May 18, 2017

Sale Day Report for

Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota

$9,635,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A

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Sale Day Report – May 18, 2017

Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota
$9,635,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A

Purpose:	To finance an advance partial net cash refunding of the 2019-2023 maturities of the District's $10,845,000 General Obligation Taxable OPEB Bonds, Series 2009A.
Rating:	Credit Enhanced Rating: Moody's Investor's Service "Aa2" Underlying Rating: Moody's Investor's Service "Aa2"
Number of Bids:	6 *(The District allowed JP Morgan Securities, LLC to withdraw its bid due to a mistake of fact, and awarded the issuance to the next lowest bidder.)*
Low Bidder:	Baird, Milwaukee, Wisconsin

Comparison from Lowest to Highest Bid: (TIC as bid)	**Low Bid**	**High Bid**	**Interest Difference**
	1.9859% *	2.1051%	$38,852.66

Summary of Results:	**Results of Sale**
Principal Amount*:	$9,635,000
Underwriter's Discount:	$27,388
Reoffering Premium:	$52,488
True Interest Cost*:	1.9847%
Costs of Issuance:	$62,663
Yield:	1.150%-2.200%
Future Value Savings:	$673,598
Present Value Savings:	$634,327
Savings Percentage:	6.147%
Total Net P&I	$11,143,461

** The winning bidder submitted a bid with a premium price (a price greater than the par amount of the bonds) that was smaller than the estimates in the Pre-Sale Report. The net premium (reoffering premium minus underwriter's discount) is used to reduce the bond amount. Because the net premium was smaller than projected, the principal amount of the Bonds was increased from $9,625,000 (in the Pre-Sale Report and the Official Statement) to $9,635,000, which also caused a slight change to the True Interest Cost.*

Notes: Interest rates have declined since the Pre-Sale Report was presented to the Board on April 24th. The True Interest Cost of 1.98% is lower than the 2.43% estimated in the Pre-Sale report. As a result, the total future value savings of the refunding will be $673,598, an increase of approximately $168,500 from the estimates in the Pre-Sale Report. This will result in an average annual reduction in debt service levies of approximately $141,500 per year for taxes payable in 2018 through 2022.

Closing Date:	June 8, 2017
Designated Official Action:	Adopt the resolution ratifying the sale of $9,635,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A.

Attachments:

- Bid Tabulation
- Sources and Uses of Funds
- Updated Debt Service Schedules
- Refunding Savings Analysis
- Escrow Fund Cashflow
- Rating Report
- Bond Resolution (Distributed in School Board Packets)

BID TABULATION

$9,625,000* General Obligation Taxable OPEB Refunding Bonds, Series 2017A

Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota

SALE: May 18, 2017

AWARD: BAIRD

MN Credit Enhancement Rating: Moody's Investor's Service "Aa2"
Underlying Rating: Moody's Investor's Service "Aa2"

BBI: 3.81%
Non-Bank Qualified

NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
BAIRD				$9,649,939.40	$690,192.68	1.9859%
Milwaukee, Wisconsin	2018	2.000%	1.150%			
C.L. King & Associates WMBE	2019	2.000%	1.350%			
Dougherty & Company, LLC	2020	2.000%	1.600%			
Edward Jones	2021	2.000%	1.800%			
Fidelity Capital Markets	2022	2.000%	2.000%			
Ross, Sinclair & Associates, LLC	2023	2.200%	2.200%			
WNJ Capital						
Crews & Associates, Inc.						
Davenport & Co. L.L.C.						
Loop Capital Markets						
Oppenheimer & Co.						
R. Seelaus & Company., Inc.						
Duncan-Williams, Inc.						
Vining-Sparks IBG, Limited Partnership						
IFS Securities						
Country Club Bank						
Sierra Pacific Securities						
Alamo Capital WMBE						
Isaak Bond Investments, Inc						
Wayne Hummer & Co.						
SumRidge Partners						
W.H. Mell Associates						
First Empire Securities						
Wedbush Securities Inc.						
Rafferty Capital Markets						
UMB Bank,N.A.						
J.J.B. Hilliard, W.L. Lyons, LLC						
Midland Securities						
FMS Bonds Inc.						
First Kentucky Securities Corp.						
Central States Capital Markets						

* Subsequent to bid opening the issue size was increased to $9,635,000.
Adjusted Price - $9,660,099.92 Adjusted Net Interest Cost - $688,035.72 Adjusted TIC - 1.9847%

NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
BOK FINANCIAL SECURITIES, INC.				$10,291,271.40	$720,509.16	1.9863%
Milwaukee, Wisconsin	2018	4.000%				
	2019	4.000%				
	2020	4.000%				
	2021	4.000%				
	2022	4.000%				
	2023	4.000%				
NORTHLAND SECURITIES, INC.				$9,597,035.00	$702,912.47	2.0276%
Minneapolis, Minnesota	2018	1.250%				
	2019	1.450%				
	2020	1.650%				
	2021	1.850%				
	2022	2.050%				
	2023	2.200%				
FIFTH THIRD SECURITIES, INC.				$9,669,769.90	$720,589.48	2.0738%
Cincinnati, Ohio	2018	4.000%				
	2019	4.000%				
	2020	1.650%				
	2021	1.850%				
	2022	2.050%				
	2023	2.300%				
PIPER JAFFRAY				$9,764,009.05	$727,728.80	2.0785%
Minneapolis, Minnesota	2018	2.500%				
	2019	2.500%				
	2020	2.500%				
	2021	2.500%				
	2022	2.500%				
	2023	2.500%				
WELLS FARGO BANK, NATIONAL ASSOCIATION				$9,579,281.25	$729,045.34	2.1051%
Charlotte, North Carolina	2018	1.200%				
	2019	1.400%				
	2020	1.650%				
	2021	1.850%				
	2022	2.100%				
	2023	2.250%				

I.S.D. No. 877 (Buffalo, Hanover, Montrose), MN

$9,635,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A

Dated: June 8, 2017

Partial Net Cash Refunding of Series 2009A

Sources & Uses

Dated 06/08/2017 | Delivered 06/08/2017

Sources Of Funds

Par Amount of Bonds	$9,635,000.00
Reoffering Premium	52,488.35
Total Sources	**$9,687,488.35**

Uses Of Funds

Total Underwriter's Discount (0.284%)	27,388.43
Costs of Issuance	62,663.00
Deposit to Net Cash Escrow Fund	9,595,632.60
Rounding Amount	1,804.32
Total Uses	**$9,687,488.35**

I.S.D. No. 877 (Buffalo, Hanover, Montrose), MN

$10,845,000 General Obligation Taxable OPEB Bonds, Series 2009A

Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/01/2018	9,230,000.00	432,090.00	9,662,090.00	-	4.200%	432,090.00	432,090.00
02/01/2019	-	-	-	1,670,000.00	4.400%	432,090.00	2,102,090.00
02/01/2020	-	-	-	1,760,000.00	4.550%	358,610.00	2,118,610.00
02/01/2021	-	-	-	1,855,000.00	4.700%	278,530.00	2,133,530.00
02/01/2022	-	-	-	1,960,000.00	4.800%	191,345.00	2,151,345.00
02/01/2023	-	-	-	1,985,000.00	4.900%	97,265.00	2,082,265.00
Total	**$9,230,000.00**	**$432,090.00**	**$9,662,090.00**	**$9,230,000.00**	**-**	**$1,789,930.00**	**$11,019,930.00**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	6/08/2017
Average Life	3.737 Years
Average Coupon	4.7472165%
Weighted Average Maturity (Par Basis)	3.737 Years
Weighted Average Maturity (Original Price Basis)	3.737 Years

Refunding Bond Information

Refunding Dated Date	6/08/2017
Refunding Delivery Date	6/08/2017

I.S.D. No. 877 (Buffalo, Hanover, Montrose), MN

$9,635,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A
Dated: June 8, 2017
Partial Net Cash Refunding of Series 2009A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/08/2017	-	-	-	-	-
02/01/2018	305,000.00	2.000%	127,185.64	432,185.64	432,185.64
08/01/2018	-	-	95,205.00	95,205.00	-
02/01/2019	1,780,000.00	2.000%	95,205.00	1,875,205.00	1,970,410.00
08/01/2019	-	-	77,405.00	77,405.00	-
02/01/2020	1,830,000.00	2.000%	77,405.00	1,907,405.00	1,984,810.00
08/01/2020	-	-	59,105.00	59,105.00	-
02/01/2021	1,880,000.00	2.000%	59,105.00	1,939,105.00	1,998,210.00
08/01/2021	-	-	40,305.00	40,305.00	-
02/01/2022	1,935,000.00	2.000%	40,305.00	1,975,305.00	2,015,610.00
08/01/2022	-	-	20,955.00	20,955.00	-
02/01/2023	1,905,000.00	2.200%	20,955.00	1,925,955.00	1,946,910.00
Total	**$9,635,000.00**	-	**$713,135.64**	**$10,348,135.64**	-

Yield Statistics

Bond Year Dollars	$34,580.99
Average Life	3.589 Years
Average Coupon	2.0622189%
Net Interest Cost (NIC)	1.9896359%
True Interest Cost (TIC)	1.9847876%
Bond Yield for Arbitrage Purposes	1.9022143%
All Inclusive Cost (AIC)	2.1748916%

IRS Form 8038

Net Interest Cost	1.9032768%
Weighted Average Maturity	3.583 Years

I.S.D. No. 877 (Buffalo, Hanover, Montrose), MN

$9,635,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A
Dated: June 8, 2017
Partial Net Cash Refunding of Series 2009A

Debt Service Comparison

Date	Total P+I	Existing D/S	Net New D/S	Old Net D/S	Savings
02/01/2018	432,185.64	797,130.00	1,227,511.32	1,229,220.00	1,708.68
02/01/2019	1,970,410.00	-	1,970,410.00	2,102,090.00	131,680.00
02/01/2020	1,984,810.00	-	1,984,810.00	2,118,610.00	133,800.00
02/01/2021	1,998,210.00	-	1,998,210.00	2,133,530.00	135,320.00
02/01/2022	2,015,610.00	-	2,015,610.00	2,151,345.00	135,735.00
02/01/2023	1,946,910.00	-	1,946,910.00	2,082,265.00	135,355.00
Total	**$10,348,135.64**	**$797,130.00**	**$11,143,461.32**	**$11,817,060.00**	**$673,598.68**

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....................	632,522.59
Net PV Cashflow Savings @ 1.902%(Bond Yield).....	632,522.59
Contingency or Rounding Amount....................	1,804.32
Net Present Value Benefit	$634,326.91
Net PV Benefit / $10,320,010.94 PV Refunded Debt Service	6.147%
Net PV Benefit / $9,230,000 Refunded Principal...	6.872%
Net PV Benefit / $9,635,000 Refunding Principal..	6.584%

Refunding Bond Information

Refunding Dated Date	6/08/2017
Refunding Delivery Date	6/08/2017

I.S.D. No. 877 (Buffalo, Hanover, Montrose), MN

$9,635,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A

Dated: June 8, 2017

Partial Net Cash Refunding of Series 2009A

Escrow Fund Cashflow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
06/08/2017	-	-	-	750.62	-	750.62
07/31/2017	173,000.00	2.375%	43,196.88	216,196.88	-	216,947.50
08/01/2017	-	-	-	-	216,045.00	902.50
01/31/2018	9,404,000.00	0.875%	41,142.50	9,445,142.50	-	9,446,045.00
02/01/2018	-	-	-	-	9,446,045.00	-
Total	**$9,577,000.00**	**-**	**$84,339.38**	**$9,662,090.00**	**$9,662,090.00**	**-**

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Bond Yield
Cash Deposit	750.62
Cost of Investments Purchased with Bond Proceeds	9,594,881.98
Total Cost of Investments	$9,595,632.60
Target Cost of Investments at bond yield	$9,546,449.00
Actual positive or (negative) arbitrage	(49,183.60)
Yield to Receipt	1.0882363%
Yield for Arbitrage Purposes	1.9022143%

MOODY'S INVESTORS SERVICE

CREDIT OPINION
16 May 2017

New Issue

Rate this Research

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Buffalo-Hanover-Montrose Independent School District 877, MN

New Issue - Moody's Assigns Aa2 Und./Aa2 Enh. to Buffalo-Hanover-Montrose ISD 877's (MN) GO Bonds

Summary Rating Rationale

Moody's Investors Service has assigned a Aa2 underlying rating and a Aa2 enhanced rating to the Buffalo-Hanover-Montrose ISD No. 877, MN's $9.6 million General Obligation Taxable OPEB Refunding Bonds, Series 2017A. Moody's maintains an Aa2 underlying rating on the district's outstanding general obligation unlimited tax (GOULT) debt. Inclusive of the current offering, the district will have $73.7 million of GOULT debt outstanding.

The Aa2 rating reflects the district's sizable tax base in the outer suburbs of the Twin Cities; healthy fund balances and liquidity; stable enrollment trend; and an above average debt burden.

The Aa2 enhanced rating reflects the additional security provided by the State of Minnesota's School District Enhancement Program (MSDE). The programmatic rating is notched once from the State of Minnesota's Aa1 rating. The outlook on the state's general obligation debt is stable.

Credit Strengths

» Sizable tax base located near the Twin Cities metro area

» Strengths reflected in the state's general obligation rating (enhanced)

» Strong management team with conservative budgeting practices

Credit Challenges

» Mature community with a long-term trend of declining enrollment

» Elevated debt and pension burden

» Challenges reflected in the state's general obligation rating (enhanced)

Rating Outlook

Outlooks are generally not assigned to underlying ratings of local government credits with this amount of debt. That stable outlook on the enhanced rating is based upon the stable outlook assigned to the State of Minnesota's GO rating.

Factors that Could Lead to an Upgrade

» Substantial growth in tax base

» Significant increase in operating fund reserves and/or liquidity

» Moderated debt and pension burden

» Upward movement in the state of Minnesota's GO rating (enhanced)

Factors that Could Lead to a Downgrade

» Narrowing of operating fund reserves and/or liquidity

» Significant deterioration in the district's tax base

» Growth in the district's debt or pension burden

» Downward movement in the state of Minnesota's GO rating (enhanced)

» Weakening of the MSDE program mechanics (enhanced)

Key Indicators

Exhibit 1

Buffalo-Hanover-Montrose I.S.D. 877, MN	2012	2013	2014	2015	2016
Economy/Tax Base					
Total Full Value ($000)	$ 2,580,515	$ 2,819,984	$ 2,905,363	$ 3,147,425	$ 3,251,640
Full Value Per Capita	$ 82,224	$ 89,469	$ 91,209	$ 97,236	$ 100,455
Median Family Income (% of US Median)	126.5%	128.7%	129.5%	127.0%	127.0%
Finances					
Operating Revenue ($000)	$ 61,678	$ 60,812	$ 62,424	$ 65,254	$ 68,807
Fund Balance as a % of Revenues	30.7%	27.4%	26.3%	26.3%	25.7%
Cash Balance as a % of Revenues	61.2%	25.4%	28.3%	31.5%	29.6%
Debt/Pensions					
Net Direct Debt ($000)	$ 65,193	$ 61,786	$ 57,197	$ 84,830	$ 79,683
Net Direct Debt / Operating Revenues (x)	1.1x	1.0x	0.9x	1.3x	1.2x
Net Direct Debt / Full Value (%)	2.5%	2.2%	2.0%	2.7%	2.5%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.7x	1.9x	2.0x	2.0x	1.9x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	4.0%	4.0%	4.3%	4.1%	3.9%

Source: Moody's Investors Service

Recent Developments

Since our last report dated January 12, 2015, the district released its audited financial statements for fiscal 2015 and 2016. The fiscal year closed with an available operating fund (combined general and debt service funds) balance of $17.6 million, or a healthy 25.7% of operating revenues. The district's tax base grew by 3.3% to $3.25 billion in fiscal 2016.

Detailed Rating Considerations

Enhanced Rating Based on State and Strong Program Mechanics

The enhanced Aa2 rating is due to the additional security provided by the State of Minnesota's School District Enhancement Program (MSDE). Under the MSDE loan program, established and designed by the State of Minnesota, the bonds are secured by the state's pledge of an unlimited appropriation from its General Fund should the district be unable to meet debt service requirements. The appropriation mechanism allows for continuing unlimited advances from the state's General Fund to avert default for qualified school districts. District repayment is either from state aid withholding or a required special school district levy outside normal levy limits. Key program components also include third-party notification of pending deficiency.

Under Minnesota statutes, if the district believes it is unable to make a timely debt service payment, it must notify the Department of Education at least 15 working days prior to the due date. The Commissioner, after consultation with the district and the paying agent, and the verification of information, will notify the Commissioner of Finance who issues a warrant and authorization for direct payment to the paying agent. Should a district fail to notify the state of an impending non-payment of debt covered by the program, the paying agent will undertake notification. The agent is to notify the State directly, three days prior to the payment date of the needed amounts. State funds equal to the request are then transferred directly to the paying agent. If the state makes a payment on behalf of a district, the district must submit a plan to the Commissioner of Education specifying the steps the district intends to take to resolve current and future funding problems. Moody's has received a copy of the final program application submitted to the State and the district has received final approval from the Minnesota Department of Education.

Economy and Tax Base: Sizable Tax Base West of The Twin Cities Expected to Remain Stable

The district's sizable tax base will likely remain stable over the near to mid-term given its favorable location in the greater Twin Cities metropolitan area. Located predominantly in Wright County (Aa1) approximately 45 miles west of the Twin Cities, the district encompasses 150 square miles and serves all or portions of the cities of Buffalo, Hanover (Aa3) and Montrose. The district is predominantly residential (61.5% of net tax capacity) and has moderately-sized commercial/industrial (13.3%) and agricultural (10%) sectors. The district's tax base grew to $3.25 billion, as of fiscal 2016, from its low point of $2.6 billion in 2012 mainly due to the district reassessments and improved real estate market. The tax base growth is reflected in the compounded five year annual growth of 2.7% of full value.

Enrollment has been steady recently with a total student population of 5,694 in 2017 with 0.5% annual increase. Based on current projection models, enrollment, a key driver of state aid, is expected to decline very modestly going forward. The district tends to have a net loss in open enrollment, which management attributes to its status as a bedroom community, with some parents transporting their children to other districts on their commute to work.

The district's unemployment rate of 5.2% is higher than both the state (4.8%) and national (4.9%) rates. The resident median family income is average, with 108% of the state and 127% of the nation.

Financial Operations and Reserves: Healthy Financial Profile With Planned Future Draws On Reserves

The district's financial operations are expected to remain sound due to conservative financial management and the stabilization of liquidly levels due to more timely state aid distributions. The district closed fiscal 2016 with a General Fund surplus of $240,000 due to a milder winter and conservative budgeting. The General Fund balance remained a healthy $17 million or 26.2% of revenues. Unassigned fund balance is 16% of 2016 revenues which is in excess of its fund balance policy. The policy dictates that it maintain an unassigned fund balance equal to 8% to 12% of expenditures. Going forward, management plans to restore programs and reduce class sizes that were part of cuts made in previous years, and to return to its board approved fund balance policy levels by 2019. The district does not plan to spend beyond its fund balance policy.

State aid comprised 75% of fiscal 2016 operating revenues. Property taxes accounted for 19.6% of revenues. The fiscal 2017 budget represents a 5% general fund expenditure increase from fiscal 2016. The district plans on a series of fund balance draw downs, beginning with approximately $850,000 draw at the end of fiscal 2017, followed by a budgeted fund balance drawdown in fiscal 2018 of approximately the same size in order to bring its fund balance within its formal policy.

LIQUIDITY

The district's net cash position in its major operating funds was $20.4 million, or a healthy 29.6% of operating revenues in fiscal 2016.

Debt and Pensions: Above Average Debt And Pension Burden

The district's debt burden is above average, but should remain manageable due to a lack of plans for new debt in the near to medium term. Inclusive of the current sale, the district has $73.7 million of debt outstanding, equivalent to 2.3% of full value and 0.9 times operating revenue.

Total fixed costs, inclusive of debt service, and pension and OPEB contributions, were $11.4 million, or 16.6% of revenue. The district's current three-year average adjusted net pension liability (ANPL), our measure of a local government's pension burden, is $127 million, or 3.91% of full value and 1.85 times fiscal 2016 operating revenue. The district's unfunded other post-employment benefits (OPEB) liability is modest. As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for OPEB benefits was $10.7 million and the actuarial value of the assets was $13.3 million, resulting in unfunded actuarial accrued liability of negative $2.6 million.

DEBT STRUCTURE

All of the district's debt is fixed rate and amortizes over the long-term. Principal amortization is below average with 77% of principal repaid in 10 years.

DEBT-RELATED DERIVATIVES

The district is not a party to any interest rate swap agreements.

PENSIONS AND OPEB

The district has an above average employee pension burden, based on unfunded liabilities for its share of two multiple-employer cost sharing plans administered by the state which includes the Teachers' Retirement Association (TRA) and the Public Employees' Retirement Association (PERA). Moody's has allocated liabilities of state cost-sharing plans in proportion to its contributions to each plan for analytic purposes.

Moody's adjusted combined net pension liability (ANPL) for the district as of fiscal 2016 related to TRA and PERA and under our methodology for adjusting reported pension data, is $127 million, or an above average 1.85 times operating revenues. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the district's reported liability information, but to improve comparability with other rated entities.

The district issued $11 million in OPEB bonds in 2009, creating an OPEB trust to pre-fund its benefits. The district uses its debt service levy to pay debt service on the bonds. The district has eliminated explicit OPEB benefits for new employees. The district drew $867,000 on its OPEB trust in fiscal 2016, with future plans to draw on the fund.

Management and Governance: Moderate Institutional Framework

Minnesota school districts have an Institutional Framework score of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Schools are highly dependent on state aid, averaging 70% of general fund revenues. State aid is moderately predictable and is based on a per pupil funding formula, with some adjustments for wealth and need. Schools have moderate revenue raising ability and can increase operating levies through board or voter approval up to $1,937 per pupil. Unpredictable revenue fluctuations tend to be moderate. Across the sector, fixed and mandated costs are generally moderate. Minnesota has public sector unions, which can limit the ability to cut expenditures. Expenditures are highly predictable with personnel and benefits representing the largest costs.

Legal Security

The district's general obligation unlimited tax (GOULT) debt, including the Series 2017A bonds, is secured by the district's unlimited tax GOULT pledge, which is unlimited as to rate or amount. The Series 2017A bonds are additionally secured by the State of Minnesota's School District Credit Enhancement Program (MSDE) which provides for an unlimited advance from the state's General Fund should the district be unable to meet debt service requirements.

Use of Proceeds

The Series 2017A refunding bonds will be used to redeem Series 2009A for a net present value savings of $472,503 or 5% of refunded principal.

Obligor Profile

Buffalo-Hanover-Montrose Independent School District 877 is located approximately 35 miles northwest of the Twin Cities metropolitan area. The district encompasses 157 square miles and serves a resident population of 32,369 people as of the 2015 American Community Survey. The District provides education for 5,694 students.

Methodology

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in December 2016. The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings: Pre and Post Default published in July 2013. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

Ratings

Exhibit 2

Buffalo-Hanover-Montrose I.S.D. 877, MN

Issue	Rating
General Obligation Taxable OPEB Refunding Bonds, Series 2017A	Aa2
Rating Type	Underlying LT
Sale Amount	$9,625,000
Expected Sale Date	05/18/2017
Rating Description	General Obligation
General Obligation Taxable OPEB Refunding Bonds, Series 2017A	Aa2
Rating Type	Enhanced LT
Sale Amount	$9,625,000
Expected Sale Date	05/18/2017
Rating Description	General Obligation

Source: Moody's Investors Service

REPORT NUMBER 1071603