This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 19, 2024

In the opinion of Kennedy & Graven, Chartered, Bond Counsel to the District, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect) and, assuming compliance with certain covenants set forth in the resolution approving the issuance of the Bonds, interest to be paid on the Bonds is excludable from gross income for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" herein.

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue **Rating Application Made: S&P Global Ratings**

INDEPENDENT SCHOOL DISTRICT NO. 2071
(LAKE CRYSTAL WELLCOME MEMORIAL AREA SCHOOLS), MINNESOTA
(Blue Earth County)

(Minnesota School District Credit Enhancement Program)

$6,500,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2025A

PROPOSAL OPENING: January 6, 2025, 9:30 A.M., C.T. **CONSIDERATION**: January 6, 2025, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $6,500,000* General Obligation School Building Bonds, Series 2025A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held November 5, 2024 by Independent School District No. 2071 (Lake Crystal Wellcome Memorial Area Schools), Minnesota (the "District"), for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: January 30, 2025

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2026	$95,000	2031	$145,000	2036	$1,270,000
2027	135,000	2032	155,000	2037	1,335,000
2028	125,000	2033	160,000	2038	1,390,000
2029	130,000	2034	165,000		
2030	140,000	2035	1,255,000		

***MATURITY ADJUSTMENTS:** The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2025 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2034 and thereafter are subject to call for prior optional redemption on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: $6,500,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $130,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the District and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the District, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over $1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the District for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over $1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the District is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the District nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the District which indicates that the District does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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PROPOSAL FORM

LAKE CRYSTAL WELLCOME MEMORIAL AREA SCHOOLS SCHOOL BOARD

		Term Expires
Mike Maurer	Board Chair	January 2027
Sara Rose	Vice Chair	January 2025
Linda Leiding	Clerk	January 2025
Ryan Jones	Treasurer	January 2027
Kelly Hoeft	Member	January 2025
Kari Paul	Member	January 2027
Josh Sargent	Member	January 2027

ADMINISTRATION

Brett Benson, Superintendent of Schools

Braden Wesley, Business Manager

PROFESSIONAL SERVICES

Squires, Wasldspurger & Mace, P.A, District Attorney, Minneapolis, Minnesota

Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(*Other office located in Waukesha, Wisconsin*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 2071 (Lake Crystal Wellcome Memorial Area Schools), Minnesota (the "District") and the issuance of its $6,500,000* General Obligation School Building Bonds, Series 2025A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on January 6, 2025.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the District's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of January 30, 2025. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The District has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2034 shall be subject to optional redemption prior to maturity on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the District. If only part of the Bonds having a common maturity date are called for redemption, then the District or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. 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 interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held November 5, 2024, by the District, at which voters approved a building program by a vote of 1,926 - 1,565. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities, including roof replacements; the construction and installation of mechanical, HVAC, electrical plumbing and lighting improvements; the construction of upgrades to the building envelope at the elementary school and high school; the acquisition and installation of replacement boilers at the high school; the construction of improvements to parking lots and sidewalks; and the acquisition and installation of upgrades to the elementary school public address system and projectors at the high school.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$6,500,000	
Reoffering Premium	362,562	
Total Sources		**$6,862,562**
Uses		
Total Underwriter's Discount (1.000%)	$65,000	
Costs of Issuance	85,000	
Deposit to Construction Fund	6,712,562	
Total Uses		**$6,862,562**

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the District to which its full faith and credit and taxing powers are pledged. In accordance with Minnesota Statutes, the District will levy each year an amount not less than 105% of the debt service requirements on the Bonds, less estimated collections of other revenues pledged for payments on the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the District is required to levy additional taxes upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a credit enhanced rating from S&P Global Ratings ("S&P"). S&P has a policy which assigns a rating of "AAA" to issuers participating in the MNCEP. The "AAA" rating is based on the State of Minnesota's current "AAA" rating from S&P. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has a "AA" underlying rating with a negative outlook from S&P and will be requesting an underlying rating on this issue. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the District nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on December 2, 2024 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

Under the State Payment Law, if the District believes it may be unable to make a principal or interest payment for this issue 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) that it intends to exercise the provisions of the Law to guarantee payment of the principal and interest when due. The District also covenants in the Resolution to deposit with the Paying Agent for the issue three business days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Commissioner of Education that it will be unable to make all or a portion of the payment.

The Law also requires the Paying Agent for this issue to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days prior to the payment date, there are insufficient funds to make the payment or deposit with the Paying Agent.

The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Paying Agent and District, and after verifying the accuracy of the information provided, the Commissioner of Education shall notify the Commissioner of Management and Budget of the potential default. The State Payment Law provides that "upon receipt of this notice . . . the commissioner of management and budget shall issue a payment and authorize the commissioner of education to pay to the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for the purposes of this subdivision are annually appropriated to the [Department of Education] from the state general fund."

The Law requires that all amounts paid by the State on behalf of any school district are required to be repaid by the district to the State with interest, either via a reduction in State aid payable to the district, or through the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education.

In its Official Statement dated July 29, 2024, for General Obligation State Bonds, Series 2024A, 2024B, 2024C, 2024D and 2024E, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts:

> "As of June 30, 2024, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2054, is approximately $19,750,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2024 is currently estimated at $1,500,000,000, with the maximum amount of principal and interest payable in any one month being $1,185,000,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.
>
> The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the District shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery of the Bonds, the District shall execute and deliver a Continuing Disclosure Certificate, under which the District will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the District are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the District to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the District believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the District ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

On the date of issuance of the Bonds, Bond Counsel will render an opinion that, at the time of issuance and delivery of the Bonds to the original purchaser, based on present federal and State of Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the Award Resolution, interest on the Bonds is excludable from gross income for federal income tax purposes and, to the same extent, is excludable from the taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, interest on the Bonds is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. Section 59(k) of the Code defines "applicable corporation" as any corporation (other than an S corporation), a regulated investment company, or a real estate investment trust which meets the average annual adjusted financial statement income test set forth in Section 59(k) of the Code in one or more taxable years. No opinion will be expressed by Bond Counsel regarding other federal or State of Minnesota tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions.

Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and taxable net income (for State of Minnesota tax purposes) of the owners thereof. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals on alternative minimum taxable income.

The Code provides that 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) shall be reduced by an amount equal to the applicable percentage 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. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Legislative proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds shall be designated 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, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the District, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the District under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2024 have been audited by Abdo, Mankato, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

The following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds will be general obligations of the District, the ultimate payment of which rests in the District's ability to levy and collect sufficient taxes to pay debt service should other revenue (state aids) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the District in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State of Minnesota (the "State") may affect the overall financial condition of the District, the taxable value of property within the District, and the ability of the District to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the District and to the Bonds. The District can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the District or the taxing authority of the District.

Ratings; Interest Rates: In the future, the District's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the District to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Levy Limits: Minnesota school district tax levies for most purposes are subject to statutory limitations. No limit, however, is placed on the debt service levy, and districts are required to levy 105% of actual principal and interest requirements to allow for delinquencies. School districts receive a basic revenue amount per pupil unit from aid and levy proceeds in a variety of categorical state aids. They are also allowed to certify additional levies within limits for certain specified purposes. The State Department of Education and the applicable County Auditors review the levies of each school district to determine compliance with state levy limits.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the District to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the District, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the District may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The District is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2021/22	2022/23	2023/24
Residential homestead[1]	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%
Agricultural homestead[1]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,900,000 - 0.50% [2] Over $1,900,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,890,000 - 0.50% [2] Over $1,890,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $2,150,000 - 0.50% [2] Over $2,150,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $174,000 - .75% Over $174,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $100,000 - .75% Over $100,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $100,000 - .75% Over $100,000 - .25%
Industrial/Commercial/Utility[5]	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%

1 A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

2 Applies to land and buildings. Exempt from referendum market value tax.

3 Exempt from referendum market value tax.

4 Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

5 The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2023/24 Economic Market Value	$2,008,742,636[1]
2023/24 Assessor's Estimated Market Value	
Real Estate	$1,970,304,100
Personal Property	41,536,800
Total Valuation	$2,011,840,900
2023/24 Net Tax Capacity	
Real Estate	$17,703,959
Personal Property	825,991
Net Tax Capacity	$18,529,950
Less: Power Line Adjustment[2]	(52,588)
Taxable Net Tax Capacity	$18,477,362

2023/24 NET TAX CAPACITY BY CLASSIFICATION

	2023/24 Net Tax Capacity	**Percent of Total Net Tax Capacity**
Residential homestead	$4,899,680	26.44%
Agricultural	10,786,656	58.21%
Commercial/industrial	1,020,276	5.51%
Public utility	105,566	0.57%
Railroad operating property	71,204	0.38%
Non-homestead residential	805,313	4.35%
Commercial & residential seasonal/rec.	15,264	0.08%
Personal property	825,991	4.46%
Total	$18,529,950	100.00%

[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 100.49% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of $2,008,742,636.

[2] Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2019/20	$1,445,467,000	$1,401,027,800	$12,595,552	$12,595,552	6.23%
2020/21	1,403,227,100	1,359,423,000	12,330,095	12,330,095	-2.92%
2021/22	1,445,135,600	1,403,703,200	12,787,033	12,787,033	2.99%
2022/23	1,721,330,800	1,685,587,600	15,864,752	15,864,752	19.11%
2023/24	2,011,840,900	1,979,759,400	18,529,950	18,477,362	16.88%

LARGEST TAXPAYERS[3]

Taxpayer	Type of Property	2023/24 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Xcel Energy	Utility	$352,042	1.90%
ITC Midwest	Utility	337,030	1.82%
Poet Biorefining Lake Crystal LLC	Manufacturing	323,117	1.74%
Crystal Valley Cooperative	Agriculture	144,806	0.78%
Individual	Agriculture	135,797	0.73%
Individual	Residential	129,749	0.70%
Individual	Residential	110,331	0.60%
Noy Farms Inc.	Agriculture	95,431	0.52%
Individual	Residential	75,767	0.41%
Individual	Residential	73,264	0.40%
Total		$1,777,334	9.59%

District's Total 2023/24 Net Tax Capacity $18,529,950

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Blue Earth County.

1 Net Tax Capacity includes power line values.

2 Taxable Net Tax Capacity does not include power line values.

3 In 2023, the estimated median commercial and industrial sales ratio used to equalize utility values in Blue Earth County dropped below 90% to 82.65%, thereby resulting in lower valuations for this classification of property. Depreciation may also have affected the decrease in valuations.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	$24,960,000

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The District has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The District has no current plans for additional financing in the next 12 months.

STATE AID FOR DEBT SERVICE

The Minnesota Debt Service Equalization program provides state aid to finance a portion of the principal and interest payments on voter approved school building bonds. Bonds and Certificates that are not eligible for the program include all alternative facilities bonds, facilities maintenance bonds, capital facilities bonds, OPEB bonds, building bonds with relatively short maturities, and Certificates of Participation (COPs).

Under the Debt Service Equalization Formula (the Formula) adopted by the 2001 Minnesota State Legislature, each school district is responsible for the amount of its qualifying annual debt service which is equal to 15.74% of its Adjusted Net Tax Capacity (ANTC). The District does not currently qualify for debt service equalization aid.

In addition to debt service equalization aid, some school districts will qualify for state Long Term Facilities Maintenance Aid to finance a portion of the payments on Alternative Facilities Bonds and Facilities Maintenance Bonds, pursuant to the Long Term Facilities Maintenance Revenue program approved by the State in 2015. If any aid is received, it is deposited into the school district's debt service fund and must be used for payments on the bonds; any payment of state aid into the debt service fund causes a reduction in the tax levy for Alternative Facilities Bonds and Facilities Maintenance Bonds. The amount of aid received in the debt service fund will vary each year, depending on a number of factors. Although the District expects to receive some Long Term Facilities Maintenance Aid in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aid.

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1 Outstanding debt is as of the dated date of the Bonds.

2 Based upon the Long Term Facilities Maintenance Revenue formula, the agricultural land valuation and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). For taxes payable in 2023, and thereafter, the reimbursement percentage for each qualifying property is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2024 is approximately 38.42% of total annual debt service levies, based on the District's 2023/24 qualifying agricultural land valuation.

BONDED DEBT LIMIT

Minnesota Statutes, Section 475.53, subdivision 4, presently limits the "net debt" of a school district to 15% of the estimated market value of all taxable property situated within its corporate limits. The estimated market value of property within a district, on which its debt limit is based, is (a) the value certified by the county auditors, or (b) this value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value. The current debt limit of the District is computed as follows:

2023/24 Assessor's Estimated Market Value	$2,011,840,900
Multiply by 15%	0.15
Statutory Debt Limit	$301,776,135
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(24,960,000)
Unused Debt Limit*	$276,816,135

*Preliminary, subject to change.

Independent School District No. 2071 (Lake Crystal Wellcome Memorial Area Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 01/30/2025)

	School Building Bonds Series 2014B	Crossover Refunding Bonds Series 2016A	Facilities Maintenance Bonds Series 2019A	School Building Refunding Bonds Series 2024A	School Building Bonds Series 2025A
Dated	10/29/2014	07/15/2016	05/09/2019	03/14/2024	01/30/2025
Amount	$12,000,000	$1,325,000	$655,000	$8,275,000	$6,500,000*
Maturity	02/01	02/01	02/01	02/01	02/01

Fiscal Year Ending	2014B Principal	2014B Interest	2016A Principal	2016A Interest	2019A Principal	2019A Interest	2024A Principal	2024A Interest	2025A Principal	2025A Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2025	790,000	146,153	140,000	5,300	65,000	4,988	650,000	192,100	0	0	1,645,000	348,541	1,993,541	23,315,000	6.59%	**2025**
2026	815,000	268,606	145,000	7,800	70,000	8,123	615,000	351,700	95,000	298,577	1,740,000	934,806	2,674,806	21,575,000	13.56%	**2026**
2027	840,000	244,156	140,000	4,900	70,000	6,128	655,000	320,950	135,000	293,000	1,840,000	869,134	2,709,134	19,735,000	20.93%	**2027**
2028	780,000	218,956	105,000	2,100	70,000	4,133	810,000	288,200	125,000	286,250	1,890,000	799,639	2,689,639	17,845,000	28.51%	**2028**
2029	935,000	187,756			75,000	2,138	825,000	247,700	130,000	280,000	1,965,000	717,594	2,682,594	15,880,000	36.38%	**2029**
2030	965,000	159,706					860,000	206,450	140,000	273,500	1,965,000	639,656	2,604,656	13,915,000	44.25%	**2030**
2031	995,000	130,756					905,000	163,450	145,000	266,500	2,045,000	560,706	2,605,706	11,870,000	52.44%	**2031**
2032	1,025,000	100,906					950,000	118,200	155,000	259,250	2,130,000	478,356	2,608,356	9,740,000	60.98%	**2032**
2033	1,060,000	68,875					985,000	80,200	160,000	251,500	2,205,000	400,575	2,605,575	7,535,000	69.81%	**2033**
2034	1,100,000	35,750					1,020,000	40,800	165,000	243,500	2,285,000	320,050	2,605,050	5,250,000	78.97%	**2034**
2035									1,255,000	235,250	1,255,000	235,250	1,490,250	3,995,000	83.99%	**2035**
2036									1,270,000	172,500	1,270,000	172,500	1,442,500	2,725,000	89.08%	**2036**
2037									1,335,000	109,000	1,335,000	109,000	[illegible]	1,390,000	94.43%	**2037**
2038									1,390,000	55,600	1,390,000	55,600	1,445,600	0	100.00%	**2038**
	9,305,000	1,561,622	530,000	20,100	350,000	25,508	8,275,000	2,009,750	6,500,000	3,024,427	24,960,000	6,641,407	31,601,407			

* Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2023/24 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
County of:				
Blue Earth	$130,744,490	14.1324%	$12,350,000	$1,745,351
City of:				
Lake Crystal	2,635,151	100.0000%	10,110,000	10,110,000
Towns of:				
Rapidan	2,807,856	84.4768%	155,000	130,939
District's Share of Total Overlapping Debt				$11,986,290

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $2,008,742,636	Debt/ Per Capita 6,039[3]
Direct G.O. Debt Secured By Taxes and State Aids*	$24,960,000		
Less: Agricultural Credit[4]	(9,589,632)		
Tax Supported General Obligation Debt*	$15,370,368	0.77%	$2,545.18
District's Share of Total Overlapping Debt	$11,986,290	0.60%	$1,984.81
Total*	$27,356,658	1.36%	$4,530.00

*Preliminary, subject to change.

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1 Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does ***not*** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

2 Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

3 Estimated 2023 population.

4 Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 38.42% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $9,589,632.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date	% Collected
2019/20	$2,865,869	$2,836,249	$2,858,883	99.76%
2020/21	2,927,665	2,899,398	2,918,618	99.69%
2021/22	3,016,046	2,989,677	3,011,895	99.86%
2022/23	3,056,531	3,029,783	3,043,907	99.59%
2023/24	3,183,060	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[2] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

TAX CAPACITY RATES[3]

	2019/20	2020/21	2021/22	2022/23	2023/24
I.S.D. No. 2071 (Lake Crystal Wellcome Memorial Area Schools)	22.829%	22.099%	22.677%	19.199%	17.761%
Blue Earth County	42.096%	42.096%	42.321%	38.274%	34.516%
City of Lake Crystal	68.032%	68.032%	63.640%	61.614%	62.585%
City of Vernon Center	138.889%	138.359%	135.515%	113.816%	105.083%
Town of Garden City[4]	10.426%	10.804%	10.486%	9.218%	8.068%
Region 9	0.172%	0.177%	0.176%	0.155%	0.136%
Referendum Market Value Rates:					
I.S.D. No. 2071 (Lake Crystal Wellcome Memorial Area Schools)	0.13908%	0.14947%	0.13508%	0.11176%	0.10297%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Blue Earth County.

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1 This reflects the Final Levy Certification of the District after all adjustments have been made.

2 Second half tax payments on agricultural property are due on November 15th of each year.

3 After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

4 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 143, including 57 non-licensed employees and 86 licensed employees (77 of whom are teachers). The District provides education for 937 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

All teachers employed by the District are covered by defined benefit pension plans administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic 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, as amended.

Public Employees' Retirement Association (PERA)

All full-time and certain part-time employees of the District (other than those covered by TRA) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356, as amended.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
LCWM Education Association	June 30, 2025
LCWM Classified Staff	June 30, 2026

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Comprehensive Annual Financial Report (Audit) shows a total OPEB liability of $491,120 as of June 30, 2024. In October of 2009, the District issued $1,445,000 in OPEB Bonds to fund an irrevocable trust. As of June 30, 2024, the net position of the trust was $920,619. Future OPEB costs will be paid partially from the trust and partially from operating funds.

Source: The District's most recent Audit.

STUDENT BODY

The number of students enrolled for the past four years and for the current year have been as follows:

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2020/21	73	424	391	888
2021/22	83	420	419	922
2022/23	74	430	435	939
2023/24	71	421	455	947
2024/25	85	422	430	937

Enrollments for the next three years are projected to be as follows:

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2025/26	75	410	434	919
2026/27	75	388	437	900
2027/28	75	379	429	883

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Lake Crystal Wellcome Memorial Elementary School	1972	2002, 2009, 2016
Lake Crystal Wellcome Memorial Secondary School	2007	2016

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the District or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

Currently there is no statutory authority for Minnesota school districts to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future while the Bonds are outstanding; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the District to file for relief under Chapter 9; or (c) whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. Such action could impact the rights of holders of the Bonds. Such modifications could be adverse to holders of the Bonds and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds.

FUNDS ON HAND (as of October 31, 2024)

Fund	**Total Cash and Investments**
General	$4,967,521
Food Service	371,074
Community Service	247,128
Debt Service	1,518,480
Trust & Agency	285,355
Internal Service	984,298
Student Activities	82,645
Total Funds on Hand	$8,456,501

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the 2024 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2024-25 Adopted Budget[1]
Revenues					
Local property taxes	$1,452,281	$1,556,381	$1,623,752	$1,672,296	$1,731,235
Other local and county revenues	325,601	759,776	664,775	707,249	428,700
Revenue from state sources	8,704,236	8,956,209	9,253,055	10,716,191	10,610,891
Revenue from federal sources	692,349	780,850	461,849	150,621	125,000
Earnings and investments	9,408	11,527	125,351	197,632	100,000
Total Revenues	$11,183,875	$12,064,743	$12,128,782	$13,443,989	$12,995,826
Expenditures					
Current:					
Administration	$663,701	$670,997	$711,035	$673,586	$779,122
District support services	448,523	447,381	486,323	515,016	495,317
Elementary and secondary regular instruction	4,889,088	5,285,839	5,320,030	5,879,514	5,325,978
Vocational education instruction	208,046	232,721	234,360	308,001	264,239
Special education instruction	1,846,868	1,813,296	2,007,432	2,080,261	2,425,649
Instructional support services	480,544	559,763	636,567	517,608	559,395
Pupil support services	1,023,729	1,235,445	1,257,174	1,617,282	1,743,851
Sites and buildings	1,170,481	1,304,773	1,442,539	1,218,620	1,306,418
Fiscal and other fixed cost programs	66,980	77,838	63,967	102,826	167,320
Debt service	172,358	172,358	172,358	172,358	86,180
Capital outlay	207,518	168,984	112,739	66,993	31,000
Total Expenditures	$11,177,836	$11,969,395	$12,444,524	$13,152,065	$13,184,469
Excess of revenues over (under) expenditures	$6,039	$95,348	($315,742)	$291,924	($188,643)
Other Financing Sources (Uses)					
Transfers in	$0	$0	$0	$0	$0
Transfers (out)	0	0	0	0	0
Total Other Financing Sources (Uses)	$0	$0	$0	$0	$0
Net changes in Fund Balances	$6,039	$95,348	($315,742)	$291,924	($188,643)
General Fund Balance July 1	$4,480,382	$4,486,421	$4,581,769	$4,266,027	$4,557,951
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance June 30	$4,486,421	$4,581,769	$4,266,027	$4,557,951	$4,369,308
DETAILS OF JUNE 30 FUND BALANCE					
Restricted	$916,900	$1,061,588	$741,244	$588,984	$817,834
Assigned	40,650	40,650	40,650	40,650	40,650
Unassigned	3,528,871	3,479,531	3,484,133	3,928,317	3,510,824
Total	$4,486,421	$4,581,769	$4,266,027	$4,557,951	$4,369,308

1 The 2024-25 budget was adopted on June 17, 2024.

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 6,163 and a 2023 population estimate of 6,039, and comprising an area of 229 square miles, is located approximately 85 miles southwest of S. Paul, Minnesota.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Crystal Valley Co-Op	Farm supply cooperative	250
Crysteel Manufacturing Inc.	Truck bodies- manufacturing	205
I.S.D. No. 2071 (Lake Crystal Wellcome Memorial Area Schools)	Elementary and secondary education	143
Industrial Fabrication Services	Custom fabrication manufacturing	80
POET Biorefining	Ethanol plant	45
Crystal Seasons Living Center	Residential care homes	35
G M Contracting Inc.	Water, sewer & storm sewer construction	29
Kevins Market	Grocers-Liquors- retail	28
Dairy Queen	Restaurant	25
Minnstar Bank NA	Banks	25

Source: Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	6,121
2020 U.S. Census population	6,163
Percent of Change 2010 - 2020	0.69%
2023 State Demographer Estimate	6,039

[1] This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

Income and Age Statistics

	The District	Blue Earth County	State of Minnesota	United States
2023 per capita income	$40,629	$34,011	$46,957	$43,289
2023 median household income	$83,844	$66,249	$87,556	$78,538
2023 median family income	$98,750	$95,545	$111,492	$96,922
2023 median gross rent	$789	$1,055	$1,235	$1,348
2023 median value owner occupied units	$223,200	$276,300	$305,500	$303,400
2023 median age	43.9 yrs.	31.1 yrs.	38.6 yrs.	38.7 yrs.

	State of Minnesota	United States
District % of 2023 per capita income	86.52%	93.86%
District % of 2023 median family income	88.57%	101.89%

Source: 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (https://data.census.gov) and Minnesota State Demographer (https://mn.gov/admin/demography/data-by-place/school-district-data.jsp).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	**Blue Earth County**	**Blue Earth County**	**State of Minnesota**
2020	38,592	5.4%	6.3%
2021	38,422	3.3%	3.7%
2022	39,405	2.1%	2.7%
2023	39,965	2.3%	2.8%
2024, October	42,013	2.0%	2.6%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the District's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The District has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the District requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the District since the date of the financial statements, in connection with the issuance of the Bonds, the District represents that there have been no material adverse changes in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

ANNUAL FINANCIAL REPORT

INDEPENDENT SCHOOL DISTRICT NO. 2071
LAKE CRYSTAL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2024

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Lake Crystal, Minnesota
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2071
LAKE CRYSTAL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2024

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Independent School District No. 2071
Lake Crystal, Minnesota
School District Officials
For the Year Ended June 30, 2024

Board of Education

Name	Term on Board Expires	Position
Mike Maurer	January 2027	Chairperson
Sara Rose	January 2025	Vice-Chairperson
Linda Leiding	January 2025	Clerk
Ryan Jones	January 2027	Treasurer
Kellt Hoeft	January 2025	Member
Kari Paul	January 2027	Member
Josh Sargent	January 2027	Member

Administration

Mark Westerburg		Superintendent
Braden Wesley		Business Manager

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FINANCIAL SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2071
LAKE CRYSTAL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2071
Lake Crystal, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2071, Lake Crystal, Minnesota, (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2024, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Changes in the District's Net OPEB (Asset) Liability and Related Ratios starting on page 70 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2024, 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, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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October 16, 2024

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Management's Discussion and Analysis

As management of the Independent School District No. 2071, Lake Crystal, Minnesota (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred outflows of resources at the close of the most recent fiscal year.

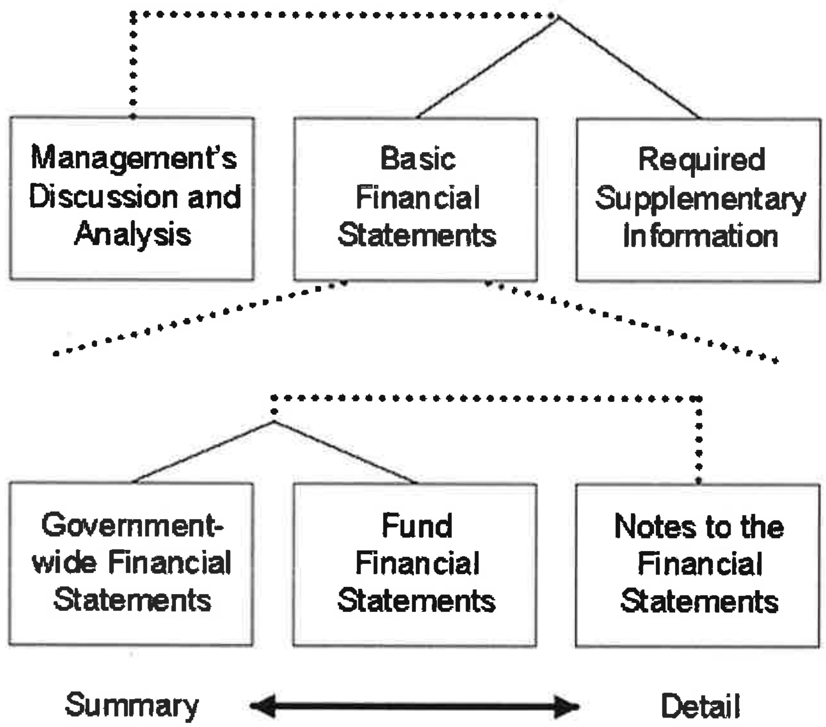
- The District's total net position increased compared to the prior year. This change was mainly due to an increase in state aid revenue, negative pension expense and an increase in interest earnings.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances increased comparison with the prior year. The main reasons for the increase include increase in funding for food service and an increase in interest earnings.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 2071
Annual Financial Report



The following chart summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the District-wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	**Governmental Funds**	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balance	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled "governmental activities":

- *Governmental activities*: The District's basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 28 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and the Debt Service fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The District adopts an annual appropriated budget for its General, Debt Service, Food Service, Community Service and OPEB Debt Service funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of student activities within the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Independent School District No. 2071's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules and table can be found starting on page 80 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $5,860,250 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes.

Independent School District No. 2071's Net Position

	Governmental Activities		Increase (Decrease)	
	2024	2023	Amount	Percent
Current and Other Assets	$10,486,428	$ 9,643,606	$ 842,822	8.7 %
Capital Assets	26,390,835	27,248,776	(857,941)	(3.1)
Total Assets	36,877,263	36,892,382	(15,119)	-
Deferred Outflows of Resources	1,947,461	2,681,007	(733,546)	(27.4)
Long-term Liabilities Outstanding	19,429,653	21,371,371	(1,941,718)	(9.1)
Other Liabilities	8,681,120	9,312,817	(631,697)	(6.8)
Total Liabilities	28,110,773	30,684,188	(2,573,415)	(8.4)
Deferred Inflows of Resources	4,853,701	5,124,953	(271,252)	(5.3)
Net Position				
Net investment in capital assets	6,492,040	5,770,692	721,348	12.5
Restricted	1,993,319	1,911,047	82,272	4.3
Unrestricted	(2,625,109)	(3,917,491)	1,292,382	(33.0)
Total Net Position	$ 5,860,250	$ 3,764,248	$ 2,096,002	55.7
Net Position as a Percent of Total				
Net investment in capital assets	110.8 %	153.3 %		
Restricted	34.0	50.8		
Unrestricted	(44.8)	(104.1)		
	100.0 %	100.0 %		

The District's net position increased during the current fiscal year.

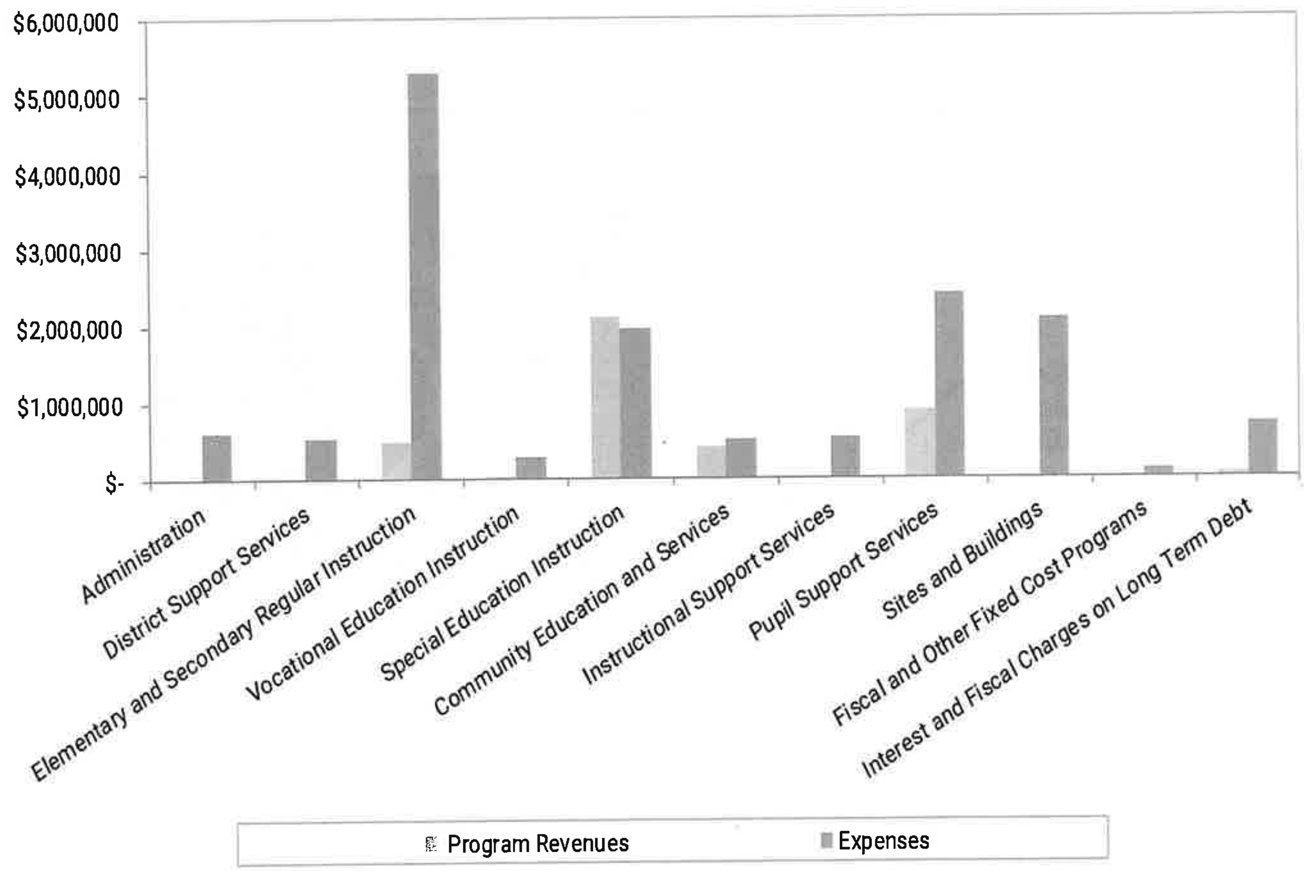
Governmental Activities. Governmental activities increased the District's net position as shown below. Key elements of this increase are as follows:

Independent School District No. 2071's Changes in Net Position

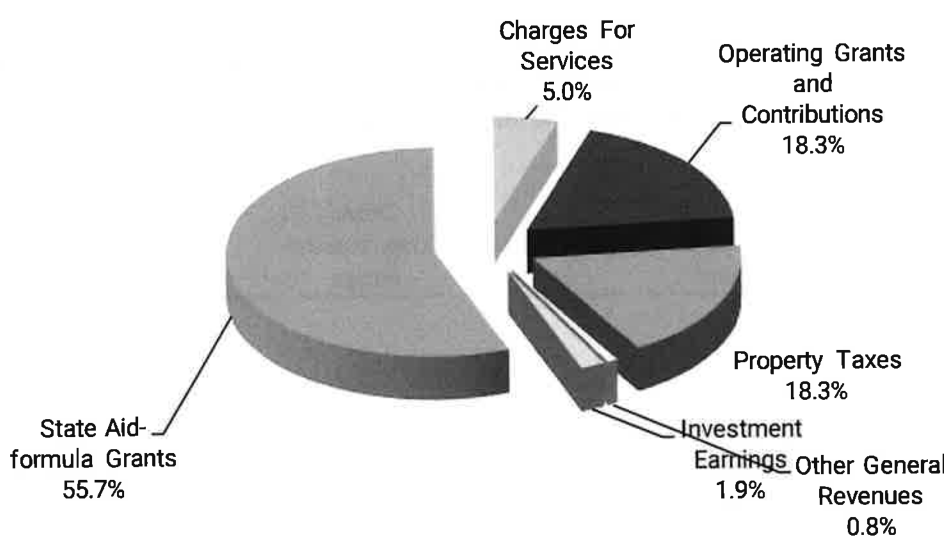
	Governmental Activities		Increase (Decrease)	
	2024	2023	Amounts	Percent
Revenues				
Program revenues				
Charges for services	$ 852,826	$ 936,996	$ (84,170)	(9.0) %
Operating grants and contributions	3,130,619	2,137,168	993,451	46.5
General revenues				
Property taxes	3,140,716	3,112,545	28,171	0.9
State aid-formula grants and other contributions	9,569,030	8,910,523	658,507	7.4
Other general revenues	134,048	143,955	(9,907)	(6.9)
Investment earnings	317,776	171,851	145,925	84.9
Total Revenues	17,145,015	15,413,038	1,731,977	11.2
Expenses				
Administration	614,920	633,929	(19,009)	(3.0)
District support services	537,153	538,596	(1,443)	(0.3)
Elementary and secondary regular instruction	5,308,778	4,327,548	981,230	22.7
Vocational education instruction	274,097	206,829	67,268	32.5
Special education instruction	1,968,857	1,863,422	105,435	5.7
Community education and services	500,506	412,922	87,584	21.2
Instructional support services	541,695	704,908	(163,213)	(23.2)
Pupil support services	2,405,417	2,002,852	402,565	20.1
Sites and buildings	2,086,952	2,231,752	(144,800)	(6.5)
Fiscal and other fixed cost programs	102,826	63,967	38,859	60.7
Interest and fiscal charges on long-term debt	707,812	666,882	40,930	6.1
Total Expenses	15,049,013	13,653,607	1,395,406	10.2
Change in Net Position	2,096,002	1,759,431	336,571	19.1
Net position, July 1	3,764,248	2,004,817	1,759,431	87.8
Net Position, June 30	$ 5,860,250	$ 3,764,248	$ 2,096,002	55.7

The main increase in revenue is in operating grants and contributions at a 46.5 percent increase. The largest increase in expenses is in Elementary and secondary regular instruction, increasing by 21.3 percent.

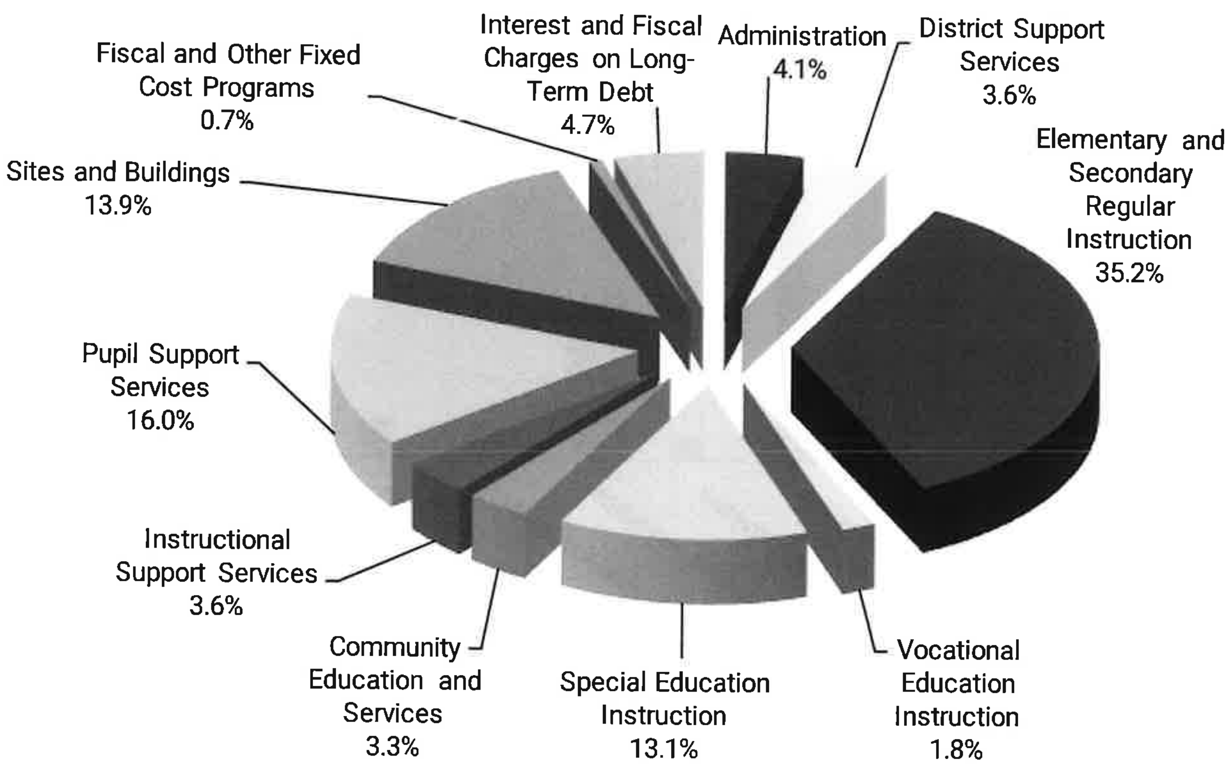
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending.

	General Fund	Debt Service Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable	$ -	$ -	$ 17,466	$ 17,466	$ 4,703	$ 12,763
Restricted	588,984	478,650	709,810	1,777,444	1,813,054	(35,610)
Assigned	40,650	-	-	40,650	40,650	-
Unassigned	3,928,317	-	-	3,928,317	3,484,133	444,184
	$4,557,951	$ 478,650	$ 727,276	$5,763,877	$5,342,540	$ 421,337

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances shown above. Additional information on the District's fund balances can be found in Note 1 starting on page 13 of this report.

The General fund is the chief operating fund of the District. Unassigned fund balance represents amounts that are available for spending at the District's discretion. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Restricted	$ 588,984	$ 741,244	$ (152,260)
Assigned	40,650	40,650	-
Unassigned	3,928,317	3,484,133	444,184
	$ 4,557,951	$ 4,266,027	$ 291,924
General Fund expenditures	$ 13,152,065	$ 12,444,524	
Unassigned as a percent of expenditures	29.9%	28.0%	
Total Fund Balance as a percent of expenditures	34.7%	34.3%	

The fund balance of the District's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was due to total expenditures being less than budgeted, primary related to the elementary and secondary regular instruction expenditures.

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	$ 12,739,347	$ 457,787	$ 13,197,134	$ 13,443,989	$ 246,855
Expenditures	12,691,671	538,755	13,230,426	13,152,065	78,361
Net Change in Fund Balances	47,676	(80,968)	(33,292)	291,924	325,216
Fund Balances, July 1	4,266,027	-	4,266,027	4,266,027	
Fund Balances, June 30	$ 4,313,703	$ (80,968)	$ 4,232,735	$ 4,557,951	$ 325,216

The School's General fund budget was amended during the year as shown above. The budget amendment increased revenues relating to state sources and increased expenditures relating to mostly elementary and secondary regular instruction and sites and buildings. Actual revenues were over the final budget and expenditures were over the final budget amounts as shown above.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2024 amounts to $26,390,835 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 3.1 percent. The total depreciation expense for the year was $1,001,375. The following is a schedule of capital assets as of June 30, 2024.

Independent School District No. 2071's Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2024	2023	Increase (Decrease)
Land	$ 685,795	$ 685,795	$ -
Land Improvements	137,470	149,817	(12,347)
Buildings	24,721,503	25,433,552	(712,049)
Equipment	846,067	876,787	(30,720)
Construction in Progress	-	102,825	(102,825)
Total	$ 26,390,835	$ 27,248,776	$ (857,941)

Additional information on the District's capital assets can be found in Note 3C on page 51 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total debt outstanding of $18,543,967.

Independent School District No. 2071's Outstanding Debt

	Governmental Activities		
	2024	2023	Increase (Decrease)
General Obligation Bonds	$ 18,460,000	$ 20,480,000	$ (2,020,000)
Certificate of Participation Payable	83,967	245,488	(161,521)
Total	$ 18,543,967	$ 20,725,488	$ (2,181,521)

The District's total debt decreased by $2,181,521 (10.5 percent) during the current fiscal year. Additional information on the District's long-term debt can be found in Note 3D on page 52 of this report.

Factors Bearing on the District's Future

The District is almost entirely dependent on the State of Minnesota for its revenue. Recent experience demonstrates that legislated revenue increases are not going to be sufficient to meet instructional program needs and increased costs due to inflation. The District will strive to limit expenditures for each coming fiscal year to an amount that does not exceed revenue for each year and at the same time will strive to maintain its commitment to academic excellence and educational opportunities for students.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Independent School District No. 2071, 607 Knights Lane, Lake Crystal, Minnesota 56055.

DISTRICT-WIDE FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2071
LAKE CRYSTAL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2024

Independent School District No. 2071
Lake Crystal, Minnesota
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash and temporary investments	$ 6,087,273
Receivables	
Taxes	2,424,426
Accounts and interest	18,029
Due from other school districts	200,026
Intergovernmental	1,309,709
Inventories	17,466
Net OPEB asset	429,499
Capital assets not being depreciated	685,795
Capital assets net of accumulated depreciation	25,705,040
Total Assets	36,877,263
Deferred Outflows of Resources	
Deferred pension resources	1,926,106
Deferred other postemployment benefit resources	21,355
Total Deferred Outflows of Resources	1,947,461
Liabilities	
Salaries and wages payable	17,056
Accounts and contracts payables	199,683
Accrued interest payable	257,599
Due to other governments	61,195
Accrued expenses	187,900
Unearned revenue	22,101
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,728,967
Due in more than one year	
Long-term liabilities	17,700,686
Net pension liability	7,935,586
Total Liabilities	28,110,773
Deferred Inflows of Resources	
Property taxes levied for subsequent year	3,762,852
Deferred pension resources	487,163
Deferred other postemployment benefit resources	95,692
Deferred gain on refunding	507,994
Total Deferred Inflows of Resources	4,853,701
Net Position	
Net investment in capital assets	6,492,040
Restricted	
Debt service	289,616
Other postemployment benefit resources	429,499
Food service	454,013
Educational purposes	820,191
Unrestricted	(2,625,109)
Total Net Position	$ 5,860,250

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2071
Lake Crystal, Minnesota
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 614,920	$ -	$ -	$ -	$ (614,920)
District support services	537,153	-	-	-	(537,153)
Elementary and secondary regular instruction	5,308,778	169,316	323,572	-	(4,815,890)
Vocational education instruction	274,097	6,774	-	-	(267,323)
Special education instruction	1,968,857	248,441	1,868,194	-	147,778
Community education and services	500,506	349,149	72,967	-	(78,390)
Instructional support services	541,695	-	-	-	(541,695)
Pupil support services	2,405,417	79,146	814,116	-	(1,512,155)
Sites and buildings	2,086,952	-	-	-	(2,086,952)
Fiscal and other fixed cost programs	102,826	-	-	-	(102,826)
Interest and fiscal charges on long term debt	707,812	-	51,770	-	(656,042)
Total Governmental Activities	$ 15,049,013	$ 852,826	$ 3,130,619	$ -	(11,065,568)
General revenues					
Taxes					
Property taxes, levied for general purposes					1,751,736
Property taxes, levied for community service					82,457
Property taxes, levied for debt service					1,306,523
State aid-formula grants and other contributions					9,569,030
Other general revenues					134,048
Investment earnings					317,776
Total General Revenues					13,161,570
Change in Net Position					2,096,002
Net Position, July 1					3,764,248
Net Position, June 30					$ 5,860,250

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2071
LAKE CRYSTAL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2024

Independent School District No. 2071
Lake Crystal, Minnesota
Balance Sheet
Governmental Funds
June 30, 2024

	General	Debt Service	Nonmajor Funds	Total
Assets				
Cash and temporary investments	$ 4,150,732	$ 1,133,488	$ 803,053	$ 6,087,273
Receivables				
Taxes				
Current	813,482	1,527,248	41,431	2,382,161
Delinquent	15,756	24,759	1,750	42,265
Accounts and interest	18,029	-	-	18,029
Due from other school districts	200,026	-	-	200,026
Intergovernmental	1,223,596	81,206	4,907	1,309,709
Inventories	-	-	17,466	17,466
Total Assets	$ 6,421,621	$ 2,766,701	$ 868,607	$ 10,056,929
Liabilities				
Salaries and wages payable	$ 14,072	$ -	$ 2,984	$ 17,056
Accounts and contracts payables	172,770	-	26,913	199,683
Due to other governments	61,195	-	-	61,195
Accrued expenses	187,900	-	-	187,900
Unearned revenue	-	-	22,101	22,101
Total Liabilities	435,937	-	51,998	487,935
Deferred Inflows of Resources				
Property taxes levied for subsequent year	1,411,977	2,263,292	87,583	3,762,852
Unavailable revenue				
Delinquent property taxes	15,756	24,759	1,750	42,265
Total Deferred Inflows of Resources	1,427,733	2,288,051	89,333	3,805,117
Fund Balances				
Nonspendable	-	-	17,466	17,466
Restricted	588,984	478,650	709,810	1,777,444
Assigned	40,650	-	-	40,650
Unassigned	3,928,317	-	-	3,928,317
Total Fund Balances	4,557,951	478,650	727,276	5,763,877
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,421,621	$ 2,766,701	$ 868,607	$ 10,056,929

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2071
Lake Crystal, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2024

Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	$ 5,763,877
Long-term assets from net other post employment benefits reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	429,499
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	26,390,835
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bonds payable	(18,460,000)
Severance payable	(38,852)
Unamortized bond discount	5,311
Unamortized bond premium	(852,145)
Certificate of participation payable	(83,967)
Net pension liability	(7,935,586)
Governmental funds do not report long-term amounts related to gains (losses) on refunding of debt.	
Deferred inflows of gain on refunded debt	(507,994)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	42,265
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	1,926,106
Deferred outflows of other postemployment benefit resources	21,355
Deferred inflows of pension resources	(487,163)
Deferred inflows of other postemployment benefit resources	(95,692)
Governmental funds do not report a liability for accrued interest until due and payable.	(257,599)
Total Net Position - Governmental Activities	$ 5,860,250

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2071
Lake Crystal, Minnesota
Statement of Revenues, Expenditures and Changes In Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	General	Debt Service	Nonmajor Funds	Total
Revenues				
Local property tax levies	$ 1,672,296	$ 1,306,505	$ 82,475	$ 3,061,276
Other local and county revenue	707,249	-	422,917	1,130,166
Interest earned on investments	197,632	89,816	30,328	317,776
Revenue from state sources	10,716,191	814,694	472,753	12,003,638
Revenue from federal sources	150,621	-	359,509	510,130
Sales and other conversion of assets	-	-	57,716	57,716
Total Revenues	13,443,989	2,211,015	1,425,698	17,080,702
Expenditures				
Current				
Administration	673,586	-	-	673,586
District support services	515,016	-	-	515,016
Elementary and secondary regular instruction	5,879,514	-	-	5,879,514
Vocational education instruction	308,001	-	-	308,001
Special education instruction	2,080,261	-	-	2,080,261
Community education and services	-	-	536,781	536,781
Instructional support services	517,608	-	-	517,608
Pupil support services	1,617,282	-	795,779	2,413,061
Sites and buildings	1,218,620	-	-	1,218,620
Fiscal and other fixed cost programs	102,826	-	-	102,826
Capital outlay	66,993	-	18,330	85,323
Debt service				
Principal	161,521	10,295,000	-	10,456,521
Interest and other costs	10,837	773,429	-	784,266
Bond issuance costs	-	44,736	-	44,736
Total Expenditures	13,152,065	11,113,165	1,350,890	25,616,120
Other Financing Sources (Uses)				
Debt issued	-	8,275,000	-	8,275,000
Premium on bonds issued	-	681,755	-	681,755
Total Other Financing Sources (Uses)	-	8,956,755	-	8,956,755
Net Change in Fund Balances	291,924	54,605	74,808	421,337
Fund Balances, July 1	4,266,027	424,045	652,468	5,342,540
Fund Balances, June 30	$ 4,557,951	$ 478,650	$ 727,276	$ 5,763,877

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2071
Lake Crystal, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2024

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	$ 421,337
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	143,434
Depreciation expense	(1,001,375)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Issuance of long-term debt	(8,275,000)
Premium on issuance of long-term debt	(681,755)
Gain on refunding of long-term debt	(431,913)
Principal repayments	10,456,521
Amortization of bond premiums, discounts, and gain on refunded debt	511,437
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	41,666
Long-term pension activity is not reported in governmental funds.	
Pension expense	860,416
Direct aid contributions	65,024
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	(711)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Severance costs	(2,721)
Other postemployment benefits costs	(10,358)
Change in Net Position - Governmental Activities	$ 2,096,002

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2071
Lake Crystal, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	$ 1,630,360	$ 1,673,973	$ 1,672,296	$ (1,677)
Other local and county revenue	476,167	485,491	707,249	221,758
Interest earned on investments	55,150	194,000	197,632	3,632
Revenue from state sources	10,452,670	10,697,853	10,716,191	18,338
Revenue from federal sources	125,000	145,817	150,621	4,804
Total Revenues	12,739,347	13,197,134	13,443,989	246,855
Expenditures				
Current				
Administration	724,222	686,457	673,586	12,871
District support services	468,893	454,734	515,016	(60,282)
Elementary and secondary regular instruction	5,547,657	5,941,293	5,879,514	61,779
Vocational education instruction	274,397	295,880	308,001	(12,121)
Special education instruction	2,203,175	2,242,887	2,080,261	162,626
Instructional support services	575,957	542,667	517,608	25,059
Pupil support services	1,250,624	1,456,982	1,617,282	(160,300)
Sites and buildings	1,285,714	1,247,546	1,218,620	28,926
Fiscal and other fixed cost programs	138,074	138,098	102,826	35,272
Capital outlay				
District support services	22,500	16,528	33,475	(16,947)
Elementary and secondary regular instruction	16,000	14,996	14,996	-
Special education instruction	1,500	-	-	-
Pupil support services	5,000	-	-	-
Sites and buildings	5,600	20,000	18,522	1,478
Debt service				
Principal	161,521	161,521	161,521	-
Interest and other costs	10,837	10,837	10,837	-
Total Expenditures	12,691,671	13,230,426	13,152,065	78,361
Net Change in Fund Balances	47,676	(33,292)	291,924	325,216
Fund Balances, July 1	4,266,027	4,266,027	4,266,027	-
Fund Balances, June 30	$ 4,313,703	$ 4,232,735	$ 4,557,951	$ 325,216

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2071
Lake Crystal, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

	OPEB Irrevocable Trust	Private Purpose Trust
Assets		
Cash and temporary investments		
Money market	$ -	$ 285,355
Mutual funds	921,008	-
Total Assets	921,008	285,355
Liabilities		
Accounts payable	389	-
Net Position		
Restricted		
Scholarships	-	285,355
OPEB	920,619	-
Total Net Position	$ 920,619	$ 285,355

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2071
Lake Crystal, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2024

	OPEB Irrevocable Trust	Private Purpose Trust
Additions		
Other local and county revenue	$ -	$ 18,420
Interest earned on investments	95,482	12,013
Total Additions	95,482	30,433
Deductions		
Scholarship awards	-	11,900
OPEB health insurance benefits	43,015	-
Administrative expense	18,106	-
Total Deductions	61,121	11,900
Net Increase (Decrease) in Fiduciary Net Position	34,361	18,533
Net Position, July 1	886,258	266,822
Net Position, June 30	$ 920,619	$ 285,355

The notes to the financial statements are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2071, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental revenues and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Fiduciary fund financial statements have no measurement focus and use 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 advanced, which are recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

The various District funds have been established by the State of 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

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Non-major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures. The major sources of revenues are food service sales and federal and state grants, which are restricted for this purpose.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services. The major sources of revenues are recreation fees and special purpose tax levies, which are restricted for these purposes.

The *OPEB Debt Service fund* is used to account for the accumulation of resources and the payment of general long-term obligation bond principal, interest, and related costs on the District's OPEB bond.

Note 1: Summary of Significant Accounting Policies (Continued)

Additionally, the District reports the following fund types:

Fiduciary Funds

The *Private-Purpose Trust fund* is used to account for resources legally held in trust to be used by various third parties devoted to awarding student scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the activities.

The *OPEB Irrevocable Trust fund* (Internal Revenue Code 501(c) 9) is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers acceptances of Unites States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Note 1: Summary of Significant Accounting Policies (Continued)

9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

The MN Trust Term Series portfolios are separate portfolios with a fixed investment term and a designated maturity. A Term Series Portfolio consists of investments in certificates of deposit, obligations of the U.S. Government, its agencies and instrumentalities, and municipal obligations. These investments are reported at amortized cost.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2024 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credits are paid to the District by the State in lieu of taxes levied against the property.

Current property taxes receivable is the uncollected portion of the taxes levied in 2023 and collectible in 2024. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year are delinquent property taxes receivable.

Note 1: Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Net Other Postemployment Benefit Asset

For purposes of measuring the net other postemployment benefit (OPEB) asset and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. See the investment note for fair value measurements.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than $1,000 (amount not rounded) and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Plumbing and Electrical	30
Building Improvements Interior, Portable Classrooms, and Fire Systems	25
Heating and Ventilation System, Long-term Admin Software, Furniture and Fixtures, Outdoor Equipment, Roofing, and Site Improvements	20
Custodial Equipment, Grounds Equipment, Kitchen Equipment, and Machinery and Tools	15
All other Equipment, Short-term Admin Software, and Long-term Instructional Software	10
Vehicles and Buses	8
Carpet Replacement	7
Computer Hardware, Copiers, Short-term Instructional Software, and Library Books	5

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

A deferred change on refunding is reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits. Vacation leave is accrued as a liability and recorded as an expense of those funds as the benefits earned by the employees. The District also pays a severance to those employees who were hired before September 1, 1996 less amounts contributed to a 403(B).

Vacation is earned under the terms of the superintendent, custodial group, office support group, and food service employee contracts. Annual vacation pay rates are dependent upon each of the above listed employees group labor contracts. At June 30, 2024, unpaid vacation totaling $38,852 is recorded in the statement of net position. Typically, compensated absences will be liquidated by the General fund.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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 received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in n.

Note 1: Summary of Significant Accounting Policies (Continued)

Public Employees Retirement Association (PERA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The total pension expense for the General Employee Plan (GERP) and TRA is as follows :

	GERP	TRA	Total All Plans
District's proportionate share	$ 45,457	$ (330,963)	$ (285,506)
Proportionate share of State's contribution	162	64,862	65,024
Total pension expense	$ 45,619	$ (266,101)	$ (220,482)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly one of the items, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the District has three additional items which qualify for reporting in this category on the statement of net position. Two of the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions. Lastly, a deferred change on refunding is reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

Net Position

In the district-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

Note 1: Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by State statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the District School Board (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the District Business Manager and the Superintendent.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made. The District has formally adopted a fund balance policy for the General fund. The District will strive to maintain a minimum unassigned General fund balance of 45 days of operating capital.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal yearend. The actual revenues, expenditures, and transfers for the year ended June 30, 2024 have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Note 2: Stewardship, Compliance and Accountability (Continued)

Budgetary control is maintained by fund, at the object of expenditure category level within each program, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The School Board made several supplemental budgetary appropriations throughout the year.

B. Excess of Actual Expenditures over Appropriations

For the year ended June 30, 2024, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess
Debt Service	$ 2,192,701	$ 11,113,165	$ 8,920,464
Community Service	520,018	538,413	18,395

The excess expenditures were funded by actual revenues in excess of budget and available fund balance.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the School Board, the District maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

Note 3: Detailed Notes on All Funds (Continued)

- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and

- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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 selection should be approved by the District.

At year end, the District's carrying amount of deposits was $241,573 and the bank balance was $611,620. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining amount was covered by bonds or collateral held by the District's agent in the District's name.

Investment Policy

The District's investments are potentially subject to various risks including the following:

- *Custodial Credit Risk* - The risk that in the event of a failure of the counterparty to an investment transaction (typically a broker) the government would not be able to recover the value of the investment or collateral securities.

- *Credit Risk* - The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

- *Concentration Risk* - Investing 5 percent or more of the District's portfolio in the securities of a single issuer.

The funds of the District shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. The primary criteria for the investment of the funds of the District, in priority order are as follows:

1. *Safety and Security.* Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.

2. *Liquidity.* The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.

3. *Return and Yield.* The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years. The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

Note 3: Detailed Notes on All Funds (Continued)

All investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minnesota statutes 118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

Deposit-type securities shall be collateralized as required by Minnesota statute 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. The school district may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than $1,000,000.

As of June 30, 2024, the District had the following investments:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	less than 6 months	$ 5,769,742
Money Market Funds	N/A	less than 6 months	240,394
Total Pooled Investments			6,010,136
Non-pooled Investments at Amortized Costs			
PMA Financial Network MN Trust Investment Shares	N/A	less than 6 months	881
Mutual Funds	N/A	less than 6 months	1,041,046
Total Non-pooled Investments			1,041,927
Total Investments			$ 7,052,063

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAA. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Deposits	$ 241,573
Investments	7,052,063
Total	7,293,636
Less Fiduciary Fund Cash and Temporary Investments	(1,206,363)
Total Cash and Temporary Investments	$ 6,087,273

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2023 and payable in 2024. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2024 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Taxes receivable is comprised of the following components:

	General	Community Service	Debt Service	OPEB Debt Service	Total
Current Taxes	$ 813,482	$ 41,431	$ 1,527,248	$ -	$ 2,382,161
Delinquent Taxes	15,756	928	24,759	822	42,265
Total Taxes Receivable	$ 829,238	$ 42,359	$ 1,552,007	$ 822	$ 2,424,426
Property Taxes Levied for Subsequent Year	$ 1,411,977	$ 87,583	$ 2,263,292	$ -	$ 3,762,852

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the District for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Governmental Activities				
Capital Assets not Being Depreciated				
Land	$ 685,795	$ -	$ -	$ 685,795
Construction in progress	102,825	-	(102,825)	-
Total Capital Assets not Being Depreciated	788,620	-	(102,825)	685,795
Capital Assets Being Depreciated				
Land Improvements	359,144		-	359,144
Buildings	36,910,379	115,806	-	37,026,185
Equipment	2,769,902	130,453	(130,443)	2,769,912
Total Capital Assets Being Depreciated	40,039,425	246,259	(130,443)	40,155,241
Less Accumulated Depreciation				
Land Improvements	(209,327)	(12,347)	-	(221,674)
Buildings	(11,476,827)	(827,855)	-	(12,304,682)
Equipment	(1,893,115)	(161,173)	130,443	(1,923,845)
Total Accumulated Depreciation	(13,579,269)	(1,001,375)	130,443	(14,450,201)
Total Capital Assets Being Depreciated, Net	26,460,156	(755,116)	-	25,705,040
Governmental Activities Capital Assets, Net	$ 27,248,776	$ (755,116)	$ (102,825)	$ 26,390,835

Depreciation expense was charged to governmental activities as follows:

Administration	$ 78
District Support Services	912
Elementary and Secondary Regular Instruction	55,789
Vocational Education Instruction	515
Special Education Instruction	614
Instructional Support Services	38,500
Community Education and Services	1,104
Pupil Support Services	12,376
Sites, Buildings and Equipment	891,487
Total Depreciation Expense	$ 1,001,375

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

Certificate of Participation

The District entered into a certificate of participation agreement in June 2010, for capital improvements. The certificates are due in yearly installments through 2024 with an interest rate of 5.27%. The payments are being made from the General fund. The basis of asset acquired was $1,465,985 and the June 30, 2024 accumulated depreciation was $83,967.

Annual debt service requirements to maturity for the certificate payments are as follows:

Year Ending June 30	Amount
2025	$ 83,967
Total Payments	83,967
Present Value of Minimum Lease Payments	$ 83,967

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Maturity Date	Balance at Year End	Due Within One Year
G.O. School Alternative Facilities Bonds, Series 2014B	$ 12,000,000	2.00 - 4.00 %	02/01/34	$ 9,305,000	$ 790,000
G.O. Crossover Refunding Bonds, Series 2016A	1,325,000	1.25 - 2.00	02/01/28	530,000	140,000
G.O. Maintenance Bonds, Series 2019A	655,000	2.85	02/01/29	350,000	65,000
G.O. School Building Refunding Bonds, Series 2024A	8,275,000	2.6	02/01/34	8,275,000	650,000
Total General Obligation Bonds				$ 18,460,000	$ 1,645,000

Note 3: Detailed Notes on All Funds (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 2024 are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2025	$ 1,645,000	$ 680,831	$ 2,325,831
2026	1,645,000	620,854	2,265,854
2027	1,705,000	559,759	2,264,759
2028	1,765,000	493,139	2,258,139
2029	1,835,000	416,969	2,251,969
2030 - 2033	7,745,000	945,718	8,690,718
2034	2,120,000	56,150	2,176,150
Total	$ 18,460,000	$ 3,773,420	$ 22,233,420

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	$ 20,480,000	$ 8,275,000	$ (10,295,000)	$ 18,460,000	$ 1,645,000
Unamortized premium	616,168	681,755	(445,778)	852,145	-
Unamortized discount	(6,416)	-	1,105	(5,311)	-
Other Liabilities					
Certificate of participation payable	245,488	-	(161,521)	83,967	83,967
Compensated absences payable	36,131	36,477	(33,756)	38,852	-
Total Long-term Liabilities	$ 21,371,371	$ 8,993,232	$ (10,934,950)	$ 19,429,653	$ 1,728,967

In 2024, the District issued $8,275,000 of General Obligation School Building Refunding Bonds, Series 2024A. The current refunding was used to refund the 2014A General Obligation Bonds. The bonds had a net present value benefit of $3,896.61.

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At June 30, 2024, portions of the District's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), District School Board action (committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Nonmajor Governmental	Total Governmental Funds	Reconciling Items	UFARS Balance
Nonspendable						
Inventories	$ -	$ -	$ 17,466	$ 17,466	$ -	$ 17,466
Restricted						
Student activities	$ 79,522	$ -	$ -	$ 79,522	$ -	$ 79,522
Staff development	63,853	-	-	63,853	-	63,853
Literacy aid	63,566	-	-	63,566	-	63,566
Operating capital	128,912	-	-	128,912	-	128,912
Learning and development	6,076	-	-	6,076	-	6,076
Gifted and talented	45,748	-	-	45,748	-	45,748
Basic skills	5,862	-	-	5,862	-	5,862
Achievement and integration	7,436	-	-	7,436		7,436
Safe schools - crime levy	-	-	-	-	(6,999)	(6,999)
Long term facility maintenance	40,385	-	-	40,385	-	40,385
Medical assistance	147,624	-	-	147,624	-	147,624
Food service	-	-	436,547	436,547	-	436,547
Community education	-	-	76,493	76,493	-	76,493
Early childhood and family education	-	-	127,444	127,444	-	127,444
School readiness	-	-	21,761	21,761	-	21,761
Community service	-	-	4,581	4,581	-	4,581
Debt service	-	478,650	42,984	521,634	-	521,634
Total Restricted	$ 588,984	$ 478,650	$ 709,810	$ 1,777,444	$ (6,999)	$ 1,770,445
Assigned						
Booster club	$ 25,384	$ -	$ -	$ 25,384	$ -	$ 25,384
SMIF (welding)	2,129	-	-	2,129	-	2,129
PDIS	4,174	-	-	4,174	-	4,174
Donations	8,963	-	-	8,963	-	8,963
Total Assigned	$ 40,650	$ -	$ -	$ 40,650	$ -	$ 40,650
Unassigned	$ 3,928,317	$ -	$ -	$ 3,928,317	$ 6,999	$ 3,935,316

Restricted for Student Activities - This amount represents resources dedicate to student-focused extracurricular activities offered and approved by the School Board.

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Staff Development - This amount represents available resources for staff development. Revenues are derived from State aids and expenditures are for staff development at each site.

Restricted for Literacy Aid – This amount represents the resources available to support implementation of evidence-based reading instruction.

Restricted for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Restricted for Learning and Development - This amount represents available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio.

Restricted for Gifted and Talented - This amount represents resources dedicated to providing challenging educational programs to gifted and talented students.

Restricted for Basic Skills - This amount represents resources dedicated to meeting the educational needs of pupils who enroll under-prepared to learn and have performance below the level appropriate for their age and are enrolled for more than a standard school year equivalent.

Restricted for Achievement and Integration - This amount represents resources dedicated to closing the academic achievement and opportunity gap promoting diversity, racial and economic integration.

Restricted for Safe Schools - Crime Levy - This amount represents resources restricted for crime prevention and making schools safe for students and staff.

Restricted for Long-term Facilities Maintenance (LTFM) - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

Restricted for Medical Assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from state or federal aids.

Restricted for Food Service - This amount represents available resources available for Food Services. Revenues are derived from state, federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, supplies and materials.

Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for School Readiness - This amount represents available resources to provide for services for school readiness programs. Revenues are derived from State aids, fees and grants and expenditures are for salaries, benefits and supplies.

Restricted for Community Service - This amount represents available resources available for Community Services. Revenues are derived from tax levies, state, federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, purchased services supplies and materials.

Restricted for Debt Service - This amount represents available resources dedicated exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest and paying agent fees.

Note 4: Defined Benefit Pension Plans - Statewide

A. Teach Retirment Association (TRA)

1. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State.

2. Benefits Provided

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 benefits as described.

Tier I:	Step Rate Formula	Percentage
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	First ten years if service years are prior to July 1, 2006	1.2 percent per year
	First ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

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

or

Note 4: Defined Benefit Pension Plans - Statewide

Tier II:

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for coordinated members and 2.7% per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II benefit 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 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 that 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.

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

3. Contribution Rates

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2022, June 30, 2023, June 30, 2024 were:

	Ending June 30, 2022		Ending June 30, 2023		Ending June 30, 2024	
Plan	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	12.34%	11.00%	12.55%	11.25%	12.75%
Coordinated	7.50%	8.34%	7.50%	8.55%	7.75%	8.75%

The Independent School District's contributions to TRA for the year ending June 30, 2024, 2023, and 2022 were $507,921, $453,964, and $428,202, respectively. The Independent School District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

The following is a reconciliation of employer contributions in TRA's fiscal year 2023 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer Contributions Reported in TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	$ 508,764,000
Deduct Employer Contributions not Related to Future Contribution Efforts	(87,000)
Deduct TRA's contributions not included in allocation	(643,000)
Total Employer Contributions	508,034,000
Total Non-employer Contributions	35,587,000
Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	$ 543,621,000

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

Note 4: Defined Benefit Pension Plans - Statewide

4. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2023
Experience Study	June 30, 2023
	June 28, 2019 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.5% to 9.25% thereafter
Cost of Living Adjustment	1% for January 2019 through January 2023 then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP - 2014 white collar employee table, male rates set back six years and female rates set back seven years Generational projection uses the MP - 2015 scale.
Post-retirement	RP - 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP - 2015 scale.
Post-disability	RP - 2014 disabled retiree mortality table, without adjustments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The Difference between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion use the amortization period of six years in the schedule presented. The amortization period for Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments is five years as required by GASB 68.

Note 4: Defined Benefit Pension Plans - Statewide

Changes in actuarial assumptions since the 2022 valuation:

The 2023 Tax Finance and Policy Bill, effective July 1, 2025
- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8% on July 1, 2025
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:
- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA's amortiztion date will remain the same at 2048.

5. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2023 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

6. Net Pension Liability

On June 30, 2024, The Independent School District reported a liability of $6,621,492 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Independent School District's proportion of the net pension liability was based on Independent School District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0802% at the end of the measurement period and 0.0831% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the district as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the district were as follows:

Charter School's Proportionate Share of Net Pension Liability	$ 6,621,492
State's Proportionate Share of Net Pension Liability Associated with the Charter School	463,875
Total	$ 7,085,367

For the year ended June 30, 2024, the Charter School recognized negative pension expense of $330,963. It also recognized recognized $64,862 as an increase to pension expense for the support provided by direct aid.

On June 30, 2023, the Independent School District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 66,783	$ 96,813
Changes in Actuarial Assumptions	797,265	4
Net Difference Between Projected and Actual Investment Earnings	105,847	-
Changes in Proportion	47,167	-
Contributions Paid to PERA Subsequent to the Measurement Date	507,921	-
Total	$ 1,524,983	$ 96,817

Note 4: Defined Benefit Pension Plans - Statewide

Deferred outflows of resources totaling $507,921 related to pensions resulting from the Independent School District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025 Deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2025	$ 25,855
2026	(129,737)
2027	677,667
2028	421,582
2029	(65,022)
Thereafter	(10,100)

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate.

	Charter School Proportionate Share of NPL		
	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
Teachers Retirement Association	$ 10,560,792	$ 6,621,492	$ 3,510,058

The Charter School's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

8. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at https://minnesotatra.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

B. Public Employees Retirement Association (PERA)

1. Plan Description

The Independent School District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the Independent School District are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. 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.

Note 4: Defined Benefit Pension Plans - Statewide

General Employees Plan Benefits

General Employees Plan 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. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

3. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the Independent School District was required to contribute 7.50 percent for Coordinated Plan members. The Independent School District's contributions to the General Employees Fund for the years ending June 30, 2024, 2023, and 2022 were $132,013, $133,506 and $137,034, respectively. The Independent School District's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2024, the Independent School District reported a liability of $1,314,094 for its proportionate share of the General Employees Fund's net pension liability. The Independent School District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Independent School District totaled $36,153. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Independent School District's proportionate share of the net pension liability was based on the Independent School District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024 relative to the total employer contributions received from all of PERA's participating employers. The Independent School District's proportionate share was 0.0235 percent at the end of the measurement period and 0.0259 percent for the beginning of the period.

Charter School's Proportionate Share of Net Pension Liability	$ 1,314,094
State's Proportionate Share of Net Pension Liability Associated with the Charter School	36,153
Total	$ 1,350,247

For the year ended June 30, 2024, the Independent School District recognized pension expense of $45,457 for its proportionate share of the General Employees Plan's pension expense. In addition, the Independent School District recognized $162 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

Note 4: Defined Benefit Pension Plans - Statewide

At June 30, 2024, the Independent School District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 44,213	$ 9,555
Changes in Actuarial Assumptions	224,897	360,179
Net Difference Between Projected and Actual Investment Earnings	-	20,612
Contributions Paid to PERA Subsequent to the Measurement Date	132,013	-
Total	$ 401,123	$ 390,346

The $132,013 reported as deferred outflows of resources related to pensions resulting from the Independent School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2025	$ 51,312
2026	(191,912)
2027	47,871
2028	(28,507)

5. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

6. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

Note 4: Defined Benefit Pension Plans - Statewide

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

7. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. Pension Liability Sensitivity

The following presents the Independent School District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Independent School District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	Charter School Proportionate Share of NPL		
	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	$ 2,324,737	$ 1,314,094	$ 482,801

9. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 5: Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

The South Central Service Cooperative Health Insurance Pool was formed under a joint powers agreement. The pool is not intended to function as an insurance company for the participating groups. Rather, it is a cooperative program whose purpose is rate stabilization through reduced carrier retention charges, negotiating other cost items with the carrier and softening of larger needed rate increases. Although premiums billed to participating groups are determined on an actuarial basis and on each group's claims experience, the liability for claims is limited to the amount of premiums paid. The pool is protected by an aggregate stop loss.

B. Jointly Covered Organization

The Minnesota Valley Education District was established for the primary objective of providing specialized services for special education students as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board. The education district was established by seven separate member districts, of which the District is a member. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its program through the previously mentioned revenue sources. The joint venture's financial statements are audited and available for inspection.

C. 403(b) Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Some employees are eligible to receive a match of employee contributions up to the qualifying amounts set forth in their Wage and Benefit Guidelines. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2024, 2023 and 2022 were $43,425, $43,425 and $43,163, respectively. The related employee contributions were $66,575, $66,575 and $66,283 for the years ended June 30, 2024, 2023 and 2022, respectively.

Note 6: Postemployment Benefits Other Than Pensions

A. Plan Description

All employees are allowed, upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees. In addition, participants meeting the following eligibility receive a District direct subsidy toward the health insurance premium as described below:

Group	Eligibility	Premium Paid by District
Teachers	Age 55 and 20 years of service	District pays $5,500 per year towards single medical premiums until Medicare eligible (age 65)
ECFE/ Pre-K Teachers	Age 55 and 20 years of service	District pays $5,500 per year towards single medical premiums until Medicare eligible (age 65)
Classified	Age 55 and 20 years of service	District pays $5,500 per year towards single medical premiums until Medicare eligible (age 65)

Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

The plan provides medical benefits to terminated or retired employees. Benefits are provided through a third-party insurer, and the cost of the benefits covered by the plan are described above.

At June 30, 2024, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	4
Active Plan Members	149
Total Plan Members	153

C. Investments

The District's policy in regards to the allocation of invested assets is established and may be amended by the School Board. The following was the District's adopted asset allocation policy as of June 30, 2024:

Asset Class	Target Allocation
Domestic Equity	30.0 %
Fixed Income	45.0
International Equity	10.0
Cash	15.0
Total	100.0

Note 6: Postemployment Benefits Other Than Pensions (Continued)

Information regarding the concentration of investments and other investment policies of the District, can be found in Note 3 of this report.

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 9.76 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Actuarial Methods and Assumptions

The District's net OPEB asset was measured as of June 30, 2024, and the total OPEB Liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2024.

The total OPEB Liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.33%
Expected Long-term Investment Return	4.50%, net of investment expense
Inflation Rate	3.97%
Medical Trend Rate	6.80% for FY2023 grading to 3.90% in FY2076 and later

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale for teachers. Mortality rates were based on the Pub-2010 General Mortality Tables with projected mortality improvements based on Scale MP-2021 for non-teachers.

The actuarial assumptions used in the June 30, 2022 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic Equity	4.10 %
Fixed Income	1.05
International Equity	4.64
Real Estate	3.54
Cash	(0.45)

The discount rate used to measure the total OPEB liability was 4.33 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Note 6: Postemployment Benefits Other Than Pensions (Continued)

E. Sensitivity of the Net OPEB Asset

The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (3.33 percent) or one percentage point higher (5.33 percent) than the current discount rate:

1 Percent Decrease (3.33%)	Current (4.33%)	1 Percent Increase (5.33%)
$ (386,700)	$ (429,499)	$ (469,427)

The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using a Healthcare Cost Trent Rates that is one percentage point lower (5.8 percent) or one percentage point higher (7.8 percent) than the trend rate:

1 Percent Decrease (5.80%)	Healthcare Cost Trend Rates Current (6.80%)	1 Percent Increase (7.80%)
$ (486,595)	$ (429,499)	$ (358,696)

F. Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a - b)
Balances at June 30, 2023	$ 468,773	$ 886,258	$ (417,485)
Changes for the Year			
Service cost	38,049	-	38,049
Interest cost	20,826	-	20,826
Contributions - employer	-	1,956	(1,956)
Net investment income	-	85,943	(85,943)
Differences between expected and actual experience	(4,185)	-	(4,185)
Changes in assumptions	(1,212)	-	(1,212)
Changes in benefit terms	13,840	-	13,840
Benefit payments	(44,971)	(44,971)	-
Administrative expense	-	(8,567)	8,567
Net Changes	22,347	34,361	(12,014)
Balances at June 30, 2024	$ 491,120	$ 920,619	$ (429,499)

Plan Fiduciary Net Postion as a Percentage of the Total OPEB Liability 187.45 %

Note 6: Postemployment Benefits Other Than Pensions (Continued)

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 4.30% to 4.33% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.

Since the prior measurement date, the following benefit provisions changed:

- Retiree premiums were updated to current levels
- The superintendent is no longer eligible for an explicit subsidy.

G. OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the District recognized negative OPEB expense of $51,263. At June 30, 2024, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	$ -	$ 59,021
Changes in Actuarial Assumptions	13,732	36,671
Net Difference Between Projected and Actual Earnings on Plan Investments	7,623	-
Total	$ 21,355	$ 95,692

Deferred inflows of resources will be recognized in OPEB expense as follows:

2025	$ (26,355)
2026	6,567
2027	(28,080)
2028	(15,187)
2029	(4,625)
Thereafter	(6,657)

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2071
LAKE CRYSTAL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2024

Independent School District No. 2071
Charter School No. 4253
Lake Crystal, Minnesota
Notes to the Financial Statements
June 30, 2024

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/23	0.0802 %	$ 6,621,492	$ 463,875	$ 7,085,367	$ 5,309,520	124.7 %	76.4 %
06/30/22	0.0831	6,654,208	493,277	7,147,485	4,745,096	140.2	76.2
06/30/21	0.0829	3,627,952	306,005	3,933,957	4,867,663	74.5	86.6
06/30/20	0.0797	5,888,343	493,580	6,381,923	4,628,763	127.2	75.5
06/30/19	0.0760	4,844,256	428,568	5,272,824	4,256,139	113.8	78.2
06/30/18	0.0733	4,605,333	432,623	5,037,956	3,837,693	120.0	78.1
06/30/17	0.0713	14,232,773	1,375,971	15,608,744	3,834,547	371.2	51.6
06/30/16	0.0687	16,386,589	1,644,880	18,031,469	3,578,480	457.9	44.9
06/30/15	0.0680	4,206,473	515,688	4,722,161	3,450,013	121.9	76.8
06/30/14	0.0707	3,257,805	273,479	3,531,284	3,310,551	98.4	81.1

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available

Schedule of Employer's TRA Contributions

	Required Supplementary Information				
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/24	$ 507,921	$ 507,921	$ -	$ 5,804,811	8.75 %
06/30/23	453,964	453,964	-	3,801,170	8.55
06/30/22	428,202	428,202	-	5,134,317	8.34
06/30/21	395,741	395,741	-	4,867,663	8.13
06/30/20	366,598	366,598	-	4,628,763	7.92
06/30/19	327,917	327,917	-	4,253,139	7.71
06/30/18	287,827	287,827	-	3,837,693	7.50
06/30/17	287,591	287,591	-	3,834,547	7.50
06/30/16	268,386	268,386	-	3,578,480	7.50
06/30/15	258,751	258,751	-	3,450,013	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2023 - The 2023 Tax Finance and Policy Bill, effective July 1, 2025 and The 2024 Omnibus Pensions and Retirement Bill contained a number of changes

- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8% on July 1, 2025
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.
- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA's amortization date will remain the same at 2048.

2022 – No changes noted.

2021 - The investment return assumption was changed from 7.50 percent to 7.00 percent.

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - No changes noted.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2023 - No changes noted.

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.

- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 - No changed noted.

2016 - No changed noted.

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of $14.377 million until the System becomes fully funded.

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Independent School District No. 2071
Charter School No. 4253
Lake Crystal, Minnesota
Notes to the Financial Statements
June 30, 2024

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	Districts's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/23	0.0235 %	$ 1,314,094	$ 36,153	$ 1,350,247	$ 1,868,893	70.3	83.1 %
06/30/22	0.0259	2,051,289	60,229	2,111,518	1,780,082	115.2	76.7
06/30/21	0.0248	1,059,071	32,396	1,106,598	1,827,122	58.0	87.0
06/30/20	0.0257	1,540,832	47,527	1,582,830	1,730,022	89.1	79.0
06/30/19	0.0244	1,349,021	41,998	1,393,774	1,648,767	81.8	80.2
06/30/18	0.0246	1,364,707	44,753	1,383,556	1,507,475	90.5	79.5
06/30/17	0.0235	1,500,224	18,849	1,523,567	1,367,661	109.7	75.9
06/30/16	0.0220	1,786,291	23,343	1,786,291	1,321,643	135.2	68.9
06/30/15	0.0229	1,186,797	-	1,186,797	1,278,861	92.8	78.2
06/30/14	0.0237	1,113,307	-	1,113,307	31,173	3,571.4	78.7

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available

Schedule of Employer's PERA Contributions

	Required Supplementary Information				
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/24	$ 132,013	$ 132,013	$ -	$ 1,760,178	7.50 %
06/30/23	140,167	140,167	-	1,868,893	7.50
06/30/22	137,821	137,821	-	1,837,613	7.50
06/30/21	133,506	133,506	-	1,780,082	7.50
06/30/20	137,034	137,034	-	1,827,122	7.50
06/30/19	129,752	129,752	-	1,730,022	7.50
06/30/18	123,658	123,658	-	1,648,767	7.50
06/30/17	112,985	112,985	-	1,506,467	7.50
06/30/16	102,244	102,244	-	1,363,253	7.50
06/30/15	99,266	99,266	-	1,323,547	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2023 - The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

2022 – The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2023 - An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 – The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 – The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 - No changes noted.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Schedule of Changes in the District's Net OPEB Liability (Asset) and Related Ratios

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	$ 38,049	$ 40,414	$ 38,997	$ 31,496	$ 31,918	$ 46,180	$ 50,486	$ 48,357
Interest	20,826	19,787	19,856	24,875	25,263	33,504	32,778	33,013
Changes in benefit terms	13,840	-	-	2,710	-	-	-	-
Differences between expected and actual experience	(4,185)	(5,970)	(785)	(43,605)	-	(80,772)	-	-
Changes in assumptions	(1,212)	(10,847)	6,983	15,830	(15,761)	(44,521)	(55,932)	(6,303)
Benefit payments	(44,971)	(45,515)	(44,697)	(46,127)	(50,645)	(85,559)	(102,264)	(121,165)
Net Change in Total OPEB Liability	22,347	(2,131)	20,354	(14,821)	(9,225)	(131,168)	(74,932)	(46,098)
Total OPEB Liability - Beginning	468,773	470,904	450,550	465,371	474,596	605,764	680,696	726,794
Total OPEB Liability - Ending (A)	$ 491,120	$ 468,773	$ 470,904	$ 450,550	$ 465,371	$ 474,596	$ 605,764	$ 680,696
Plan Fiduciary Net Postion								
Contributions - employer	$ 1,956	$ -	$ -	$ -	$ 32,959	$ -	$ 45,600	$ 56,830
Net investment income	85,943	47,850	(148,169)	182,930	56,342	72,734	54,801	77,410
Benefit payments	(44,971)	(45,515)	(44,697)	(46,127)	(50,645)	(85,559)	(102,264)	(121,165)
Administrative expense	(8,567)	(4,593)	(8,726)	(4,945)	(9,532)	(11,355)	(11,342)	(17,883)
Net Change in Plan Fiduciary Net Position	34,361	(2,258)	(201,592)	131,858	29,124	(24,180)	(13,205)	(4,808)
Total Plan Fiduciary Net Position - Beginning	886,258	888,516	1,090,108	958,250	929,126	953,306	966,511	971,319
Total Plan Fiduciary Net Position - Ending (B)	$ 920,619	$ 886,258	$ 888,516	$ 1,090,108	$ 958,250	$ 929,126	$ 953,306	$ 966,511
District's Net OPEB Asset - Ending (A) - (B)	$ (429,499)	$ (417,485)	$ (417,612)	$ (639,558)	$ (492,879)	$ (454,530)	$ (347,542)	$ (285,815)
Plan Fiduciary Net Postion as a Percentage of the Total OPEB Liability	187.45 %	189.06 %	188.68 %	241.95 %	205.91 %	195.77 %	157.37 %	141.99 %
Covered - Employee Payroll	$ 7,679,940	$ 7,268,428	$ 7,054,757	$ 6,894,922	$ 5,763,810	$ 5,542,364	$ 5,408,869	$ 5,089,699
District's Net OPEB Asset as a Percentage of Covered - Employee Payroll	5.59 %	5.74 %	5.92 %	9.28 %	8.55 %	8.20 %	6.43 %	5.62 %

Benefit Changes

None for 2024.
In 2023, retiree premiums were updated to current levels and the superintendent is no longer eligible for an explicit subsidy.
None for 2022.
In 2021, there were changes in benefit terms in the amount of $2,710.
None for 2020.
None for 2019.
None for 2018.

Changes in Assumptions

In 2023, the following assumptions changed:
- The discount rate was changed from 4.30% to 4.33% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.

In 2022, the following assumptions changed:
- The discount rate was changed from 4.05% to 4.30% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.

In 2022, the following assumptions changed:
- The discount rate was changed from 4.25% to 4.05% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.

In 2021, the following assumptions changed:
- The discount rate was changed from 5.25% to 4.25% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The long-term expected rate of return on OPEB plan investments was changed from 5.25% to 4.25% based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates ued in the 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations.
- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The payroll growth assumption was changed from 3.50% to 3.00% based on the 7/1/220 Teachers Retirement Association valuation.

None for 2020.

In 2019, the following assumptions changed:
- The discount rate was changed from 5.50% to 5.25%.
- The healthcare trend rate was changed from 6.80% to 6.90%.
- The expected long-term rate of return on asset was changed from 5.50% to 5.25%.
- The general infaltion rate was changed from 2.75% to 2.50%.
- The index rate for 20-year, tax-exempt municipal bonds used in discount rate determination was changed from 3.62% to 3.13%.

In 2018, the following assumptions changed:
- The discount rate was changed from 4.82% to 5.50%.
- The expected long-term rate of return on asset was changed from 5.75% to 5.50%.
- The index rate for 20-year, tax-exempt municipal bonds used in discount rate determination was changed from 3.53% to 3.62%.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Independent School District No. 2071
Lake Crystal, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2024

Schedule of District's Contributions

	2024	2023	2022	2021	2020	2019	2017
Contractually Required Employer Contribution	$ 44,971	$ 45,515	$ 44,697	$ 46,127	$ 50,645	$ 85,559	$ 102,264
Contributions in Relation to the Contractually Required Employer Contribution	44,971	45,515	44,697	46,127	50,645	85,559	102,264
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered - Employee Payroll	$ 7,679,940	$ 7,268,428	$ 7,054,757	$ 6,894,922	$ 5,763,810	$ 5,542,364	$ 5,408,869
Contributions as a Percentage of Covered - Employee Payroll	0.59 %	0.63 %	0.63 %	0.67 %	0.88 %	1.54 %	1.89 %

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Investment Returns

	2024	2023	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.76 %	5.40 %	(13.94) %	19.14 %	5.25 %	5.25 %	5.50 %	5.75 %

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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COMBINING AND INDIVIDUAL FUND SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2071
LAKE CRYSTAL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2024

Independent School District No. 2071
Lake Crystal, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2024

	Special Revenue			
	Food Service	Community Service	OPEB Debt Service	Total
Assets				
Cash and temporary investments	$ 473,413	$ 286,656	$ 42,984	$ 803,053
Receivables				
Taxes				
Current	-	41,431	-	41,431
Delinquent	-	928	822	1,750
Intergovernmental	-	4,907	-	4,907
Inventories	17,466	-	-	17,466
Total Assets	$ 490,879	$ 333,922	$ 43,806	$ 868,607
Liabilities				
Salaries and wages payable	$ 416	$ 2,568	$ -	$ 2,984
Accounts and contracts payables	19,799	7,114	-	26,913
Unearned revenue	16,651	5,450	-	22,101
Total Liabilities	36,866	15,132	-	51,998
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	87,583	-	87,583
Unavailable revenue				
Delinquent property taxes	-	928	822	1,750
Total Deferred Inflows of Resources	-	88,511	822	89,333
Fund Balances				
Nonspendable	17,466	-	-	17,466
Restricted				
Community education	-	76,493	-	76,493
Early childhood family education	-	127,444	-	127,444
School readiness	-	21,761	-	21,761
Community service	-	4,581	-	4,581
Food service	436,547	-	-	436,547
Debt service	-	-	42,984	42,984
Total Fund Balances	454,013	230,279	42,984	727,276
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 490,879	$ 333,922	$ 43,806	$ 868,607

Independent School District No. 2071
Lake Crystal, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	Special Revenue			
	Food Service	Community Service	OPEB Debt Service	Total
Revenues				
Local property tax levies	$ -	$ 82,457	$ 18	$ 82,475
Other local and county revenue	53,733	369,184	-	422,917
Interest earned on investments	18,844	11,484	-	30,328
Revenue from state sources	418,493	54,260	-	472,753
Revenue from federal sources	359,509	-	-	359,509
Sales and other conversion of assets	57,716	-	-	57,716
Total Revenues	908,295	517,385	18	1,425,698
Expenditures				
Current				
Community education and services	-	536,781	-	536,781
Pupil support services	795,779	-	-	795,779
Capital outlay	16,698	1,632	-	18,330
Total Expenditures	812,477	538,413	-	1,350,890
Net Change in Fund Balances	95,818	(21,028)	18	74,808
Fund Balances, July 1	358,195	251,307	42,966	652,468
Fund Balances, June 30	$ 454,013	$ 230,279	$ 42,984	$ 727,276

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Independent School District No. 2071
Lake Crystal, Minnesota
General Fund
Comparative Balance Sheets
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and temporary investments	$ 4,150,732	$ 4,202,117
Receivables		
Taxes		
Current	813,482	724,082
Delinquent	15,756	15,940
Accounts and interest	18,029	601
Due from other school districts	200,026	67,000
Intergovernmental	1,223,596	905,165
Total Assets	$ 6,421,621	$ 5,914,905
Liabilities		
Salaries and wages payable	$ 14,072	$ 17,076
Accounts and contracts payables	172,770	66,299
Due to other governments	61,195	36,662
Accrued expenses	187,900	144,477
Total Liabilities	435,937	264,514
Deferred Inflows of Resources		
Property taxes levied for subsequent year	1,411,977	1,368,424
Unavailable revenue		
Delinquent property taxes	15,756	15,940
Total Deferred Inflows of Resources	1,427,733	1,384,364
Fund Balances		
Restricted	588,984	741,244
Assigned	40,650	40,650
Unassigned	3,928,317	3,484,133
Total Fund Balances	4,557,951	4,266,027
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,421,621	$ 5,914,905

Independent School District No. 2071
Lake Crystal, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024				2023
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 1,630,360	$ 1,673,973	$ 1,672,296	$ (1,677)	$ 1,623,752
Other local and county revenue	476,167	485,491	707,249	221,758	664,775
Interest earned on investments	55,150	194,000	197,632	3,632	125,351
Revenue from state sources	10,452,670	10,697,853	10,716,191	18,338	9,253,055
Revenue from federal sources	125,000	145,817	150,621	4,804	461,849
Total Revenues	12,739,347	13,197,134	13,443,989	246,855	12,128,782
Expenditures					
Current					
Administration					
Salaries	539,485	521,135	518,624	2,511	505,327
Employee benefits	144,912	132,187	127,287	4,900	163,124
Purchased services	18,050	15,116	15,368	(252)	25,095
Supplies and materials	10,550	6,798	6,438	360	6,766
Other expenditures	11,225	11,221	5,869	5,352	10,723
Total administration	724,222	686,457	673,586	12,871	711,035
District support services					
Salaries	287,105	290,969	284,328	6,641	271,555
Employee benefits	94,570	89,891	118,899	(29,008)	110,749
Purchased services	80,700	63,611	72,968	(9,357)	70,113
Supplies and materials	11,720	17,200	17,881	(681)	12,169
Other expenditures	(5,202)	(6,937)	20,940	(27,877)	21,737
Total district support services	468,893	454,734	515,016	(60,282)	486,323
Elementary and secondary regular instruction					
Salaries	3,797,097	4,027,963	4,030,326	(2,363)	3,811,346
Employee benefits	923,745	1,016,474	965,215	51,259	840,544
Purchased services	220,800	265,690	247,719	17,971	236,018
Supplies and materials	598,315	625,674	630,762	(5,088)	425,756
Other expenditures	7,700	5,492	5,492	-	6,366
Total elementary and secondary regular instruction	5,547,657	5,941,293	5,879,514	61,779	5,320,030
Vocational education instruction					
Salaries	216,415	231,242	244,953	(13,711)	177,232
Employee benefits	42,032	45,027	44,512	515	35,574
Purchased services	300	2,128	2,128	-	547
Supplies and materials	15,050	17,048	15,973	1,075	20,557
Other expenditures	600	435	435	-	450
Total vocational education instruction	274,397	295,880	308,001	(12,121)	234,360
Special education instruction					
Salaries	1,490,434	1,403,351	1,349,771	53,580	1,367,038
Employee benefits	327,461	307,496	299,581	7,915	307,313
Purchased services	375,430	520,250	416,671	103,579	317,390
Supplies and materials	9,850	11,790	14,238	(2,448)	15,517
Other expenditures	-	-	-	-	174
Total special education instruction	2,203,175	2,242,887	2,080,261	162,626	2,007,432
Instructional support services					
Salaries	203,343	165,729	143,424	22,305	176,024
Employee benefits	29,029	23,542	20,426	3,116	13,055
Purchased services	45,685	29,117	27,052	2,065	28,971
Supplies and materials	293,800	319,901	322,328	(2,427)	414,436
Other expenditures	4,100	4,378	4,378	-	4,081
Total instructional support services	575,957	542,667	517,608	25,059	636,567

Independent School District No. 2071
Lake Crystal, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024				2023
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Pupil support services					
Salaries	$ 252,275	$ 286,245	$ 357,443	$ (71,198)	$ 220,586
Employee benefits	64,299	69,017	83,139	(14,122)	60,284
Purchased services	927,350	1,095,464	1,155,402	(59,938)	955,905
Supplies and materials	6,500	6,256	21,298	(15,042)	20,399
Other expenditures	200	-	-	-	-
Total pupil support services	1,250,624	1,456,982	1,617,282	(160,300)	1,257,174
Sites and buildings					
Salaries	428,722	411,861	411,914	(53)	408,892
Employee benefits	129,362	107,058	122,621	(15,563)	125,059
Purchased services	587,280	563,592	544,811	18,781	725,607
Supplies and materials	140,200	164,781	139,081	25,700	182,957
Other expenditures	150	254	193	61	24
Total sites, buildings and equipment	1,285,714	1,247,546	1,218,620	28,926	1,442,539
Fiscal and other fixed cost programs					
Employee benefits	38,985	38,985	3,713	35,272	-
Purchased services	99,089	99,113	99,113	-	63,967
Total fiscal and other fixed cost programs	138,074	138,098	102,826	35,272	63,967
Total Current	12,468,713	13,006,544	12,912,714	93,830	12,159,427
Capital Outlay					
District support services	22,500	16,528	33,475	(16,947)	19,815
Elementary and secondary regular instruction	16,000	14,996	14,996	-	25,731
Vocational education instruction	-	-	-	-	22,140
Special education instruction	1,500	-	-	-	-
Pupil support services	5,000	-	-	-	28,961
Sites and buildings	5,600	20,000	18,522	1,478	16,092
Total Capital Outlay	50,600	51,524	66,993	(15,469)	112,739
Debt Service					
Principal	161,521	161,521	161,521	-	153,334
Interest and other charges	10,837	10,837	10,837	-	19,024
Total Debt Service	172,358	172,358	172,358	-	172,358
Total Expenditures	12,691,671	13,230,426	13,152,065	78,361	12,444,524
Net Change in Fund Balances	47,676	(33,292)	291,924	325,216	(315,742)
Fund Balances, July 1	4,266,027	4,266,027	4,266,027	-	4,581,769
Fund Balances, June 30	$ 4,313,703	$ 4,232,735	$ 4,557,951	$ 325,216	$ 4,266,027

Independent School District No. 2071
Lake Crystal, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024				2023
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Other local and county revenue	$ 45,000	$ 46,916	$ 53,733	$ 6,817	$ 49,629
Interest earned on investments	850	19,000	18,844	(156)	12,689
Revenue from state sources	358,698	426,753	418,493	(8,260)	27,252
Revenue from federal sources	332,744	335,122	359,509	24,387	337,058
Sales and other conversion of assets	43,315	54,106	57,716	3,610	281,110
Total Revenues	780,607	881,897	908,295	26,398	707,738
Expenditures					
Current					
Pupil support services					
Salaries	16,500	17,700	27,471	(9,771)	35,982
Employee benefits	2,550	2,658	5,705	(3,047)	6,983
Purchased services	757,064	630,814	611,990	18,824	616,777
Supplies and materials	-	146,594	150,613	(4,019)	64,854
Other expenditures	-	-	-	-	2,134
Total Expenditures	776,114	836,766	812,477	24,289	726,730
Net Change in Fund Balances	4,493	45,131	95,818	50,687	(18,992)
Fund Balances, July 1	358,195	358,195	358,195	-	377,187
Fund Balances, June 30	$ 362,688	$ 403,326	$ 454,013	$ 50,687	$ 358,195

Independent School District No. 2071
Lake Crystal, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024				2023
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 82,856	$ 83,117	$ 82,457	$ (660)	$ 80,803
Other local and county revenue	288,330	322,738	369,184	46,446	324,496
Interest earned on investments	900	12,289	11,484	(805)	8,216
Revenue from state sources	42,066	54,259	54,260	1	42,526
Total Revenues	414,152	472,403	517,385	44,982	456,041
Expenditures					
Current					
Community education and services					
Salaries	306,191	336,077	340,677	(4,600)	294,450
Employee benefits	71,777	64,147	66,746	(2,599)	62,596
Purchased services	60,910	73,279	80,342	(7,063)	55,934
Supplies and materials	35,890	44,059	46,560	(2,501)	33,112
Other expenditures	2,449	2,456	2,456	-	2,291
Total current	477,217	520,018	536,781	(16,763)	448,383
Capital outlay					
Community education and services	-	-	1,632	(1,632)	6,528
Total Expenditures	477,217	520,018	538,413	(18,395)	454,911
Net Change In Fund Balances	(63,065)	(47,615)	(21,028)	26,587	1,130
Fund Balances, July 1	251,307	251,307	251,307	-	250,177
Fund Balances, June 30	$ 188,242	$ 203,692	$ 230,279	$ 26,587	$ 251,307

Independent School District No. 2071
Lake Crystal, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	$ 1,255,072	$ 1,317,226	$ 1,306,505	$ (10,721)	$ 1,306,597
Interest earned on investments	15,000	35,000	89,816	54,816	24,365
Revenue from state sources	706,198	814,796	814,694	(102)	705,685
Total Revenues	1,976,270	2,167,022	2,211,015	43,993	2,036,647
Expenditures					
Debt service					
Principal	1,410,000	1,410,000	10,295,000	(8,885,000)	1,195,000
Interest and other costs	702,366	782,701	773,429	9,272	738,344
Bond issuance costs	-	-	44,736	(44,736)	-
Total Expenditures	2,112,366	2,192,701	11,113,165	(8,920,464)	1,933,344
Other Financing Sources (Uses)					
Debt issued	-	8,892,344	8,275,000	(617,344)	-
Premium on bonds issued	-	-	681,755	681,755	-
Total Other Financing Sources (Uses)	-	8,892,344	8,956,755	64,411	-
Net Change in Fund Balances	(136,096)	8,866,665	54,605	(8,812,060)	103,303
Fund Balances, July 1	424,045	424,045	424,045	-	320,742
Fund Balances, June 30	$ 287,949	$ 9,290,710	$ 478,650	$ (8,812,060)	$ 424,045

Independent School District No. 2071
Lake Crystal, Minnesota
OPEB Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024				2023
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ -	$ -	$ 18	$ 18	$ 190
Interest earned on investments	-	-	-	-	1,230
Total Revenues	-	-	18	18	1,420
Net Change in Fund Balances	-	-	18	18	1,420
Fund Balances, July 1	42,966	42,966	42,966	-	41,546
Fund Balances, June 30	$ 42,966	$ 42,966	$ 42,984	$ 18	$ 42,966

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Independent School District No. 2071
Lake Crystal, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Years Ended June 30, 2024 and 2023

	2024	2023
Tax Capacity		
Agricultural	$ 10,786,656	$ 8,730,002
Nonagricultural	6,917,303	6,223,415
Total	$ 17,703,959	$ 14,953,417
Tax Levy		
General	$ 1,731,373	$ 1,681,622
Community Service	87,563	84,440
Debt Service	2,263,424	2,079,708
Total	$ 4,082,360	$ 3,845,770
Tax Capacity Rates		
General	5.141	5.669
Community Service	0.474	0.532
Debt Service	12.249	13.109
Total	17.864	19.311

Fiscal Compliance Report - 6/30/2024
District: LAKE CRYSTAL-WELLCOME ME (2071-1)

01 GENERAL FUND	Audit	UFARS	Audit - UFARS
Total Revenue	$13,443,989	$13,443,982	$7
Total Expenditures	$13,152,065	$13,152,060	$5
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$79,522	$79,521	$1
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$63,853	$63,853	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.12 Literacy Incentive Aid	$63,566	$63,566	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.20 American Indian Education Aid	$0	$0	$0
4.24 Operating Capital	$128,912	$128,910	$2
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$6,076	$6,075	$1
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$45,748	$45,749	($1)
4.39 English Learner	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$5,862	$5,860	$2
4.43 School Library Aid	$0	$0	$0
4.48 Achievement and Integration	$7,436	$7,436	$0
4.49 Safe Schools Levy	($6,999)	($6,999)	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$40,385	$40,386	($1)
4.71 Student Support Personnel Aid	$0	($1)	$1
4.72 Medical Assistance	$147,624	$147,624	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$40,650	$40,650	$0
Unassigned:			
4.22 Unassigned Fund Balance	$3,935,316	$3,935,317	($1)

02 FOOD SERVICES	Audit	UFARS	Audit - UFARS
Total Revenue	$908,295	$908,296	($1)
Total Expenditures	$812,477	$812,477	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$17,466	$17,466	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$436,547	$436,548	($1)
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

06 BUILDING CONSTRUCTION	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$1	$1	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$2,211,015	$2,211,015	$0
Total Expenditures	$11,113,165	$11,113,165	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$478,650	$478,650	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$30,433	$30,433	$0
Total Expenditures	$11,900	$11,900	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$120,676	$120,676	$0
4.22 Unassigned Fund Balance (Net Assets)	$164,679	$164,679	$0

18 CUSTODIAL	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0

20 INTERNAL SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

25 OPEB REVOCABLE TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$95,482	$95,482	$0
Total Expenditures	$61,121	$61,121	$0
4.22 Unassigned Fund Balance (Net Assets)	$920,619	$920,619	$0

Total Revenue	$517,385	$517,382	$3
Total Expenditures	$538,413	$538,410	$3
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$76,493	$76,493	$0
4.32 E.C.F.E	$127,444	$127,443	$1
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$21,761	$21,760	$1
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$4,583	$4,584	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$18	$18	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$42,985	$42,985	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2071
LAKE CRYSTAL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2071
Lake Crystal, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2071, Lake Crystal, Minnesota, (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 16, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the Minnesota Legal Compliance Audit Guide for Districts, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo

Abdo
Mankato, Minnesota
October 16, 2024

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the School Board
Independent School District No. 2071
Lake Crystal, Minnesota

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Independent School District No. 2071, Lake Crystal, Minnesota, (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 16, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Districts internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings, responses and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo

Abdo
Mankato, Minnesota
October 16, 2024

Finding	Description
2024-001	**Financial Report Preparation**
Condition:	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
Criteria:	Internal controls should be in place to provide reasonable assurance over financial reporting.
Cause:	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations your size.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
Recommendation:	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.

Management Response:

There is no disagreement with the audit finding.

Independent School District No. 2071
Lake Crystal, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2024

Finding	Description
2024-002	**Segregation of Duties**
Condition:	During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems.
Criteria:	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
Cause:	There is a limited amount of office employees.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
Recommendation:	Under these circumstances the most effective controls lie in 1) managements knowledge of the District's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the District evaluate its controls and make any changes considered necessary. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.

Management Response:

There is no disagreement with the audit finding.

LAKE CRYSTAL WELLCOME MEMORIAL SCHOOLS

ISD # 2071
Superintendent Mark Westerburg
607 Knights Lane - PO Box 160
Lake Crystal, MN 56055
Phone: (507) 726-2323 Fax: (507) 726-2334

2024-001 Financial Report Preparation

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

For now, the District's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

3. Official Responsible for Ensuring CAP:

Mark Westerburg, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

Continuous.

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Brett Benson
Superintendent

LAKE CRYSTAL WELLCOME MEMORIAL SCHOOLS

ISD # 2071
Superintendent Mark Westerburg
607 Knights Lane - PO Box 160
Lake Crystal, MN 56055
Phone: (507) 726-2323 Fax: (507) 726-2334

2024-002 Segregation of Duties

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limited staff available.

3. Official Responsible for Ensuring CAP:

Mark Westerburg, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

Continuous.

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Brett Benson
Superintendent

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Kennedy & Graven
CHARTERED

150 South Fifth Street, Suite 700
Minneapolis, MN 55402
(612) 337-9300 telephone
(612) 337-9310 fax
www.kennedy-graven.com
Affirmative Action, Equal Opportunity Employer

$________
INDEPENDENT SCHOOL DISTRICT NO. 2071
(LAKE CRYSTAL WELLCOME MEMORIAL AREA SCHOOLS)
BLUE EARTH COUNTY, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2025A

We have acted as bond counsel to Independent School District No. 2071 (Lake Crystal Wellcome Memorial Area Schools), Blue Earth County, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation School Building Bonds, Series 2025A (the "Bonds"), originally dated January ___, 2025, and issued in the original aggregate principal amount of $________. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from ad valorem taxes levied by the Issuer on all taxable property of the Issuer, but if necessary for the payment thereof, additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations, and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

5. The resolution adopted by the School Board of the Issuer on December 2, 2024, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropriated and available funds to pay the obligations of the State thereunder.

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

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated _______________, 2025, at Minneapolis, Minnesota.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, 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 over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's 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 both U.S. and non-U.S. 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 both U.S. and non-U.S. 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"). DTC has a Standard & Poor's rating of AA+. 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 District or Agent, on 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, or the District, 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 District or 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.

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

$6,500,000
INDEPENDENT SCHOOL DISTRICT NO. 2071
(LAKE CRYSTAL WELLCOME MEMORIAL AREA SCHOOLS)
BLUE EARTH COUNTY, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2025A

CONTINUING DISCLOSURE CERTIFICATE

__________, 2025

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 2071 (Lake Crystal Wellcome Memorial Area Schools), Blue Earth County, Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Bonds, Series 2025A (the "Bonds"), in the original aggregate principal amount of $6,500,000. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the "Resolution"). The Bonds are being delivered to _____________[, as syndicate manager] (the "Purchaser"), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolution, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means annual financial statements of the District, prepared in accordance with GAAP as prescribed by GASB.

"Bonds" means the General Obligation School Building Bonds, Series 2025A, issued by the District in the original aggregate principal amount of $6,500,000.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"District" means Independent School District No. 2071 (Lake Crystal Wellcome Memorial Area Schools), Blue Earth County, Minnesota, which is the obligated person with respect to the Bonds.

"EMMA" means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally-recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

"Final Official Statement" means the Final Official Statement, dated ____________, 2025, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the fiscal year of the District.

"GAAP" means generally accepted accounting principles for governmental units as prescribed by GASB.

"GASB" means the Governmental Accounting Standards Board.

"Holder" means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

"Purchaser" means _____________[, as syndicate manager].

"Repository" means EMMA, or any successor thereto designated by the SEC.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

"SEC" means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The District shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2025, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate, provided that the Audited Financial Statements of the District may be submitted separately from the balance of the Annual Report.

(b) If the District is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice of that fact to the Repository and the MSRB.

(c) The District shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Current Property Valuations
2. Direct Debt
3. Tax Levies and Collections
4. Student Body
5. Employment/Unemployment Data

In addition to the items listed above, the Annual Report shall include the most recent Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. 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 status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The District shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the District shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the District's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally-recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the District shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The District's obligations under the Resolution and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally-recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the District delivers to the Repository an opinion of nationally-recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolution and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the District to the Repository of the proposed amendment and an opinion of nationally-recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

INDEPENDENT SCHOOL DISTRICT NO. 2071 (LAKE CRYSTAL WELLCOME MEMORIAL AREA SCHOOLS), BLUE EARTH COUNTY, MINNESOTA

____

Board Chair

____

Clerk

APPENDIX E

TERMS OF PROPOSAL

$6,500,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2025A
INDEPENDENT SCHOOL DISTRICT NO. 2071
(LAKE CRYSTAL WELLCOME MEMORIAL AREA SCHOOLS), MINNESOTA

Proposals for the purchase of $6,500,000* General Obligation School Building Bonds, Series 2025A (the "Bonds") of Independent School District No. 2071 (Lake Crystal Wellcome Memorial Area Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 9:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 9:30 A.M., Central Time,, on January 6, 2025, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 5:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held November 5, 2024 by the District, for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated January 30, 2025, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2026	$95,000	2031	$145,000	2036	$1,270,000
2027	135,000	2032	155,000	2037	1,335,000
2028	125,000	2033	160,000	2038	1,390,000
2029	130,000	2034	165,000		
2030	140,000	2035	1,255,000		

ADJUSTMENT OPTION

The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The District has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2034 shall be subject to optional redemption prior to maturity on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the District. If only part of the Bonds having a common maturity date are called for redemption, then the District or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. 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 interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about January 30, 2025, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the District ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $6,500,000 plus accrued interest on the principal sum of $6,500,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 9:30 A.M., Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at https://ihsmarkit.com/products/municipal-issuance.html or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the District nor Ehlers shall be responsible for any failure to receive a submission.

A good faith deposit ("Deposit") in the amount of $130,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The District and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to $250,000 per bidder.

No proposal can be withdrawn 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.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The District's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The District reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the District requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any rating agency fees not requested by the District are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The District will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the District will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate, the form of which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the District under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the District by the District's municipal advisor identified herein and any notice or report to be provided to the District may be provided to the District's municipal advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the District shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the District agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) <u>If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule</u>, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5^{th}) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the District promptly after the close of the fifth (5^{th}) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The District acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) <u>If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test</u>, the winning bidder agrees to promptly report to the District, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date of the Bonds (the "Closing Date") has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of $10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the School Board

Independent School District No. 2071
(Lake Crystal Wellcome Memorial Area Schools),
Minnesota

PROPOSAL FORM

The School Board **January 6, 2025**
Independent School District No. 2071 (Lake Crystal Wellcome Memorial Area Schools), Minnesota (the "District")

RE: $6,500,000* General Obligation School Building Bonds, Series 2025A (the "Bonds")
DATED: January 30, 2025

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $6,500,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

______	% due	2026	______	% due	2031	______	% due	2036
______	% due	2027	______	% due	2032	______	% due	2037
______	% due	2028	______	% due	2033	______	% due	2038
______	% due	2029	______	% due	2034			
______	% due	2030	______	% due	2035			

The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $130,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about January 30, 2025.

This proposal is subject to the District's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the District with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use either the: _____10% test, or the _____hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: ______________________ By: ______________________

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from January 30, 2025 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 2071 (Lake Crystal Wellcome Memorial Area Schools), Minnesota, on January 6, 2025.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________