provided, the Commissioner of Education must notify the Commissioner of Management and Budget. The Act provides that “upon receipt of this notice...the Commissioner of Management and Budget shall issue a warrant and authorize the Commissioner of Education to pay to the paying agent for this debt obligation the specific amount on or before the date due. The amounts needed for this purpose are annually appropriated to the Department of Education from the State General Fund."

The Act was not apparently intended to create indebtedness of the State of Minnesota. Payment by the State of Minnesota will be dependent upon the availability of sufficient appropriations for the purpose of the Program. Bond Counsel expresses no opinion as to the enforceability of the Act against the State of Minnesota in the absence of available appropriations.

FUTURE FINANCING

The District does not anticipate issuing any additional long-term general obligation debt for at least the next 90 days.

LITIGATION

The District is not aware of any threatened or pending litigation affecting the validity of the Bonds or its ability to meet its financial obligations.

LEGALITY

The Bonds are subject to approval as to certain matters by Dorsey & Whitney LLP of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement, and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify, any of the financial or statistical statements, or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix I to this Official Statement will be delivered at closing.

TAX EXEMPTION

It is the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, based on current law, and on certifications to be furnished at closing, and assuming compliance by the District with certain covenants (the "Tax Covenants"), that interest on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes. Interest on the Bonds is included in taxable income for purposes of Minnesota franchise taxes imposed on corporations and financial institutions. Interest on the Bonds is not an item of tax preference for federal or Minnesota alternative minimum tax purposes, but it is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds; restrictions on the investment of Bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Compliance with the Tax Covenants will satisfy the current requirements of the Code with respect to exclusion of interest on the Bonds from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Certain maturities of the Bonds may be issued at a discount from the principal amount payable on such Bonds at maturity (collectively, the “Discount Bonds”). The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the “Issue Price”) and the principal amount payable at maturity constitutes “original issue discount” under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner’s federal and Minnesota tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity). Original issue discount is taxable under the Minnesota franchise tax on corporations and financial institutions.

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Bond. If such excess is greater than the amount of remaining original issue discount, the Code's basis reduction rules for amortizable bond premium might result in taxable gain upon sale, redemption or maturity of the Bonds, even if the Bonds are sold, redeemed or retired for an amount equal to or less than their cost.

Except for the Minnesota rules described above, no opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Bonds should consult their tax advisors with respect to the computation and accrual of original issue discount and with respect to the other federal, state and local tax consequences associated with the purchase, ownership, redemption, sale or other disposition of Discount Bonds.

Bond Premium

Certain maturities of the Bonds may be issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Bonds at a premium, even Bonds that were not initially offered at a premium, must, from time to time, reduce their federal and Minnesota tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Bonds acquired at a premium.

RELATED TAX CONSIDERATIONS

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits. Passive investment income, including interest on the Bonds, may be subject to taxation under section 1375 of the Code, and corresponding provisions of Minnesota law, for an S corporation that has accumulated earnings and profits at the close of the taxable year, if more than 25 percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. Federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Bonds. Because of the Code's basis reduction rules for amortizable Bond premium, Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if the Bonds are sold for an amount equal to or less than their original cost. In the case of an insurance company subject to the tax imposed by section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Bonds that is received or accrued during the taxable year. Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by section 884 of the Code, and is included in net investment income of foreign insurance companies under section 842(b) of the Code.

The market value and marketability of the Bonds may be adversely affected by future changes in federal or Minnesota tax treatment of interest on the Bonds or by future reductions in income tax rates.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE BONDS OR RECEIPT OF INTEREST ON THE BONDS. PROSPECTIVE PURCHASERS OR BONDHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO APPLICABLE FEDERAL, STATE AND LOCAL TAX RULES.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, expense that is allocable to carrying and acquiring tax-exempt obligations.

RATING

An application for a rating of the Bonds has been made to Moody’s Investors Service (“Moody’s”), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York. The District also expects the Bonds to be rated based on the Minnesota School District Credit Enhancement Program. If a rating is assigned, it will reflect only the opinion of Moody’s. Any explanation of the significance of the rating may be obtained only from Moody’s.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised or withdrawn if, in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

The District has retained Springsted Incorporated, Public Sector Advisors, of St. Paul, Minnesota, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

CERTIFICATION

The District has authorized the distribution of this Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the Purchaser will be furnished with a certificate signed by the appropriate officers of the District. The certificate will state that the Official Statement did not and does not, as of the date of the certificate, contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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DISTRICT PROPERTY VALUES

2012/13 Indicated Market Value of Taxable Property: $3,873,530,357*

* *Indicated market value is calculated by dividing the combined taxable market value of $3,920,012,721 ($2,220,527,600, $1,241,983,421, and $457,501,700 for Washington, Anoka, and Chisago Counties, respectively) by the 2011 sales ratio of 101.2% for the District as determined by the State Department of Revenue. (Excludes mobile home valuations of $841,600 and $1,571,400 for Anoka and Chisago Counties, respectively. 2012 sales ratios are not yet available.)*

2012/13 Net Tax Capacity: $44,015,016*

	Washington County	Anoka County	Chisago County	Total
Real Estate	$24,479,839	$13,372,585	$5,295,774	$43,148,198
Personal Property	397,866	336,458	132,494	866,818
Total	$24,877,705	$13,709,043	$5,428,268	$44,015,016

* *Excludes mobile home valuations of $8,414 and 15,714 for Anoka and Chisago Counties, respectively.*

2012/13 Taxable Net Tax Capacity by Class of Property: $44,049,873

Real Estate:		
Residential Homestead	$26,444,145	60.1%
Commercial/Industrial, Public Utility, and Railroad	9,177,366	20.8
Non-Homestead Residential	5,086,647	11.5
Agricultural	1,741,624	4.0
Seasonal-Recreational	698,416	1.6
Personal Property	866,818	2.0
2012/13 Net Tax Capacity	$44,015,016	100.0%
Less: Captured Tax Increment	(1,226,541)	
Transmission Lines	(5,649)	
Contribution to Fiscal Disparities	(3,176,279)	
Plus: Distribution from Fiscal Disparities	4,443,326	
2012/13 Taxable Net Tax Capacity	$44,049,873	

Trend of Values

Year	Indicated Market Value[(a)]	Taxable Market Value	Taxable Net Tax Capacity[(b)]
2012/13	$3,873,530,357	$3,920,012,721[(c)]	$44,049,873
2011/12	4,241,663,922	4,292,563,889	48,103,853
2010/11	4,664,589,706	4,757,881,500	52,954,572
2009/10	5,339,606,205	5,248,832,900	58,145,907
2008/09	5,703,726,967	5,435,651,800	59,948,023

(a) *Indicated market values are calculated by dividing the combined taxable market value for Washington, Anoka, and Chisago Counties by the sales ratio determined for the District each year by the State Department of Revenue.*

(b) *See Appendix III for discussion of taxable net tax capacity and the Minnesota property tax system.*

(c) *The taxable market value reflects a decrease of $256,212,371 due to the Market Value Homestead Exclusion program implemented by the State of Minnesota in 2011. See Appendix III.*

Ten of the Largest Taxpayers in the District

Taxpayer	Type of Property	2012/13 Net Tax Capacity
Xcel Energy	Utility	$ 545,922
Target Corporation	Retail	380,482
North Metro Harness Initiative LLC	Commercial	283,840
MRLR Real Estate Partners	Real Estate	247,140
Hallberg, Inc.	Storage	223,330
Inland Forest Lake Marketplace	Commercial	198,192
Menards Inc.	Commercial	189,146
Fairview Hospital	Medical	186,526
Northern Natural Gas	Utility	164,276
The Barbara Gaughn Limited Partnership	Apartments	150,685
Total		$2,569,539

* *Represents 5.8% of the District's 2012/13 taxable net tax capacity.*

DISTRICT INDEBTEDNESS

Legal Debt Limit and Margin*

Legal Debt Limit (15% of Taxable Market Value)	$588,001,908
Less: Outstanding Debt Subject to the Limit	(20,845,000)
Legal Debt Margin as of August 27, 2013	$567,156,908

* *The legal debt limit is referred to statutorily as the "Net Debt Limit" and permits debt to be offset by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year. No such offset has been used to increase the margin as shown above.*

General Obligation Debt Supported by Taxes[(a)]

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 8-27-13
1-1-05	$34,140,000	Refunding	2-1-2019	$20,845,000
3-1-09	6,450,000	Taxable OPEB	2-1-2030	5,895,000[(b)]
Total				$26,740,000

[(a)] *These issues are subject to the legal debt limit, except as otherwise noted.*

[(b)] *This issue is not subject to the legal debt limit.*

General Obligation Debt Supported by Tax Abatement Revenues

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 8-27-13
8-27-13	$3,400,000	Tax Abatement (the Bonds)	2-1-2028	$3,400,000

Short-Term Debt

The District also has outstanding $17,187,828 in Aid Anticipation Certificates dated August 30, 2012. These certificates carry an interest rate of 2.00% and will mature September 10, 2013.

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Estimated Calendar Year Debt Service Payments Including the Bonds

	G.O. Debt Supported by Taxes		G.O. Debt Supported by Tax Abatement Revenues	
Year	Principal	Principal & Interest	Principal	Principal & Interest[(a)]
2013 (at 8-27)	(Paid)	(Paid)	- 0 -	- 0 -
2014	$ 3,285,000	$ 4,556,791	- 0 -	$ 67,090
2015	3,415,000	4,521,366	$ 190,000	261,695
2016	3,615,000	4,547,891	220,000	290,088
2017	3,790,000	4,539,554	225,000	292,804
2018	3,980,000	4,536,566	225,000	289,935
2019	4,195,000	4,547,841	230,000	291,463
2020	295,000	535,591	235,000	292,391
2021	315,000	540,184	235,000	287,691
2022	320,000	528,831	245,000	292,286
2023	360,000	550,971	250,000	291,283
2024	370,000	541,441	255,000	289,843
2025	390,000	540,726	260,000	288,018
2026	415,000	543,381	270,000	290,728
2027	445,000	549,079	275,000	287,891
2028	480,000	557,476	285,000	289,418
2029	515,000	563,428		
2030	555,000	571,650		
Total	$26,740,000[(b)]	$33,272,767	$3,400,000[(c)]	$4,102,624

(a) *Includes the Bonds at an assumed average annual interest rate of 2.48%.*

(b) *88.1% of this debt will be paid within ten years.*

(c) *53.1% of this debt will be paid within ten years.*

Operating Leases

The District has 11 operating bus leases for student transportation. These leases have monthly payments ranging from $3,330 to $10,095 and expire at various times through September 2017. Operating bus lease expenditures for fiscal year ended June 30, 2012 were approximately $560,285.

The District is currently utilizing space under an operating lease agreement for the Step Program. The lease has monthly payments ranging from $10,667 to $12,367 and will expire in August 2016. Operating lease expenditures for the Step Program for fiscal year ended June 30, 2012 were approximately $130,244.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30	Bus Leases	Space Leases
2013	$ 666,684	$ 135,804
2014	436,535	139,884
2015	490,053	144,084
2016	293,493	148,404
2017	275,660	24,734
2018	687,226	
Total	$2,849,651	$592,910

Indirect Debt

Taxing Unit[(a)]	2012/13 Taxable Net Tax Capacity	Est. G.O. Debt As of 8-27-13[(b)]	Debt Applicable to Tax Capacity in District Percent	Debt Applicable to Tax Capacity in District Amount
Counties:				
Washington	$ 244,593,651	$139,195,000	9.9%	$13,780,305
Anoka	269,455,126	141,225,813[(c)]	5.4	7,626,194
Chisago	39,685,951	49,765,000[(d)]	13.6	6,768,040
Cities:				
Chisago	4,159,283	6,195,000	2.3	142,485
Columbus	4,655,719	16,940,908	100.0	16,940,908
East Bethel	9,084,762	1,600,000	14.8	236,800
Forest Lake	16,752,078	8,115,000	100.0	8,115,000
Ham Lake	14,141,366	2,070,000	6.7	138,690
Hugo	13,268,513	11,760,000	12.8	1,505,280
Lino Lakes	17,782,398	18,789,000	19.1	3,588,699
Scandia	5,832,521	775,000	85.5	662,625
Stacy	874,721	3,841,000	4.0	153,640
Wyoming	8,779,903	4,101,000	59.8	2,452,398
Metropolitan Council	2,964,890,691	16,715,000[(e)]	1.3	217,295
Metropolitan Transit District	2,367,824,145	327,345,000[(f)]	1.6	5,237,520
Total				$67,565,879

(a) Only those units with general obligation debt outstanding are shown here.

(b) Excludes general obligation debt supported by revenues and revenue debt.

(c) Includes Anoka County's $2,705,000 Certificates of Participation, Series 2007G, dated November 28, 2007.

(d) Includes $3,285,000 of lease revenue bonds issued by the Chisago County Housing and Redevelopment Authority (the "HRA") and paid from lease payments made by the County to the HRA.

(e) Excludes general obligation debt supported by sanitary sewer revenues, 911 user fees and housing rental revenues. Includes certificates of participation.

(f) Includes general obligation grant anticipation notes.

Debt Ratios*

	G.O. Direct Debt	G.O. Indirect & Direct Debt
To 2012/13 Indicated Market Value ($3,873,530,357)	0.78%	2.52%
Per Capita (46,248 – Current District Estimate)	$652	$2,113

* *Excludes operating leases and short-term debt.*

DISTRICT TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates

City of Forest Lake

	2008/09	2009/10	2010/11	2011/12	2012/13 Total	2012/13 For Debt Only
Washington County	26.371%	27.775%	29.771%	31.938%	34.224%	4.060%
City of Forest Lake	30.109	31.533	33.548	37.735	43.507	2.058
ISD No. 831 (Forest Lake)[(a)]	13.455	12.895	15.411	17.331	22.018	8.831
Special Districts[(b)]	7.525	7.715	8.299	9.467	10.548	0.141
Total	77.460%	79.918%	87.029%	96.471%	110.297%	15.090%

City of Wyoming

	2008/09	2009/10	2010/11	2011/12	2012/13 Total	2012/13 For Debt Only
Chisago County	57.461%	59.356%	64.719%	73.687%	78.469%	10.529%
City of Wyoming	47.346	50.470	54.786	58.994	73.156	14.320
ISD No. 831 (Forest Lake)[(a)]	13.455	12.895	15.411	17.331	22.018	9.775
Special Districts[(c)]	3.786	3.811	4.583	5.091	5.407	-0-
Total	122.048%	126.532%	139.499%	155.103%	179.050%	34.624%

(a) *The District also has a 2012/13 tax rate of 0.17389% spread on the market value of property in support of an excess operating levy.*

(b) *Special districts include Metropolitan Council, Metropolitan Mosquito Control, Washington County Housing and Redevelopment Authority, Rice Creek Watershed, Comfort Lake/Forest Lake Watershed, and Regional Rail Authority.*

(c) *Special districts include East Central Regional Development Commission and Comfort Lake/Forest Lake Watershed.*

NOTE: Property taxes are determined by multiplying the net tax capacity by the tax capacity rate, plus multiplying the referendum market value by the market value rate. This table does not include the market value based rates. See Appendix III.

Tax Levies and Collections*

Levy/Collect	Net Levy*	Collected During Collection Year Amount	Collected During Collection Year Percent	Collected and/or Abated As of 12-31-12 Amount	Collected and/or Abated As of 12-31-12 Percent
2012/13	$16,474,855	(In Process of Collection)			
2011/12	15,539,545	$15,249,493	98.1%	$15,287,388	98.4%
2010/11	15,227,485	14,781,296	97.1	15,113,971	99.3
2009/10	14,616,671	14,128,990	96.7	14,535,959	99.4
2008/09	15,361,999	14,886,629	96.9	15,313,636	99.7

* *The net levy excludes State aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix III.*

FUNDS ON HAND
As of May 31, 2013

Fund	Cash and Investments
General	$23,230,830
Food Service	1,070,210
Community Service	646,787
Debt Service	1,477,539
Trust	6,779,897
Total	$33,205,263

DISTRICT INVESTMENTS

The District does not have a formal investment policy. Investments of the District are made in accordance with Minnesota statutes. As of May 31, 2013, the District's funds were invested 3.7% ($1,000,000) in commercial paper, 79.2% in certificates of deposit, 16.7% in federal agencies, and 0.4% in the Minnesota School District Liquid Asset Fund (MSDLAF) and Minnesota Trust Investment Portfolio (money market accounts).

The MSDLAF was established in 1984 under Minnesota laws to permit school districts to pool their investment funds to obtain the highest possible yield and maintain the preservation of capital and liquidity. Investments are made in instruments permitted by Minnesota law. In addition, it is the MSDLAF's policy regarding commercial paper to permit investing only in "A1"-"P1" commercial paper, although State statutes allow for a lower rating. The Liquid Class, made up of only permitted investments, is 100% liquid at all times and allows for unlimited check writing services.

The MAX Class is invested in the same types of investments as other MSDLAF portfolios, but requires investment in this Portfolio to be deposited for a minimum of 14 days with one banking day notice required for withdrawals, except for State aid payments which are scheduled for payment on the 15th and the 30th of each month. Funds from these deposits are 100% liquid at any time and not subject to the previously mentioned withdrawal requirements for the MAX Class.

As of May 31, 2013, the District's portion of the Liquid Class had net assets $104,000 and the the District's portion of the MAX Class had net assets of $0. The Liquid and MAX classes of the MSDLAF+ portfolio were invested fully (100%) in United States Government Agency obligations.

GENERAL INFORMATION CONCERNING THE DISTRICT

The District is composed of 230 square miles (147,200 acres) including all or part of the cities of East Bethel, Forest Lake, Ham Lake, Hugo, Lino Lakes, Wyoming and six townships. The portion of the District located within Washington and Anoka counties is under the jurisdiction of the Metropolitan Council. All of the District, including Chisago County, is considered to be a part of the Twin Cities Standard Metropolitan Statistical Area for U.S. Census Bureau purposes. The District estimates its current population to be 46,248.

Board of Education and District Administration

The Distrct is governed by a seven-member Board of Education. Board members are elected at-large to serve overlapping four-year terms of office that expire the first Monday in January. Elections are held on the general election date in November of odd-numbered years. The current members of the Board are:

		Expiration of Term
Robert Rapheal	President	December 31, 2017
Eric Turner	Vice President	December 31, 2015
Karen Morehead	Clerk	December 31, 2015
Dan Kieger	Treasurer	December 31, 2017
Kathy Bystrom	Director	December 31, 2015
Julie Corcoran	Director	December 31, 2017
Gail Theisen	Director	December 31, 2017

The Superintendent of Schools, Dr. Linda M. Madsen, is responsible for the administration of School Board policy. The Superintendent is appointed by the School Board. Mr. Lawrence Martini, Director of Business Affairs, has been with the District since August 2001. Before joining the District, Mr. Martini was the Fiscal and Human Resources Director for Independent School District No. 16 (Spring Lake Park), Minnesota from August 1988 to August 2001.

Enrollment and Employment

The following table shows current and historic enrollment for the District for the past five years.

School Year	K-6	7-12	Total
2012/13	3,399	3,265	6,664
2011/12	3,417	3,260	6,677
2010/11	3,488	3,281	6,769
2009/10	3,442	3,328	6,770
2008/09	3,565	3,472	7,037

The District currently employs 1,019 personnel, of whom 467 are licensed and 552 are non-licensed.

Employment Contracts

The Superintendent, Director of Human Resources, and Director of Business Affairs negotiate contracts with teachers, principals, and all other bargaining groups within parameters set by the School Board. It is the District's policy to take a non-adversarial approach in labor negotiations. The Superintedent’s contract expires June 30, 2015. Contracts for Directors, Principals, Supervisors, and Teachers expired on June 30, 2013, and are currently in negotiations.

District Physical Plant

Building	Original Construction and Additions	Student Capacity
Columbus Elementary	1975, 1999	600
Forest Lake Elementary	1957, 1968, 1988	525
Forest View Elementary	1967, 1988, 1999	700
Lino Lakes Elementary	1957, 1961, 1975, 1999	650
Linwood Elementary	1961, 1970, 1988, 1999	625
Scandia Elementary	1962, 1964, 1971, 1988, 1999	525
Wyoming Elementary	1989, 1999	750
Century Junior High	2000	1,150
Southwest Junior High	1965, 1980, 1988, 1999	900
Forest Lake Senior High	1972, 1989, 1999	1,800
Administration Building	1984	---

Student Transportation

The District owns a fleet of 55 buses and leases an additional 55 buses, with an original investment amount of $3,268,019. A total of 90 regular and special education routes are operated, with 100% of the student population bused.

2012/13 District Budget

	6-30-12 Actual Fund Balance	2012/13 Budget Revenues and Transfers	2012/13 Budget Expenditures and Transfers	6-30-13 Projected Balance
General	$ 8,717,242	$63,301,563	$65,476,425	$ 6,542,380
Food Service	661,538	3,869,513	3,865,018	666,033
Community Service	776,518	4,051,534	4,107,745	720,307
Debt Redemption	765,898	3,780,309	3,679,059	867,148
Trust	213,207	14,500	55,541	172,166
OPEB Irrevocable Trust	4,658,761	0	0	4,658,761
OPEB Debt Service	45,992	517,691	517,691	45,992
Total Funds	$15,839,156	$75,535,110	$77,701,479	$13,672,787

Employee Pension Plans

All teachers of the District are covered by the Teachers Retirement Association (“TRA”). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

All other full-time and certain part-time employees are covered by the Public Employees Retirement Association (“PERA”). PERA administers the General Employees Retirement Fund (“GERF”), which is a cost-sharing, multiple-employer retirement plan. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

District contributions to TRA and GERF for the past five years are as follows:

	TRA	GERF
2012	$1,618,727	$927,769
2011	1,550,405	887,621
2010	1,611,754	861,771
2009	1,729,854	825,078
2008	1,703,016	782,651

Both TRA and PERA are managed by the State of Minnesota; the District, therefore, has no responsibility for the administration of either program.

For more information regarding the liability of the District with respect to its employees, please reference Note 7, Defined Benefit Pension Plans State-Wide, of the District's Financial Statements for fiscal year ended June 30, 2012, an excerpt of which is included as Appendix IV of this Official Statement.

Other Postemployment Benefits

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), which addresses how state and local governments must account for and report their obligations related to post-employment healthcare and other non-pension benefits (referred to as Other Post Employment Benefits or "OPEB").

The District provides healthcare benefits to eligible retirees and their spouses, at their own expense, through age 65, per Minnesota Statutes.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed 30 years.

Components of the District's annual OPEB cost, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan for the fiscal year ended June 30, 2012 are as follows:

Annual required contribution (ARC)	$ 381,261
Interest on OPEB obligation	(137,251)
Adjustment to ARC	235,454
Annual OPEB cost (expense)	$ 479,464
Contributions made	0
Increase in net OPEB obligation	$ 479,464
Net OPEB obligation – beginning of year	(4,575,041)
Net OPEB obligation – end of year	$(4,095,577)

As of July 1, 2010, the most recent actuarial valuation date, the plan was 83.9% funded. The actuarial accrued liability for benefits was $6,302,912 and the actuarial value of assets was $5,286,971, resulting in an unfunded actuarial accrued liability (UAAL) of $1,015,941. The covered payroll (annual payroll of active employees covered by the plan) was $34,140,189, and the ratio of the UAAL to the covered payroll was 3.0%.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past four years are as follows:

Fiscal Year Ended	OPEB Cost	Employer Contributions	% of Annual OPEB Cost Contributed	Net Negative OPEB Obligation
June 30, 2012	$479,464	$ - 0 -	- 0 -%	$(5,040,521)
June 30, 2011	465,480	- 0 -	- 0 -	(42,339)
June 30, 2010	403,161	- 0 -	- 0 -	(5,040,521)
June 30, 2009	648,127	6,091,809	939.9	(5,443,682)

For more information regarding the District's OPEB plan, please reference Note 8, Other Post-Employment Benefits (OPEB) Plan, of the District's Financial Statements for fiscal year ended June 30, 2012, an excerpt of which is included as Appendix IV of this Official Statement.

ECONOMY

Interstate 35, the major highway between the Minneapolis-Saint Paul Metropolitan Area and City of Duluth, traverses the District's east side and provides easy access to the cities of Saint Paul and Minneapolis. The City of Forest Lake is approximately 25 miles north of the Minneapolis-Saint Paul Metropolitan Area and the City of Wyoming is approximately 30 miles north. Consequently many residents commute to the cities of Minneapolis and Saint Paul and northern suburbs for work.

Major Employers Located In or Near the District

Employer	Product/Service	Approximate Number of Employees
Independent School District No. 831 (Forest Lake)	Education	1,019
Fairview Lakes Regional Health Care (Wyoming)	Healthcare	950
Wal-Mart (Forest Lake)	Retail	400
Birchwood Health Care Center (Forest Lake)	Nursing home	200
Menards (Forest Lake)	Retail	168
Target (Forest Lake)	Retail	160
Cub Foods (Forest Lake)	Grocery	150
Marketplace Foods (Forest Lake)	Grocery	100
City of Forest Lake	Government	98
Allina Medical Clinic (Forest Lake)	Healthcare	65

Source: Telephone survey of individual employers, July 2013.

Labor Force Data

	Annual Average				May
	2009	2010	2011	2012	2013
Labor Force:					
Anoka County	191,475	189,041	189,211	190,059	192,708
Chisago County	27,560	28,933	28,722	28,748	29,137
Washington County	129,221	131,502	133,095	133,730	135,771
Mpls/St. Paul MSA	1,844,504	1,833,578	1,848,525	1,857,426	1,886,840
State of Minnesota	2,950,277	2,962,633	2,969,696	2,969,366	2,989,154
Unemployment Rate:					
Anoka County	8.6%	7.9%	6.7%	5.8%	4.9%
Chisago County	10.2	9.2	7.9	6.7	5.7
Washington County	7.5	6.9	6.2	5.3	4.5
Mpls/St. Paul MSA	7.9	7.3	6.3	5.5	5.3
State of Minnesota	8.0	7.4	6.5	5.6	4.9

Source: Minnesota Department of Employment and Economic Development, http://www.positivelyminnesota.com. 2013 data are preliminary.

Medical Facilities

Health care services are available to District residents at Birchwood Health Care Center in Forest Lake, which has 110 nursing home beds, and Fairview Lakes Health Services in Wyoming, which is licenced for 61 hospital beds and 12 infant bassinets.

Source: Minnesota Department of Health, http://www.health.state.mn.us/divs/fpc/directory/fpcdir.html.

Financial Institutions

Financial services for District residents are provided by Central Bank, located in the City Forest Lake; First State Bank of Wyoming, located in the City of Wyoming and branches of Frandsen Bank and Trust, and Lake Area Bank in the City of Forest Lake.

Source: Federal Deposit Insurance Corporation, http://www2.fdic.gov/idasp/main.asp.

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PROPOSED FORM OF LEGAL OPINION

DORSEY

Independent School District No. 831
Forest Lake, Minnesota

[Original Purchaser]

Re: $3,400,000 General Obligation Tax Abatement Bonds, Series 2013A
Independent School District No. 831 (Forest Lake Area Schools)
Washington, Anoka and Chisago Counties, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 831 (Forest Lake Area Schools), Washington, Anoka and Chisago Counties, Minnesota, Minnesota (the District), of the obligations described above, dated, as originally issued, as of August 27, 2013 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the District, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from tax abatement revenue to be generated from certain parcels of property in the District pursuant to Minnesota Statutes, Section 469.1813 and from ad valorem taxes to be levied on all taxable property within the District; but if necessary for payment thereof, additional ad valorem taxes are required by law to be levied on all such property, which taxes are not subject to any limitation as to rate or amount.

3. The resolution authorizing the issuance of the Bonds obligates the District to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of such law against the State of Minnesota in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.

4. Interest payable on the Bonds (a) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference for federal or Minnesota alternative minimum tax purposes; and (d) is includable in adjusted current earnings of corporations for federal alternative minimum tax purposes.

5. The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the Code), and financial institutions described in Section 265(b)(5) of the Code may treat the Bonds for purposes of Section 265(b)(2) of the Code as if they were acquired on August 7, 1986.

The opinions expressed in paragraphs 1, 2, and 3 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 4 and 5 above are subject to the condition of the District's compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest payable thereon may be, and continue to be, excluded from gross income for federal income tax purposes, and that the Bonds may be, and continue to be, qualified tax-exempt obligations. The District has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to holders of the Bonds.

We have not been asked, and have not undertaken, to review the accuracy, completeness or sufficiency of any offering materials relating to the Bonds, and, accordingly, we express no opinion with respect thereto.

Dated this 27th day of August, 2013.

Very truly yours,

CONTINUING DISCLOSURE COVENANTS

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the District hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The District is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the District fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The District will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the District, the following information at the following times:

(1) on or before 12 months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2013, the following financial information and operating data in respect of the District (the Disclosure Information):

(A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: District Property Values; District Indebtedness; District Tax Rates, Levies and Collections; and District Enrollment and Employment, which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the District shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the District shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public on the Internet Web site of the Municipal Securities Rulemaking Board (the MSRB). The District shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the District have materially changed or been discontinued, such Disclosure Information need no longer be provided if the District includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other District operations in respect of which data is not included in the Disclosure Information and the District determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the District shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner not to exceed 10 business days, notice of the occurrence of any of the following:

(A) Principal and interest payment delinquencies;
(B) Non-payment related defaults, if material;
(C) Unscheduled draws on debt service reserves reflecting financial difficulties;
(D) Unscheduled draws on credit enhancements reflecting financial difficulties;
(E) Substitution of credit or liquidity providers, or their failure to perform;
(F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security or other material events affecting the tax-exempt status of the security;
(G) Modifications to rights of security holders, if material;
(H) Bond calls, if material and tender offers;
(I) Defeasances;
(J) Release, substitution, or sale of property securing repayment of the securities if material;
(K) Rating changes;
(L) Bankruptcy, insolvency, receivership, or similar event of the District;

(M) Consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(N) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, a Material Fact is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the District to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;

(B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the District under subsection (d)(2);

(C) the termination of the obligations of the District under this section pursuant to subsection (d);

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and

(E) any change in the fiscal year of the District.

(c) Manner of Disclosure.

(1) The District agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

(1) The covenants of the District in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the District from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the District accompanied by an opinion of Bond Counsel, who may rely on certificates of the District and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the District or the type of operations conducted by the District, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the District agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION (effective through levy year 2012/payable year 2013)

Following is a summary of certain statutory provisions effective through levy year 2012/payable year 2013 relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value."

Taxable Market Value. The Taxable Market Value is the value that property taxes are based on, after all reductions, limitations, exemptions and deferrals. It is also the value used to calculate a municipality's legal debt limit.

Indicated Market Value. The Indicated Market Value is determined by dividing the Taxable Market Value of a given year by the same year's sales ratio determined by the State Department of Revenue. The Indicated Market Value serves to eliminate disparities between individual assessors and equalize property values statewide.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are determined by multiplying the Net Tax Capacity by the tax capacity rate, plus multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to $413,800 in an attempt to mimic the property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the Issuer's Taxable Market Value, even though the Assessor's Estimated Market Value on the same property did not decline.

Property Tax Payments and Delinquencies (Chapters 275, 276, 277, 279-282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty that, depending on the type of property, increases from 2% to 4% on the day after the due date. In the case of the first installment of real property taxes due May 15, the penalty increases to 4% or 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, the penalty increases to 6% or 8% on November 1 and increases again to 8% or 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have five years (5) in the case of all property located outside of cities or in the case of residential homestead, agricultural homestead and seasonal residential recreational property located within cities or three (3) years with respect to other types of property to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits (Chapter 273, Minnesota Statutes)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the renters credit, which relates property taxes to income and provides relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The circuit breaker credit and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements that are payable wholly or partially from the proceeds of special assessments levied upon benefited property.
2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition and betterment of public waterworks systems, and public lighting, heating or power systems, and any combination thereof, or for any other public convenience from which revenue is or may be derived.
6. Certain debt service loans and capital loans made to school districts.
7. Certain obligations to repay loans.
8. Obligations specifically excluded under the provisions of law authorizing their issuance.
9. Certain obligations to pay pension fund liabilities.
10. Debt service funds for the payment of principal and interest on obligations other than those described above.
11. Obligations issued to pay judgments against the municipality.

Levies for General Obligation Debt (Sections 475.61 and 475.74, Minnesota Statutes)

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

Metropolitan Revenue Distribution (Chapter 473F, Minnesota Statutes) "Fiscal Disparities Law"

The Charles R. Weaver Metropolitan Revenue Distribution Act, more commonly known as "Fiscal Disparities," was first implemented for taxes payable in 1975. Forty percent of the increase in commercial-industrial (including public utility and railroad) net tax capacity valuation since 1971 in each assessment district in the Minneapolis/St. Paul seven-county metropolitan area (Anoka, Carver, Dakota, excluding the City of Northfield, Hennepin, Ramsey, Scott, excluding the City of New Prague, and Washington Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS

Property Type	Local Tax Payable 2009	Local Tax Payable 2010	Local Tax Payable 2011	Local Tax Payable 2012	Local Tax Payable 2013
Residential Homestead (1a)					
Up to $500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over $500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Residential Non-homestead					
Single Unit (4bb1)					
Up to $500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over $500,000	1.25%	1.25%	1.25%	1.25%	1.25%
1-3 unit and undeveloped land (4b1)	1.25%	1.25%	1.25%	1.25%	1.25%
Market Rate Apartments					
Regular (4a)	1.25%	1.25%	1.25%	1.25%	1.25%
Low-Income (4d)	0.75%	0.75%	0.75%	0.75%	0.75%
Commercial/Industrial/Public Utility (3a)					
Up to $150,000	1.50%[1]	1.50%[1]	1.50%[1]	1.50%[1]	1.50%[1]
Over $150,000	2.00%[1]	2.00%[1]	2.00%[1]	2.00%[1]	2.00%[1]
Electric Generation Machinery	2.00%	2.00%	2.00%	2.00%	2.00%
Commercial Seasonal Residential					
Homestead Resorts (1c)					
Up to $600,000	0.55%	0.55%	0.50%	0.50%	0.50%
$600,000 - $2,300,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over $2,300,000	1.25%[1]	1.25%[1]	1.25%[1]	1.25%[1]	1.25%[1]
Seasonal Resorts (4c)					
Up to $500,000	1.00%[1]	1.00%[1]	1.00%[1]	1.00%[1]	1.00%[1]
Over $500,000	1.25%[1]	1.25%[1]	1.25%[1]	1.25%[1]	1.25%[1]
Non-Commercial (4c12)					
Up to $500,000	1.00%[1,2]	1.00%[1,2]	1.00%[1,2]	1.00%[1,2]	1.00%[1,2]
Over $500,000	1.25%[1,2]	1.25%[1,2]	1.25%[1,2]	1.25%[1,2]	1.25%[1,2]
Disabled Homestead (1b)					
Up to $50,000	0.45%	0.45%	0.45%	0.45%	0.45%
$50,000 to $500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over $500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Agricultural Land & Buildings					
Homestead (2a)					
Up to $500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over $500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Remainder of Farm					
Up to $1,290,000[3]	0.55%[2]	0.55%[2]	0.50%[2]	0.50%[2]	0.50%[2]
Over $1,290,000[3]	1.00%[2]	1.00%[2]	1.00%[2]	1.00%[2]	1.00%[2]
Non-homestead (2b)	1.00%[2]	1.00%[2]	1.00%[2]	1.00%[2]	1.00%[2]

[1] *Subject to the State General Property Tax.*

[2] *Exempt from referendum market value tax.*

[3] *2012 legislative increases.*

EXCERPT OF THE JUNE 30, 2012 ANNUAL FINANCIAL STATEMENTS

The District is audited annually by an independent certified public accounting firm. Data on the following pages has been extracted from the audited Financial Statements for fiscal year ended June 30, 2012. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain, or modify the data presented here.

The Governmental Accounting Standards Board (GASB) issued *Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions* for State and Local Governments in February 2009. The statement establishes a new financial reporting model for state and local governments to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

MMKR

CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
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INDEPENDENT AUDITOR'S REPORT

To the School Board of
Independent School District No. 831
Forest Lake, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 831, Forest Lake, Minnesota (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information presented has been derived from the District's financial statements for the year ended June 30, 2011 and, in our report dated November 21, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements include prior year partial comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2011, from which such information was derived.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section, supplemental information, and other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

The supplemental information, Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section and other district information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Malloy, Montague, Karnowski, Radosevich, & Co., P.A.

November 9, 2012

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Net Assets
as of June 30, 2012
(With Partial Comparative Information as of June 30, 2011)

	Governmental Activities	
	2012	2011
Assets		
Cash and temporary investments	$ 10,868,559	$ 10,750,817
Receivables		
Current taxes	8,755,587	8,825,677
Delinquent taxes	659,922	771,649
Accounts and interest receivable	272,907	262,147
Due from fiduciary fund	542,201	706,771
Due from other governmental units	21,078,969	16,887,874
Inventory	69,527	68,319
Prepaid items	250,082	211,658
Negative net other post-employment benefit obligations	4,095,577	4,575,041
Capital assets		
Not depreciated	1,885,726	1,885,726
Depreciated, net of accumulated depreciation	45,868,318	47,297,769
Total capital assets, net of accumulated depreciation	47,754,044	49,183,495
Total assets	$ 94,347,375	$ 92,243,448
Liabilities		
Aid anticipation certificates	$ 14,735,662	$ 11,805,831
Salaries payable	825,071	1,539,665
Accounts and contracts payable	5,246,571	6,193,364
Accrued interest payable	866,472	886,140
Due to other governmental units	17	1,037
Property taxes levied for subsequent year	9,889,802	9,790,283
Unearned revenue	152,755	131,836
Long-term liabilities		
Due within one year	4,861,831	4,458,468
Due in more than one year	31,306,763	35,975,738
Total long-term liabilities	36,168,594	40,434,206
Total liabilities	67,884,944	70,782,362
Net assets		
Invested in capital assets, net of related debt	22,301,539	20,670,293
Restricted for		
Capital asset acquisition	215,331	103,117
Debt service	303,292	624,550
Food service	661,538	887,336
Community service	799,428	677,969
Unrestricted	2,181,303	(1,502,179)
Total net assets	26,462,431	21,461,086
Total liabilities and net assets	$ 94,347,375	$ 92,243,448

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Activities
Year Ended June 30, 2012
(With Partial Comparative Information for the Year Ended June 30, 2011)

		2012			2011
		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 3,100,536	$ –	$ –	$ (3,100,536)	$ (3,111,531)
District support services	2,197,394	–	–	(2,197,394)	(2,164,587)
Elementary and secondary regular instruction	25,576,188	649,516	1,710,317	(23,216,355)	(28,947,376)
Vocational education instruction	810,798	37,001	16,071	(757,726)	(860,871)
Special education instruction	10,620,873	237,789	7,683,457	(2,699,627)	(2,578,139)
Instructional support services	2,077,860	–	17,953	(2,059,907)	(1,598,026)
Pupil support services	9,731,943	–	176,736	(9,555,207)	(8,787,545)
Sites and buildings	6,538,037	32,882	–	(6,505,155)	(7,104,585)
Fiscal and other fixed cost programs	296,349	–	–	(296,349)	(281,925)
Food service	4,037,265	2,339,343	1,364,319	(333,603)	(205,162)
Community service	4,085,559	2,852,070	517,101	(716,388)	(663,981)
Depreciation not allocated to other functions	2,126,662	–	–	(2,126,662)	(2,194,397)
Interest and fiscal charges	1,428,442	–	–	(1,428,442)	(1,565,753)
Total governmental activities	$ 72,627,906	$ 6,148,601	$ 11,485,954	(54,993,351)	(60,063,878)
General revenue					
Taxes					
Property taxes, levied for general purposes				10,324,866	15,342,269
Property taxes, levied for community service				841,510	1,174,696
Property taxes, levied for debt service				4,063,660	4,328,710
General grants and aids				44,173,101	38,446,379
Other general revenues				516,604	559,899
Investment earnings				74,955	85,711
Total general revenue				59,994,696	59,937,664
Change in net assets				5,001,345	(126,214)
Net assets – beginning				21,461,086	21,587,300
Net assets – ending				$ 26,462,431	$ 21,461,086

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Balance Sheet
Governmental Funds
as of June 30, 2012
(With Partial Comparative Information as of June 30, 2011)

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds 2012	Total Governmental Funds 2011
Assets					
Cash and temporary investments	$ 6,568,742	$ 2,757,005	$ 1,542,812	$ 10,868,559	$ 10,750,817
Receivables					
Current taxes	5,575,361	2,671,891	508,335	8,755,587	8,825,677
Delinquent taxes	446,671	178,764	34,487	659,922	771,649
Accounts and interest	214,883	–	58,024	272,907	262,147
Due from other governmental units	20,685,122	75,248	318,599	21,078,969	16,887,874
Due from other funds	523,529	–	18,672	542,201	759,145
Inventory	–	–	69,527	69,527	68,319
Prepaid items	237,671	–	12,411	250,082	211,658
Total assets	$ 34,251,979	$ 5,682,908	$ 2,562,867	$ 42,497,754	$ 38,537,286
Liabilities and Fund Balances					
Liabilities					
Aid anticipation certificates	$ 14,735,662	$ –	$ –	$ 14,735,662	$ 11,805,831
Salaries payable	674,589	–	150,482	825,071	1,539,665
Accounts and contracts payable	4,879,480	–	367,091	5,246,571	6,193,364
Accrued interest payable	237,539	–	–	237,539	196,009
Due to other governmental units	17	–	–	17	1,037
Due to other funds	–	–	–	–	52,374
Property taxes levied for subsequent year	4,674,950	4,750,683	464,169	9,889,802	9,790,283
Unearned revenue	32,596	–	120,159	152,755	131,836
Deferred revenue	299,904	120,335	22,910	443,149	499,880
Total liabilities	25,534,737	4,871,018	1,124,811	31,530,566	30,210,279
Fund balances					
Nonspendable	237,671	–	81,938	319,609	279,977
Restricted	215,331	811,890	1,356,118	2,383,339	2,746,028
Assigned	3,177,283	–	–	3,177,283	823,777
Unassigned	5,086,957	–	–	5,086,957	4,477,225
Total fund balances	8,717,242	811,890	1,438,056	10,967,188	8,327,007
Total liabilities and fund balances	$ 34,251,979	$ 5,682,908	$ 2,562,867	$ 42,497,754	$ 38,537,286

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
as of June 30, 2012
(With Partial Comparative Information as of June 30, 2011)

	2012	2011
Total fund balances – governmental funds	$ 10,967,188	$ 8,327,007
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets are included in net assets, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	114,949,475	113,845,206
Accumulated depreciation	(67,195,431)	(64,661,711)
Long-term liabilities are included in net assets, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(29,930,000)	(32,920,000)
Premium on bonds	(1,640,542)	(1,887,543)
Severance benefits payable	(3,928,342)	(4,903,920)
Compensated absences payable	(669,710)	(722,743)
Net other post-employment benefit obligations reported in the Statement of Net Assets do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.	4,095,577	4,575,041
Accrued interest payable on long-term debt is included in net assets, but is excluded from fund balances until due and payable.	(628,933)	(690,131)
Certain revenues (including delinquent property taxes) are included in net assets, but are excluded from fund balances until they are available to liquidate liabilities of the current period.	443,149	499,880
Total net assets – governmental activities	$ 26,462,431	$ 21,461,086

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012
(With Partial Comparative Information for the Year Ended June 30, 2011)

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds 2012	Total Governmental Funds 2011
Revenue					
Local sources					
Property taxes	$ 10,361,414	$ 4,082,033	$ 843,320	$ 15,286,767	$ 20,815,226
Investment earnings	57,298	10,502	7,155	74,955	85,711
Other	1,473,792	–	5,191,413	6,665,205	6,930,191
State sources	50,606,450	210,784	674,929	51,492,163	44,517,046
Federal sources	2,975,539	–	1,191,353	4,166,892	4,441,172
Total revenue	65,474,493	4,303,319	7,908,170	77,685,982	76,789,346
Expenditures					
Current					
Administration	3,112,219	–	–	3,112,219	3,051,637
District support services	2,178,896	–	–	2,178,896	2,147,647
Elementary and secondary regular instruction	26,302,525	–	–	26,302,525	29,779,750
Vocational education instruction	808,428	–	–	808,428	917,836
Special education instruction	10,542,937	–	–	10,542,937	10,293,896
Instructional support services	2,058,433	–	–	2,058,433	1,581,361
Pupil support services	9,481,775	–	–	9,481,775	8,661,991
Sites and buildings	7,526,899	–	–	7,526,899	8,023,299
Fiscal and other fixed cost programs	296,349	–	–	296,349	281,925
Food service	–	–	3,816,183	3,816,183	3,702,342
Community service	–	–	4,066,805	4,066,805	4,058,464
Capital outlay	–	–	127,711	127,711	83,589
Debt service					
Principal	–	2,990,000	–	2,990,000	2,815,000
Interest and fiscal charges	59,239	1,677,402	–	1,736,641	1,870,275
Total expenditures	62,367,700	4,667,402	8,010,699	75,045,801	77,269,012
Net change in fund balances	3,106,793	(364,083)	(102,529)	2,640,181	(479,666)
Fund balances					
Beginning of year	5,610,449	1,175,973	1,540,585	8,327,007	8,806,673
End of year	$ 8,717,242	$ 811,890	$ 1,438,056	$ 10,967,188	$ 8,327,007

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2012
(With Partial Comparative Information for the Year Ended June 30, 2011)

	2012	2011
Total net change in fund balances – governmental funds	$ 2,640,181	$ (479,666)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net assets and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	1,104,269	917,957
Depreciation expense	(2,533,720)	(2,595,303)
Repayment of long-term debt does not affect the change in net assets. However, it reduces fund balances.		
General obligation bonds	2,990,000	2,815,000
Net other post-employment benefit obligations reported in the Statement of Activities do not require the use of current financial resources and are not reported until actually due.	(479,464)	(465,480)
Interest on long-term debt is included in the change in net assets as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	61,198	57,521
Debt issuance premiums, discounts, and issuance costs are included in the change in net assets as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	247,001	247,001
Certain expenses are included in the change in net assets, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences payable	53,033	(21,929)
Severance benefits payable	975,578	(631,764)
Certain revenues (including delinquent property taxes) are included in the change in net assets, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.	(56,731)	30,449
Change in net assets – governmental activities	$ 5,001,345	$ (126,214)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2012

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
Revenue				
Local sources				
Property taxes	$ 10,360,000	$ 10,500,000	$ 10,361,414	$ (138,586)
Investment earnings	50,000	50,000	57,298	7,298
Other	1,466,800	1,541,740	1,473,792	(67,948)
State sources	48,490,200	48,590,200	50,606,450	2,016,250
Federal sources	3,409,534	3,209,534	2,975,539	(233,995)
Total revenue	63,776,534	63,891,474	65,474,493	1,583,019
Expenditures				
Current				
Administration	3,095,288	3,108,211	3,112,219	4,008
District support services	2,638,887	2,684,101	2,178,896	(505,205)
Elementary and secondary regular instruction	26,953,226	27,581,422	26,302,525	(1,278,897)
Vocational education instruction	845,924	846,288	808,428	(37,860)
Special education instruction	10,370,013	10,235,697	10,542,937	307,240
Instructional support services	1,688,163	1,715,053	2,058,433	343,380
Pupil support services	8,631,867	8,766,391	9,481,775	715,384
Sites and buildings	8,333,166	8,609,311	7,526,899	(1,082,412)
Fiscal and other fixed cost programs	1,195,000	320,000	296,349	(23,651)
Debt service				
Interest and fiscal charges	25,000	25,000	59,239	34,239
Total expenditures	63,776,534	63,891,474	62,367,700	(1,523,774)
Net change in fund balances	$ –	$ –	3,106,793	$ 3,106,793
Fund balances				
Beginning of year			5,610,449	
End of year			$ 8,717,242	

See notes to basic financial statements

Statement of Fiduciary Net Assets
as of June 30, 2012

		Employee Benefits Trust Funds
Assets		
Cash and short-term investments	$	2,134,929
Accounts and interest receivable		45,488
Investments, at fair value		
State and local bonds		2,626,847
Negotiable certificates of deposit		886,670
MNTrust Investment Shares Portfolio		1,311,031
Total assets		7,004,965
Liabilities		
Accounts payable		1,590,796
Due to governmental funds		542,201
Total liabilities		2,132,997
Net assets		
Held in trust for employee benefits and health savings account	$	4,871,968

Statement of Changes in Fiduciary Net Assets
Year Ended June 30, 2012

		Employee Benefits Trust Funds
Additions		
Contributions		
Plan members	$	78,942
Investment earnings		164,097
Total additions		243,039
Deductions		
Benefits paid to plan members		573,163
Change in net assets		(330,124)
Net assets		
Beginning of year		5,202,092
End of year	$	4,871,968

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Independent School District No. 831, Forest Lake, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District serves pre-kindergarten through 12th grade students attending the District either as a resident of the District or through an open enrollment option election. It is governed by a School Board elected by voters of the District to four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

In addition to component units, the District is required to disclose its relationships with related organizations. The District is a member of Technology and Information Educational Services (TIES), a consortium of Minnesota school districts that provides data processing services and support to its member districts. TIES is a separate legal entity that is financially independent of the District. Further, the District does not appoint a voting majority of TIES' Board of Directors. Therefore, TIES is not included as part of the District's reporting entity. During the fiscal year ended June 30, 2012, the District paid TIES $464,915 for services provided.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in the District's basic financial statements.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Assets and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Assets at the fund financial statement level. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory tax shift described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "depreciation not allocated to other functions." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type, for which the District has two benefit trust funds. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the 2009 taxable OPEB bond issue.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District's child nutrition program.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services.

Fiduciary Funds

Health Savings Plan Trust Fund – The Health Savings Plan Trust Fund is used to administer resources received and held by the District as the trustee for employees participating in the District's health savings account.

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

E. Budgeting

The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds. Legal budgetary control is at the fund level. Actual Food Service Special Revenue Fund and Debt Service Fund expenditures exceeded final budgeted appropriations by $43,256 and $7,402, respectively, for the year ended June 30, 2012. These variances were financed by revenues and available fund balance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Earnings from the investments of this trust are allocated directly to this fund.

Investments are generally stated at fair value, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the balance sheet date.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food and surplus commodities received from the federal government. Purchased food inventory is recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses at the time of consumption.

J. Property Taxes

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $5,429,965 of the property tax levy collectible in 2012 as revenue to the District in fiscal year 2011–2012. The remaining portion of the taxes collectible in 2012 is recorded as unearned revenue (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid by the state of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and building and land improvements, and 5 to 15 years for furniture and equipment. Land is not depreciated.

The District does not possess material amounts of infrastructure capital assets. Such items are considered to be part of the cost of buildings or other improvable property.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Vacation Pay

Under the terms of union contracts, certain employees accrue vacation (accrued as compensated absences) at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Vacation pay is accrued when earned in the government-wide financial statements. Vacation pay is accrued in governmental fund financial statements only when used or matured due to employee termination or similar circumstances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Sick Pay

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of certain termination payments for some employees.

O. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions of certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave. No employee can receive severance or retirement benefits that exceed one year's salary. Members of certain employee groups may also elect to receive District matching contributions paid into a tax-deferred matching contribution plan. The amount of any severance or retirement benefit due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

The amount of severance that is based on convertible sick leave is recorded as a liability in the government-wide statements as it is earned and it becomes probable that it will vest at some point in the future. Severance or retirement pay is accrued in the governmental fund financial statements only when it matures due to employee termination or separation of service.

P. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Q. Risk Management and Self-Insurance

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2012.

2. **Self-Insurance** – The District uses its General Fund to account for and finance its self-insured risk of loss for an employee dental plan. The dental plan is funded by the District, employee contributions, and interest income. The claims liability of $111,825 is included in the liabilities of the General Fund at June 30, 2012 and is based on the requirement that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred on the date of the financial statements and the loss can be reasonably estimated.

Changes in the fund's claim liability for the past two years were:

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2011 (first year)	$ –	$ 561,356	$ 497,179	$ 64,177
2012	$ 64,177	$ 554,209	$ 506,561	$ 111,825

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Assets

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- **Invested in Capital Assets, Net of Related Debt** – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Assets** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Unrestricted Net Assets** – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

S. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2011, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	$ 1,298,805
Investments	16,529,231
Total deposits and investments	$ 17,828,036

Cash and investments are included on the basic financial statements as follows:

Statement of Net Assets	
Cash and temporary investments	$ 10,868,559
Statement of Fiduciary Net Assets	
Cash and short-term investments	2,134,929
Investments	4,824,548
Total deposits and investments	$ 17,828,036

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and non-negotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The District's deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District's deposits was $1,298,805 while the balance on the bank records was $2,205,386. At June 30, 2012, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

	Credit Risk		Interest Risk – Maturity Duration in Years		
Deposits/Investments	Rating	Agency	Less Than 1	1 to 5	Total
State and local bonds	AAA	S&P	$ 557,518	$ -	$ 557,518
State and local bonds	AA	S&P	$ -	$ 1,751,162	1,751,162
State and local bonds	Aa	Moody's	$ -	$ 318,167	318,167
Commercial paper	A-1	S&P	$ 499,914	$ -	499,914
Negotiable certificates of deposit	N/A	N/A	$ 7,605,212	$ 1,718,218	9,323,430
Investment pools/mutual funds					
MN School District Liquid Asset Fund	AAAm	S&P			102,760
MNTrust Investment Shares Portfolio	AAA	S&P			3,126,310
Wells Fargo Advantage Government	AAAm	S&P			849,970
Total investments					$ 16,529,231

N/A – Not Applicable

The MN School District Liquid Asset Fund and the MNTrust Investment Shares Portfolio are regulated by Minnesota Statutes and are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The District's investment in the MSDLAF and MNTrust Investment Shares Portfolio are measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statute § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk. At June 30, 2012, the District's investment portfolio is not subject to concentration risk.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments the District considers such things as interest rates and cash flow needs.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not depreciated				
Land	$ 1,885,726	$ –	$ –	$ 1,885,726
Capital assets, depreciated				
Buildings	81,356,255	–	–	81,356,255
Building and land improvements	9,977,063	916,074	–	10,893,137
Furniture and equipment	20,626,162	188,195	–	20,814,357
Total capital assets, depreciated	111,959,480	1,104,269	–	113,063,749
Less accumulated depreciation for				
Buildings	(42,148,548)	(1,745,737)	–	(43,894,285)
Building and land improvements	(3,842,404)	(307,864)	–	(4,150,268)
Furniture and equipment	(18,670,759)	(480,119)	–	(19,150,878)
Total accumulated depreciation	(64,661,711)	(2,533,720)	–	(67,195,431)
Net capital assets, depreciated	47,297,769	(1,429,451)	–	45,868,318
Total capital assets, net	$ 49,183,495	$ (1,429,451)	$ –	$ 47,754,044

Depreciation expense was charged to the following governmental functions:

Administration	$ 352
District support services	1,765
Elementary and secondary regular instruction	11,666
Vocational education instruction	2,370
Special education instruction	2,453
Instructional support services	4,516
Pupil support services	236,309
Community service	8,533
Food service	139,094
Depreciation not allocated to other functions	2,126,662
Total depreciation expense	$ 2,533,720

NOTE 4 – AID ANTICIPATION CERTIFICATES

Short-term borrowing for cash flow purposes is summarized as follows:

Issue Date	Maturity Date	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance
09/01/2010	09/01/2011	2.00%	$ 11,805,831	$ –	$ 11,805,831	$ –
08/25/2011	09/09/2012	2.00%	–	14,735,662	–	14,735,662
			$ 11,805,831	$ 14,735,662	$ 11,805,831	$ 14,735,662

Interest and fiscal charges of $59,239 were charged to the General Fund during the year, net of reoffering premiums.

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
Refunding bonds	01/27/2005	5.00%	$ 34,140,000	02/01/2019	$ 23,835,000
Taxable OPEB bonds	03/01/2009	3.50–6.00%	$ 6,450,000	02/01/2030	6,095,000
Total general obligation bonds payable					$ 29,930,000

These bonds were issued to finance acquisition and/or construction of capital facilities, to refinance (refund) previous bond issues, or to finance OPEB. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

B. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance and compensated absences. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

C. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest
2013	$ 3,190,000	$ 1,509,441
2014	3,285,000	1,352,941
2015	3,415,000	1,190,641
2016	3,615,000	1,022,091
2017	3,790,000	843,691
2018–2022	9,105,000	1,811,466
2023–2027	1,980,000	800,157
2028–2030	1,550,000	188,253
	$ 29,930,000	$ 8,718,681

D. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds payable	$ 32,920,000	$ –	$ 2,990,000	$ 29,930,000	$ 3,190,000
Plus premium on bonds	1,887,543	–	247,001	1,640,542	–
Total bonds payable	34,807,543	–	3,237,001	31,570,542	3,190,000
Severance benefits payable	4,903,920	–	975,578	3,928,342	1,002,121
Compensated absences payable	722,743	72,339	125,372	669,710	669,710
	$ 40,434,206	$ 72,339	$ 4,337,951	$ 36,168,594	$ 4,861,831

NOTE 6 – FUND BALANCES

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. When applicable, certain restrictions which have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

NOTE 6 – FUND BALANCES (CONTINUED)

Classifications

At June 30, 2012, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable				
Prepaid items	$ 237,671	$ –	$ 12,411	$ 250,082
Inventory	–	–	69,527	69,527
Total nonspendable	237,671	–	81,938	319,609
Restricted				
Deferred maintenance	184,351	–	–	184,351
Operating capital	30,980	–	–	30,980
Debt service	–	811,890	–	811,890
Early childhood family education	–	–	133,619	133,619
School readiness	–	–	11,209	11,209
Community education programs	–	–	591,399	591,399
Food service	–	–	584,946	584,946
Community service	–	–	34,945	34,945
Total restricted	215,331	811,890	1,356,118	2,383,339
Assigned				
Severance	1,002,121	–	–	1,002,121
Subsequent year budget	2,175,162	–	–	2,175,162
Total assigned	3,177,283	–	–	3,177,283
Unassigned				
Health and safety restricted account deficit	(312,175)	–	–	(312,175)
Unassigned	5,399,132	–	–	5,399,132
Total unassigned	5,086,957	–	–	5,086,957
Total	$ 8,717,242	$ 811,890	$ 1,438,056	$ 10,967,188

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Teachers' Retirement Association (TRA)

A. Plan Description

All teachers employed by the District are covered by defined benefit plans administered by TRA. TRA members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989 receive the greater of the Tier I or Tier II as described below:

Tier I

Step Rate Formula	Percentage per Year
Basic Plan	
First 10 years	2.2 percent
All years after	2.7 percent
Coordinated Plan	
First 10 years if service years are prior to July 1, 2006	1.2 percent
First 10 years if service years are July 1, 2006 or after	1.4 percent
All other years of service if service years are prior to July 1, 2006	1.7 percent
All other years of service if service years are July 1, 2006 or after	1.9 percent

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- Three percent per year early retirement reduction factors for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Tier II

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4–5.4 percent per year.

Members first employed after June 30, 1989 receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not receiving them are bound by the provisions in effect at the time they last terminated their public service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at www.minnesotatra.org. Alternatively, a copy of the report may be obtained by writing TRA at Teachers' Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000 or by calling (651) 296–2409 or (800) 657–3669.

B. Funding Policy

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 6.0 percent and 9.0 percent, respectively, of their annual covered salary during fiscal year 2012 as employee contributions. The TRA employer contribution rates are 6.0 percent for Coordinated Plan members and 9.5 percent for Basic Plan members during fiscal year 2012. Total covered payroll salaries for all TRA members state-wide during the fiscal years ended June 30, 2011, 2010, and 2009 were approximately $3.84 billion, $3.79 billion, and $3.76 billion, respectively.

The District's contributions for the years ended June 30, 2012, 2011, and 2010 were $1,618,727, $1,550,405, and $1,611,754, respectively, equal to the contractually required contributions for each year as set by state statutes.

The 2010 Legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates will rise 0.5 percent each year of the four-year period. Beginning July 1, 2014, TRA Coordinated Plan employee and employer contribution rates will each be 7.5 percent.

Public Employees' Retirement Association (PERA)

A. Plan Description

All non-teacher full-time and certain part-time employees of the District are covered by defined benefit plans administered by PERA. PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multi-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits, but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296–7460 or (800) 652–9026.

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary. The District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members.

The District's contributions to GERF for the years ended June 30, 2012, 2011, and 2010 were $927,769, $887,621, and $861,771, respectively, equal to the contractually required contributions for each year as set by state statutes.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the District's OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

Post-Employment Insurance Benefits – All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. The District has established a Post-Employment Benefits Trust Fund to fund these obligations.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

ARC	$	381,261
Interest on net OPEB obligation		(137,251)
Adjustment to ARC		235,454
Annual OPEB cost (expense)		479,464
Contributions made		–
Increase in net OPEB obligation		479,464
Negative net OPEB obligation – beginning of year		(4,575,041)
Negative net OPEB obligation – end of year	$	(4,095,577)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Negative Net OPEB Obligation
June 30, 2010	$ 403,161	$ –	– %	$ (5,040,521)
June 30, 2011	$ 465,480	$ –	– %	$ (4,575,041)
June 30, 2012	$ 479,464	$ –	– %	$ (4,095,577)

D. Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 83.9 percent funded. The actuarial accrued liability for benefits was $6,302,912 and the actuarial value of assets was $5,286,971, resulting in an unfunded actuarial accrued liability (UAAL) of $1,015,941. The covered payroll (annual payroll of active employees covered by the plan) was $34,140,189, and the ratio of the UAAL to the covered payroll was 3.0 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.0 percent investment rate of return (net of administrative expenses) based on the District's own investments; a zero percent rate of projected salary increases; an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after seven years. All rates include a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2010 for the various amortization layers ranged from 28 to 30 years.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

F. Post-Employment Benefits Trust Fund

The District administers a defined benefit OPEB Plan. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan.

The Post-Employment Benefits Trust Fund is reported using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

G. Membership

Membership in the plan consisted of the following as of July 1, 2010:

Retirees and beneficiaries receiving benefits	123
Active plan members	746
Total members	869

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has a cafeteria plan (the Plan) established under § 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependant care benefits.

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

The Plan is administered by the District for child care, medical expense reimbursements, and health insurance premiums. The District withholds amounts from employee payroll checks equal to the amount of the health insurance premiums owing and makes the premium payments when due. These payments are recorded in the General Fund. The medical reimbursement and dependant care activity in the financial statements is accounted for in the General Fund.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare and dependant care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 – HEALTHCARE REIMBURSEMENT PLAN

The District also maintains a healthcare reimbursement plan (the Healthcare Plan) under § 105 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Participants may use the funds contributed by the District to be reimbursed for uninsured health expenses paid, additional costs associated with health insurance coverage, or insurance premiums paid under a spouse or dependant plan.

All assets of the Healthcare Plan are held by the District. The Healthcare Plan is administered by an independent contract administrator and is included in the financial statements in the various district funds.

All property of the Healthcare Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Healthcare Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 – INTERFUND BALANCES AND TRANSACTIONS

The District had the following interfund receivables and payables at June 30, 2012:

	Due From Other Funds	Due to Other Funds
General Fund	$ 523,529	$ –
Community Service Fund	18,672	–
Employee benefit trust Funds	–	542,201
	$ 542,201	$ 542,201

This balance represents interfund amounts due to the General Fund and Community Service Fund relating to post-employment benefit costs to be reimbursed as of June 30, 2012.

NOTE 12 – OPERATING LEASES

The District has 11 operating bus leases for student transportation. The leases have monthly payments ranging from $3,330 to $10,095 and expire at various times through September 2017. Operating lease expenditures for the year ended June 30, 2012 were approximately $560,285.

The District is currently utilizing space under an operating lease agreement for the Step Program. The lease has monthly payments ranging from $10,667 to $12,367 and will expire in August 2016. Operating lease expenditures for the year ended June 30, 2012 were approximately $130,244.

NOTE 12 – OPERATING LEASES (CONTINUED)

Future commitments on these leases are as follows:

Year Ending June 30,	Bus Leases	Space Lease
2013	$ 666,684	$ 135,804
2014	436,535	139,884
2015	490,053	144,084
2016	293,493	148,404
2017	275,660	24,734
2018	687,226	–
	$ 2,849,651	$ 592,910

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

B. Contingencies

The District has the usual and customary legal claims pending at year-end, mostly of minor nature and/or covered by insurance. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

NOTE 14 – SUBSEQUENT EVENTS

In August 2012, the District issued $17,187,828 of Aid Anticipation Certificates, Series 2012A. The certificates bear an interest rate of 2.0 percent and have a final maturity date of September 10, 2013.

INDEPENDENT SCHOOL DISTRICT NO. 831

Required Supplementary Information
Other Post-Employment Benefits Plan
June 30, 2012

The following schedules present trend information about the funding progress and amounts contributed to the Other Post-Employment Benefits (OPEB) Plan administered by Independent School District No. 831:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2008	$ 6,091,809	$ –	$ 6,091,809	– %	$ 34,384,669	17.7 %
July 1, 2010	$ 6,302,912	$ 5,286,971	$ 1,015,941	83.9 %	$ 34,140,189	3.0 %

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	(Negative) Net OPEB Obligation
2009	$ 648,127	939.9 %	$ (5,443,682)
2010	$ 313,931	– %	$ (5,040,521)
2011	$ 357,513	– %	$ (4,575,041)
2012	$ 381,261	– %	$ (4,095,577)

PROPOSAL **SALE DATE:** August 1, 2013

TO: Mr. Lawrence Martini, Director of Business Affairs
Independent School District No.831,
Forest Lake, Minnesota
c/o Springsted Incorporated
380 Jackson Street, Suite 300
St. Paul, MN 55101-2887
Phone: (651) 223-3000
Fax: (651) 223-3046

RE: $3,400,000* General Obligation Tax Abatement Bonds, Series 2013A

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $________________ (which may not be less than $3,362,600) plus accrued interest, if any, to the date of delivery.

Year	Interest Rate (%)	Yield (%)	Dollar Price	Year	Interest Rate (%)	Price (% of Par)	Dollar Price
2015	_____%	_____%	_____%	2022	_____%	_____%	_____%
2016	_____%	_____%	_____%	2023	_____%	_____%	_____%
2017	_____%	_____%	_____%	2024	_____%	_____%	_____%
2018	_____%	_____%	_____%	2025	_____%	_____%	_____%
2019	_____%	_____%	_____%	2026	_____%	_____%	_____%
2020	_____%	_____%	_____%	2027	_____%	_____%	_____%
2021	_____%	_____%	_____%	2028	_____%	_____%	_____%

Designation of Term Maturities

Years of Term Maturities __________ __________
__________ __________
__________ __________

* *The District reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity in multiples of $5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per $1,000 of Bonds as that of the original proposal. Gross spread is the differential between the price paid to the District for the new issue and the prices at which the securities are initially offered to the investing public.*

In making this offer we accept all of the terms and conditions of the Terms of Proposal published in the Official Statement dated July 19, 2013. In the event of failure to deliver these Bonds in accordance with the Terms of Proposal as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Subject to any applicable exemption in the Rule, this offer to purchase/bid is subject to the District's covenant and agreement to take all steps necessary to assist us in complying with SEC Rule 15c2-12, as amended.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $________________________

TRUE INTEREST RATE: ____________ %

The Bidder ☐ will ☐ will not purchase municipal bond insurance from _______________.

Account Members

____
Account Manager

By: __________________________
Phone: ________________________

The foregoing proposal has been accepted by the District.

Attest: ________________________

Date: ________________________

____ SURE-BID ____ Wire Transfer ____ Good Faith Check Submitted