FINAL OFFICIAL STATEMENT DATED OCTOBER 25, 2022

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, 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 resolutions approving the issuance of the Bonds, interest to be paid on the Bonds is not includable in gross income for federal income tax purposes and, to the same extent, is not includable in 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 for tax years beginning after December 31, 2022 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 the 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 **Credit Enhanced Rating: Moody's Investors Service, Inc. "Aa1"**

INDEPENDENT SCHOOL DISTRICT NO. 241 (ALBERT LEA AREA SCHOOLS), MINNESOTA

(Freeborn County)

$1,010,000 GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2022A

PURPOSE/AUTHORITY/SECURITY: The $1,010,000 General Obligation School Building Bonds, Series 2022A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held May 8, 2018 by Independent School District No. 241 (Albert Lea 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: November 17, 2022

DATE OF DELIVERY: November 17, 2022

SERIAL MATURITY: February 1 as follows:

Year	Amount	Interest Rate	Yield	CUSIP Base 012806
2024	$380,000	5.000%	3.370%	LP8

TERM BONDS: $430,000 3.400% Term Bonds Due February 1, 2027 – Yield 3.400% CUSIP 012806 LS2

SERIAL MATURITY: February 1 as follows:

Year	Amount	Interest Rate	Yield	CUSIP Base 012806
2028	$200,000	5.000%	3.450%	LT0

MANDATORY REDEMPTION: The Bonds are subject to mandatory redemption as described under "THE BONDS -- Mandatory Redemption" herein.

OPTIONAL REDEMPTION: The Bonds are being offered without option of prior optional redemption.

INTEREST: August 1, 2023 and semiannually thereafter.

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.

The Bonds are offered, subject to prior sale, when, as and if accepted by the Underwriter named below and subject to an opinion as to the validity and tax exemption by Kennedy & Graven, Chartered, Minneapolis, MN, Bond Counsel, and certain other conditions. It is expected that delivery of the Bonds will be made on or about November 17, 2022 against payment therefor. Subject to applicable securities laws and prevailing market conditions, the Underwriter intends, but is not obligated, to effect secondary market trading in the Bonds. For information with respect to the Underwriter, see "Underwriting" herein.

NORTHLAND SECURITIES, INC.
Minneapolis, MN

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 the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. ***This Final Official Statement does not constitute an offer to sell or 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 Final Official Statement is not to be construed as a contract with the Underwriter. 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. ("Ehlers") prepared this Final Official Statement 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 Final 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 issue.

The Underwriter has reviewed the information in this Final Official Statement in accordance with, and as a part of, the Underwriter's responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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").

Final Official Statement: Copies of the Final Official Statement will be delivered to the Underwriter 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 an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Final Official Statement describes the conditions under which the District is exempt or required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the Underwriter 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 Final 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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ALBERT LEA AREA SCHOOLS
SCHOOL BOARD

		Term Expires
Neal Skaar	Board Chair	January 2025
Kim Nelson	Vice Chair	January 2023
Dave Klatt	Clerk	January 2023
Dennis Dieser	Treasurer	January 2023
Angie Hoffman	Member	January 2025
Jill Marin	Member	January 2023
Bruce Olson	Member	January 2025

ADMINISTRATION

Ronald Wagner, Superintendent of Schools

Jennifer Walsh, Executive Director of Finance and Operations

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Final Official Statement contains certain information regarding Independent School District No. 241 (Albert Lea Area Schools), Minnesota (the "District") and the issuance of its $1,010,000 General Obligation School Building Bonds, Series 2022A (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 included in the resolution awarding the sale of the Bonds (the "Award Resolution") adopted by the School Board on October 24, 2022.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, MN, (651) 697-8500, the District's Municipal Advisor. A copy of this Final Official Statement is available at emma.msrb.org.

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 November 17, 2022. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Final Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2023, 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").

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, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation 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

The Bonds are being offered without the option of prior optional redemption.

MANDATORY REDEMPTION

Bonds maturing on February 1, 2027 will be called for mandatory redemption at par on February 1, in the years 2025 through 2027 in the respective amounts set forth below.

Year	Amount
2025	$140,000
2026	105,000
2027 (mature)	185,000

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held May 8, 2018, by the District, at which voters approved a building program by a vote of 2,148- 1,898. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities within the District.

The referendum approved by the voters authorized the issuance of general obligation bonds in an amount not to exceed $24,615,000, however, Minnesota Statutes, Section 475.56 (2018), allowing municipalities (including school districts) to increase the principal amount of any bond issue by the amount of the discount, not to exceed two percent of the amount authorized by voters. On August 16, 2018 the District issued General Obligation School Building Bonds, Series 2018A, in the principal amount of $13,875,000, and General Obligation School Building Bonds, Series 2018B (Capital Appreciation Bonds), in the principal amount of $9,728,975, leaving a remaining unused authority of $1,011,025. The District plans to issue substantially all of the remainder of the bonds authorized with this issue.

SOURCES AND USES

Sources			
	Par Amount of Bonds	$1,010,000	
	Reoffering Premium	21,879	
	Total Sources		**$1,031,879**
Uses			
	Total Underwriter's Discount (0.777%)	$7,848	
	Costs of Issuance	36,043	
	Deposit to Project Construction Fund	987,989	
	Total Uses		**$1,031,879**

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 participated in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and requested a rating from Moody's Investors Service, Inc. ("Moody's"). Moody's has a policy which assigns a minimum rating of "Aa1" to issuers participating in the MNCEP. The "Aa1" rating is based on the State of Minnesota's current "Aaa" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has an "A1" underlying rating from Moody's, and did not request an underlying rating on this issue.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on September 26, 2022 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, 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 September 9, 2021, for General Obligation State Bonds, Series 2021A and 2021B, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts.

"As of June 30, 2021, 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 2050, is approximately $16,995,000,000. 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, 2021 is currently estimated at $2,500,000,000, with the maximum amount of principal and interest payable in any one month being $975,700,000. 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, 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

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is excludable from gross income of the owners thereof for purposes of federal income taxation and is excludable from taxable net income of individuals, estates and trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon certain corporations, including financial institutions. 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 for tax years beginning after December 31, 2022.

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. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.

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.

ORIGINAL ISSUE PREMIUM

To the extent that the initial offering price of certain of the Bonds is more than the principal amount payable at maturity, such Bonds ("Premium Bonds") will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date or (call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to state and local tax consequences of owning the Premium Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, 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 Final 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 Final Official Statement, and its assistance in preparing this Final Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("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.

UNDERWRITING

The Underwriter named on the cover page hereof (the "Underwriter") has agreed to purchase the Bonds from the District for a purchase price of $1,024,031.50 plus accrued interest to the date of closing. The Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the offering prices derived from the coupons and yields for each maturity set forth on the cover page.

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2021 have been audited by Hill, Larson & Walth P.A., Austin, 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 Final Official Statement.

RISK FACTORS

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 are 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 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.

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.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and the declaration of a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the District and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the District, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional $130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

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 Final 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	2019/20	2020/21	2021/22
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 $1,880,000 - 0.50% [2] Over $1,880,000 - 1.00% [2]	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]
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 $150,000 - .75% Over $150,000 - .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 $162,000 - .75% Over $162,000 - .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 $174,000 - .75% Over $174,000 - .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 $100,000 - 1.50% Over $150,000 - 2.00%

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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

2021/22 Economic Market Value	$2,532,816,797[1]

	2021/22 Assessor's Estimated Market Value	2021/22 Net Tax Capacity
Real Estate	$2,118,415,300	$20,497,213
Personal Property	55,214,400	1,102,762
Total Valuation	$2,173,629,700	$21,599,975
Less: Captured Tax Increment Tax Capacity[2]		(289,155)
Taxable Net Tax Capacity		$21,310,820

2021/22 NET TAX CAPACITY BY CLASSIFICATION

	2021/22 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$7,931,173	36.72%
Agricultural	5,322,531	24.64%
Commercial/industrial	4,462,671	20.66%
Public utility	666,976	3.09%
Railroad operating property	206,936	0.96%
Non-homestead residential	1,878,360	8.70%
Commercial & residential seasonal/rec.	28,566	0.13%
Personal property	1,102,762	5.11%
Total	$21,599,975	100.00%

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 86.14% 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 $2,532,816,797.

2 The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the District.

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
2017/18	$1,954,771,600	$1,782,968,400	$19,082,903	$18,785,354	-3.02%
2018/19	2,028,069,000	1,857,927,850	19,958,901	19,651,299	3.75%
2019/20	2,093,678,600	1,921,537,100	20,536,716	20,215,789	3.24%
2020/21	2,114,120,800	1,942,427,900	20,927,520	20,605,684	0.98%
2021/22	2,173,629,700	2,000,505,300	21,599,975	21,310,820	2.81%

LARGER TAXPAYERS

Taxpayer	Type of Property	2021/22 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Alliance Pipeline LP	Utility	$470,024	2.18%
Northern Natural Gas Co.	Utility	325,916	1.51%
ITC Midwest, LLC	Utility	246,770	1.14%
ITC Midwest, LLC	Machining	197,820	0.92%
Pembina Cochin, LLC	Utility	188,612	0.87%
Minnesota Energy Resources Corp.	Utility	154,492	0.72%
Dairyland Power Cooperative	Utility	147,201	0.68%
Union Pacific Corporation	Railroad	140,050	0.65%
Wal-Mart	Commercial	131,789	0.61%
Larson Manufacturing Company	Commercial	122,181	0.57%
Total		$2,124,855	9.84%

District's Total 2021/22 Net Tax Capacity $21,599,975

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

1 Net Tax Capacity includes tax increment values.

2 Taxable Net Tax Capacity does not include tax increment values.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)	$35,263,932

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 (LTFMR) program approved by the State in 2015. If any aid is received, it is deposited into the 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.

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 (Minn. Stat. Section 273.1387). The reimbursement percentage is 70% for taxes payable in 2023 and thereafter. 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 2023 is approximately 15.83% of total annual debt service levies, based on the District's 2021/22 qualifying agricultural land valuation.

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

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

Independent School District No. 241 (Albert Lea Area Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 11/17/2022)

	Capital Facilities Bonds Series 2011A		Alternative Facilities (QZAB - Direct Payment) Series 2011C		Alternative Facilities (QZAB) Series 2011D		Taxable Alternative Facilities Bonds (QZABs) 1) Series 2014A		School Building Bonds Series 2018A	
Dated	07/13/2011		12/01/2011		12/01/2011		09/02/2014		08/16/2018	
Amount	$1,215,000		$5,500,000		$4,986,000		$2,500,000		$13,875,000	
Maturity	02/01		02/01		02/01		09/02		02/01	
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2023	135,000	2,025	0	135,025	2,277,957	28,646	0	0	0	244,381
2024			1,561,536	270,050	737,453	14,012	260,000	0	0	488,763
2025			2,310,550	193,379			260,000	0	0	488,763
2026			1,627,914	79,931			260,000	0	0	488,763
2027							260,000	0	0	488,763
2028							260,000	0	0	488,763
2029							260,000	0	0	488,763
2030							245,000	0	0	488,763
2031									1,330,000	488,763
2032									1,380,000	435,563
2033									1,440,000	380,363
2034									1,495,000	322,763
2035									1,540,000	276,044
2036									1,590,000	225,994
2037									1,645,000	174,319
2038									1,700,000	118,800
2039									1,755,000	61,425
	135,000	2,025	5,500,000	678,384	3,015,410	42,658	1,805,000	0	13,875,000	6,149,750

1) The interest is zero for this issue.

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Independent School District No. 241 (Albert Lea Area Schools), Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 11/17/2022)

	School Building Bonds (CABs) Series 2018B		Capital Facilities Bonds Series 2019A		School Building Bonds Series 2022A							
Dated	08/16/2018		08/07/2019		11/17/2022							
Amount	$9,728,975		$555,000		$1,010,000							
Maturity	02/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2023	232,527	22,473	53,000	4,456	0	0	2,698,484	437,007	3,135,491	32,565,448	7.65%	**2023**
2024	247,142	32,858	54,000	7,878	380,000	52,586	3,240,130	866,146	4,106,277	29,325,318	16.84%	**2024**
2025	243,059	41,941	55,000	6,825	140,000	24,620	3,008,609	755,527	3,764,136	26,316,708	25.37%	**2025**
2026	829,937	180,063	57,000	5,753	105,000	19,860	2,879,851	774,368	3,654,220	23,436,857	33.54%	**2026**
2027	2,030,787	534,213	58,000	4,641	185,000	16,290	2,533,787	1,043,906	3,577,694	20,903,070	40.72%	**2027**
2028	1,951,514	608,486	59,000	3,510	200,000	10,000	2,470,514	1,110,759	3,581,273	18,432,556	47.73%	**2028**
2029	1,876,890	683,110	60,000	2,360			2,196,890	1,174,232	3,371,122	16,235,666	53.96%	**2029**
2030	1,801,549	758,451	61,000	1,190			2,107,549	1,248,403	3,355,952	14,128,118	59.94%	**2030**
2031	253,118	121,883					1,583,118	610,645	2,193,763	12,545,000	64.43%	**2031**
2032							1,380,000	435,563	1,815,563	11,165,000	68.34%	**2032**
2033							1,440,000	380,363	1,820,363	9,725,000	72.42%	**2033**
2034							1,495,000	322,763	1,817,763	8,230,000	76.66%	**2034**
2035							1,540,000	276,044	1,816,044	6,690,000	81.03%	**2035**
2036							1,590,000	225,994	1,815,994	5,100,000	85.54%	**2036**
2037							1,645,000	174,319	1,819,319	3,455,000	90.20%	**2037**
2038							1,700,000	118,800	1,818,800	1,755,000	95.02%	**2038**
2039							1,755,000	61,425	1,816,425	0	100.00%	**2039**
	9,466,522	2,983,478	457,000	36,611	1,010,000	123,356	35,263,932	10,016,262	45,280,194			

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:

2021/22 Economic Market Value	$2,532,816,797
Multiply by 15%	0.15
Statutory Debt Limit	$379,922,520
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)	(35,263,932)
Unused Debt Limit	$344,658,588

OVERLAPPING DEBT[1]

Taxing District	2021/22 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
County of:				
Freeborn	$40,549,209	52.5555%	$11,500,000	$6,043,883
City of:				
Albert Lea	11,440,825	100.0000%	19,480,000	19,480,000
District's Share of Total Overlapping Debt				$25,523,883

DEBT PAYMENT HISTORY

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

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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.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $2,532,816,797	Debt/ Per Capita 23,388[1]
Direct G.O. Debt Being Paid By Taxes and State Aids (includes the Bonds)	$35,263,932		
Less: Agricultural Credit[2]	(5,582,280)		
Tax Supported General Obligation Debt	$29,681,652	1.17%	$1,269.10
District's Share of Total Overlapping Debt	$25,523,883	1.01%	$1,091.32
Total	$55,205,535	2.18%	$2,360.42

FUTURE FINANCING

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

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.

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1 Estimated 2021 population.

2 Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 15.83% 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 $5,582,280.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2017/18	$8,071,705	$7,932,100	$8,066,304	99.93%
2018/19	8,496,202	8,360,004	8,482,733	99.84%
2019/20	8,808,987	8,645,988	8,783,721	99.71%
2020/21	8,631,439	8,473,181	8,575,167	99.35%
2021/22	8,595,402	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[3] 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.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The District cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the District's finances and payment of debt obligations, including the Bonds.

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

2 Collections are through May 31, 2022.

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

TAX CAPACITY RATES[1]

	2017/18	2018/19	2019/20	2020/21	2021/22
I.S.D. No. 241 (Albert Lea Area Schools)	27.357%	27.605%	27.968%	27.558%	26.077%
Freeborn County	60.259%	60.861%	63.743%	64.905%	64.194%
City of Albert Lea	64.866%	61.908%	60.064%	60.337%	60.676%
City of Clarks Grove	50.592%	48.555%	41.097%	42.804%	43.142%
City of Hayward	156.594%	154.814%	137.071%	139.120%	139.881%
City of Hollandale	105.566%	102.865%	83.826%	80.571%	83.199%
City of Manchester	143.885%	160.942%	153.578%	143.065%	160.138%
City of Twin Lakes	17.760%	18.297%	18.369%	16.981%	18.168%
Town of Albert Lea[2]	17.399%	16.442%	16.377%	15.863%	15.900%
Cedar River Watershed	1.416%	1.366%	1.309%	1.231%	1.235%
Turtle Creek Watershed	1.091%	1.059%	1.041%	1.002%	0.942%
Shell Rock River Watershed	2.137%	2.071%	2.020%	1.991%	2.062%
Albert Lea HRA	1.120%	1.069%	1.004%	0.981%	0.953%
Referendum Market Value Rates:					
I.S.D. No. 241 (Albert Lea Area Schools)	0.24347%	0.23892%	0.23476%	0.23199%	0.23099%

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

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

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 604, including 378 non-licensed employees and 226 licensed employees (209 of whom are teachers). The District provides education for 3,274 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.

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.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Albert Lea Education Association	June 30, 2023
Albert Lea Administrative Association	June 30, 2023
Albert Lea Para-Educator Association	June 30, 2023
AFL-CIO, Local 1018 Custodians	June 30, 2023
Albert Lea District NO. 241 (Food Service Workers)	June 30, 2023
Support Staff-District 241	June 30, 2023
Albert Lea Administrative Assistants Association	June 30, 2023
Albert Lea Directors/Coordinators Association	June 30, 2023
Albert Lea Executive Director of Special Services	June 30, 2024
Albert Lea Executive Director of Finance and Operations	June 30, 2025
Albert Lea Executive director of Community Education	June 30, 2023
Albert Lea Executive Director of Administrative Services	June 30, 2023

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 Actuarial Study shows a total OPEB liability of $7,467,305 as of June 30, 2022. Future OPEB costs will be paid partially from the trust and partially from operating funds.

Source: The District's most recent Actuarial Study.

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
2018/19	248	1,550	1,576	3,374
2019/20	241	1,541	1,596	3,378
2020/21	223	1,484	1,603	3,310
2021/22	236	1,444	1,635	3,315
2022/23	237	1,423	1,614	3,274

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2023/24	237	1,426	1,598	3,261
2024/25	237	1,418	1,608	3,263
2025/26	237	1,415	1,585	3,237

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Halverson Elementary	1956	1965, 1999, 2020
Hawthorn Elementary	1951	1954, 1955, 1976, 1999
Lakeview Elementary	1967	--
Sibley Elementary	1957	1965, 1999
Southwest Middle School	1957	1993, 1995, 1996
Albert Lea High School	2000	--
Brookside School	1965	1977, 1985

FUNDS ON HAND (as of June 30, 2022)

Fund	Total Cash and Investments
General	$6,782,013
Food Service	763,016
Community Service	593,087
Debt Service	2,601,495
Building/Construction	401
Trust & Agency	1,167
Internal Service	4,236,967
OPEB Revocable Trust	1,784,231
Total Funds on Hand	$14,978,146

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.

SUMMARY GENERAL FUND INFORMATION

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 2021 audited financial statements.

	FISCAL YEAR ENDING JUNE 30				
COMBINED STATEMENT	**2019 Audited**	**2020 Audited**	**2021 Audited**	**2021-22 Revised Budget**[1]	**2022-23 Adopted Budget**[2]
Revenues					
Local property taxes	$5,036,483	$5,436,445	$5,751,885	$6,049,311	$6,055,256
Other local and county revenues	530,889	1,141,561	254,354	1,167,881	1,265,232
Revenue from state sources	40,893,573	42,130,974	41,974,794	42,032,549	42,595,099
Revenue from federal sources	1,686,417	1,987,135	3,539,207	5,330,135	5,206,617
Sales and other conversion of assets	6,282	402	0	0	0
Tuition, fees and admissions	906,039	700,268	676,398	120,907	159,503
Total Revenues	$49,059,683	$51,396,785	$52,196,638	$54,700,783	$55,281,707
Expenditures					
Current:					
Adminitstration	$1,967,177	$2,113,361	$2,005,781	$1,938,093	$1,978,597
District support services	2,012,760	2,044,750	2,103,469	2,543,252	2,323,318
Elementary and secondary regular instruction	20,073,940	20,630,762	21,790,157	22,682,782	22,714,156
Vocational education instruction	784,397	782,867	872,742	919,810	966,286
Special education instruction	12,721,508	13,162,375	13,046,887	13,306,496	13,747,447
Instructional support services	2,756,606	2,625,133	2,642,635	2,716,997	2,684,607
Pupil support services	3,861,508	4,102,712	3,820,299	4,506,671	4,578,614
Sites and buildings	4,312,980	4,170,201	4,095,240	5,181,424	5,337,223
Fiscal and other fixed cost programs	132,042	147,548	256,146	437,351	520,614
Capital outlay	597,381	808,043	2,387,427	0	0
Debt service	42,284	43,493	3,474	0	0
Total Expenditures	$49,262,583	$50,631,245	$53,024,257	$54,232,876	$54,850,862
Excess of revenues over (under) expenditures	($202,900)	$765,540	($827,619)	$467,907	$430,845
Other Financing Sources (Uses)					
Sale of equipment proceeds	$1,248	$6,970	$3,627	$0	$0
Operating transfers in	0	0	0	134,939	0
Operating transfers out	(4,930)	(32,870)	(22,001)	0	0
Total Other Financing Sources (Uses)	(3,682)	(25,900)	(18,374)	134,939	0
Net changes in Fund Balances	($206,582)	$739,640	($845,993)	$602,846	$430,845
General Fund Balance July 1	$6,720,804	$6,514,222	$7,382,880	$6,536,887	$7,139,733
Prior Period Adjustment	0	129,018	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance June 30	$6,514,222	$7,382,880	$6,536,887	$7,139,733	$7,570,578
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$36,350	$28,274	$16,149	$16,149	$16,149
Restricted	138,273	1,075,499	806,245	1,021,360	1,322,593
Committed	196,150	172,377	165,537	121,551	24,558
Assigned	328,538	0	0	0	0
Unassigned	5,814,911	6,106,730	5,548,956	5,980,673	6,207,278
Total	$6,514,222	$7,382,880	$6,536,887	$7,139,733	$7,570,578

1 The 2021-22 revised budget was adopted on June 21, 2022.

2 The 2022-23 budget was adopted on June 21, 2022.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 23,431 and a 2021 population estimate of 23,388 and comprising an area of 83,580 acres, is located approximately 97 miles south of the Minneapolis-St. Paul metropolitan area and 10 miles north of the Minnesota-Iowa border. The City of Albert Lea is the county seat of Freeborn County.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Albert Lea Medical Center	Health care	1,200
The District	Elementary and secondary education	604
Albert Lea Select Foods, Inc.	Meat processing	500
Good Samaritan Society Albert Lea	Nursing home	350
Cargill	Turkey, meat and chicken processing	320
St. John's Lutheran Home	Nursing home	300
Wal-Mart Supercenter	Discount retail and grocery store	285
Freeborn County	County government and services	281
Lou-Rich	Contract engineering and manufacturing	250
Hy-Vee	Grocery store	200

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

[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.

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	23,431
2020 U.S. Census population	23,588
2021 State Demographer Estimate	23,388
Percent of Change 2010 - 2020	0.67%

Income and Age Statistics

	The District	Freeborn County	State of Minnesota	United States
2020 per capita income	$29,548	$30,760	$38,881	$35,384
2020 median household income	$50,970	$54,628	$73,382	$64,994
2020 median family income	$61,987	$66,008	$92,692	$80,069
2020 median gross rent	$727	$723	$1,010	$1,096
2020 median value owner occupied units	$116,800	$121,600	$235,700	$229,800
2020 median age	44.1 yrs.	44.5 yrs.	38.1 yrs.	38.2 yrs.

	State of Minnesota	United States
District % of 2020 per capita income	76.00%	83.51%
District % of 2020 median family income	66.87%	77.42%

Source*:* *2010 and 2020 Census of Population and Housing, and 2020 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (https://data.census.gov/cedsci).*

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Freeborn County	Freeborn County	State of Minnesota
2018	15,549	3.4%	3.1%
2019	15,683	3.7%	3.4%
2020	15,365	5.8%	6.3%
2021	14,811	3.5%	3.4%
2022, August	14,309	2.3%	2.1%

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 Final Official Statement, nor has the District requested that the Auditor consent to the use of such financial statements in this Final Official Statement. Although the inclusion of the financial statements in this Final 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 change 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.

INDEPENDENT SCHOOL DISTRICT NO. 241
ALBERT LEA, MINNESOTA

FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

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INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Organization
June 30, 2021

School Board Member	Position	Term Expires
David Klatt	Chair	January 2023
Kim Nelson	Vice - Chair	January 2023
Jill Marin	Clerk	January 2023
Neal Skaar	Treasurer	January 2025
Angie Hoffman	Director	January 2025
Dennis Dieser	Director	January 2023
Bruce Olson	Director	January 2025
Dr. Michael Funk	Superintendent of Schools	
Jennifer Walsh	Director of Finance and Operations	

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Greg A. Larson, C.P.A. Ronald P. Walth, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 241
Albert Lea, Minnesota 56007

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 241 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 241, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter
During the year ended June 30, 2021, the District restated its beginning net position for construction in progress and the new health insurance trust. See Note 15 for additional information on these restatements.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 241's basic financial statements. The organization table, combining financial statements and individual fund schedules along with the uniform financial accounting and reporting standards compliance table are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

The combining financial statements, individual fund schedules, the schedule of expenditures of federal awards and the uniform financial accounting and reporting standards compliance table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 financial statements, individual fund schedules, the schedule of expenditures of federal awards and the uniform financial accounting and reporting standards compliance table are fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The combining financial statements and individual fund schedules as of June 30, 2021 are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, on our consideration of Independent School District No 241'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 Independent School District No. 241'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 Independent School District No 241's internal control over financial reporting and compliance.

Hill Larson & Walth P.A.

Hill, Larson & Walth, P. A.

December 2, 2021

SECTION I – REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

This section of Independent School District No. 241's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2021. This discussion and analysis should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights from the Statement of Net Position and the Statement of Activities for the 2020-2021 fiscal year include the following:

- Total net position of $(19,157,958) as of June 30, 2021, represents an increase of $2,696,402 from the prior year total net position of $(21,854,360).
- For the 2020-21 year, revenues totaled $67,707,866 and were $1,207,939 more than expenses of $66,449,927. The other increases were for prior period restatement for construction in progress and the transfer in of the health insurance fund.
- The General Fund balance (under the governmental fund presentation) decreased by $845,993 over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts. They are:

- Independent Auditor's Report
- Required supplementary information which includes the Management's Discussion and Analysis
- Basic financial statements, and
- Combining statements and individual fund schedules.

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2021

The basic financial statements include two kinds of statements that present different views of the District:

- The ***government-wide financial statements,*** including the statement of net position and statement of activities, provide short-term and long-term information about the District's ***overall*** financial status.
- The ***fund financial statements*** focus on individual parts of the District, reporting the District's operation in ***more detail*** than the government-wide statements. The District maintains three groups of fund financial statements. They are:
  - ***Governmental Funds statements*** review how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
  - ***Proprietary Funds statements*** offer *short-term* and *long-term* financial information about the activities the District operates like businesses.
  - ***Fiduciary Funds statements*** provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1, on the following page, summarizes the major features of the District's financial statements, including portions of the District's activities covered 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.

Figure A – 1

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements: Governmental Funds	Fund Financial Statements: Proprietary Funds	Fund Financial Statements: Fiduciary Funds
Scope	Entire district (except Fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as building maintenance, food service, community education and capital projects - building construction.	Activities of the District operate similar to private businesses; internal service fund	Instances in which the district administers resources on behalf of someone else, such as the scholarship trust fund
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenditures and Changes in Fund Net Position Statement of Cash Flows	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	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 and deferred inflows of resources that will be reported as income in the following year; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during the 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 revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2021

Government-Wide Statements

The government-wide statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies (accrual basis). The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District requires consideration of additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's 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 service, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service and Community Service) that do not meet the threshold to be classified as "major" funds are called "non-major" funds. Detailed financial information for "non-major" funds can be found in the "Combining and Individual Fund Statements" sections.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g. repaying its long-term debts) or to show that it is properly using certain revenues (e.g. federal grants).

The District maintains three kinds of funds:

- *Governmental funds* – The District's basic services are included in governmental funds which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District currently has two internal service funds. One for other post-employment benefits, and a second one for the health insurance trust.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship accounts. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was $(19,157,958) on June 30, 2021. This was an increase of $2,696,402 from the previous year total net position of $(21,854,360). (See Table A-1)

Table A-1
Independent School District #241

Net Position - Governmental Activities

	2021	2020	Percent Change 2020 to 2021
Assets			
Current and Other Assets	$ 24,432,247	$ 23,162,203	5.48%
Capital Assets	60,617,947	58,561,562	3.51%
Total Assets	85,050,194	81,723,765	4.07%
Total Deferred Outflows of Resources	6,458,499	18,818,827	*****
Liabilities			
Long-Term Liabilities	71,047,396	70,539,546	0.72%
Other Liabilities	9,865,144	7,936,471	24.30%
Total Liabilities	80,912,540	78,476,017	3.10%
Total Deferred Inflows of Resources	29,754,111	43,920,935	-32.26%
Net Position			
Net Investment in Capital Assets	23,141,461	21,559,532	7.34%
Restricted	828,537	(3,508,473)	*****
Unrestricted	(43,127,956)	(39,905,419)	8.08%
Total Net Position	$ (19,157,958)	$ (21,854,360)	-12.34%

Changes in Net Position

Table A-2 as presented below contains a condensed version of the change in net position of the District.

Table A-2
Independent School District #241

Change in Net Position

	2021	2020	Percent Change 2020 to 2021
Revenues			
Program Revenues			
Charges for Services	$ 9,695,610	$ 1,661,562	*****
Operating Grants and Contributions	20,893,163	19,362,939	7.90%
Capital Grants and Contributions	1,643,956	1,691,236	-2.80%
General Revenues			
Property Taxes	8,905,212	8,500,722	4.76%
State Aid-Formula Grants	26,357,476	26,088,568	1.03%
Other	212,449	961,988	*****
Total Revenues	67,707,866	58,267,015	16.20%
Expenses			
Administration	2,549,585	2,439,374	4.52%
District Support Services	2,525,099	2,239,901	12.73%
Elementary and Secondary Regular Instruction	27,439,767	23,282,191	17.86%
Vocational Education Instruction	1,108,910	877,808	26.33%
Special Education Instruction	16,277,522	15,263,689	6.64%
Instructional Support Services	3,121,657	2,932,324	6.46%
Pupil Support Services	4,273,948	4,380,402	-2.43%
Sites, Buildings and Equipment	4,689,477	4,742,919	-1.13%
Fiscal and Other Fixed Cost Programs	256,146	147,548	*****
Food Service	1,831,487	1,830,155	0.07%
Community Services	1,411,047	1,162,875	21.34%
Interest & Fiscal Charges on Long-Term Debt	965,282	1,050,981	-8.15%
Total Expenses	66,449,927	60,350,167	10.11%
Increase (Decrease) in Net Position	**1,257,939**	**(2,083,152)**	
Prior period restatement for construction in progress	**338,578**	-	
Prior period restatement for health insurance	**1,099,885**	-	
Total net increase (decrease) in Net Position	**$ 2,696,402**	**$ (2,083,152)**	

Changes in Net Position. The District's total revenues were $67,707,866 for the year ended June 30, 2021. This is an increase of $9,440,851 or 16.2 percent over the 2019-20 actual revenues of $58,267,015. This increase is mainly due to the health insurance trust that had its first complete year in 2020-21.

For 2020-21, property taxes and state aid-formula grants accounted for 52.08 percent of total revenues for the year. Another 0.31 percent came from other general revenues and investment income. The remainder came from program revenues.

The total cost of all programs and services was $66,449,927. This is an increase of $6,099,760, or 10.1 percent over the 2019-20 total of $60,350,167. The District's change this year is mainly due to their first year completed with the health insurance trust.

In 2020-21, total revenues surpassed expenses, increasing net assets $1,257,939. Prior period restatements totally $1,438,463 also increased the net position at June 30, 2021 The June 30, 2021 net position totaled $(19,157,958).

- The cost of all governmental activities for 2020-21 was $66,449,927. Of this amount, $32,232,729 was supported by either "charges for services, operating and capital grants or miscellaneous contributions" received by the school. The net cost of all governmental activities for 2020-21 was $34,217,198 (see table A-3).
- About 14.6 percent, or $9,695,610 of the costs, were paid by the users of the District's programs.
- The federal, state and county governments subsidized certain programs with grants and contributions. This totaled $22,537,119, or 33.9 percent of the total costs for 2020-21.
- The net cost of District services $(34,217,198) was primarily paid for by District taxpayers and the taxpayers of our state in property taxes and state aid based on the statewide education aid formula. The following table (Table A-3) compares the 2020-2021 net cost to the prior year.

Table A-3

Net Cost of Governmental Activities

	2021	2020	Percent Change 2020 to 2021
Administration	$ 2,157,150	$ 2,439,374	-11.57%
District Support Services	2,241,510	2,239,901	0.07%
Elementary and Secondary Regular Instruction	13,351,902	14,496,213	-7.89%
Vocational Education Instruction	877,695	814,751	7.73%
Special Education Instruction	4,905,024	6,068,596	-19.17%
Instructional Support Services	2,809,003	2,932,324	-4.21%
Pupil Support Services	3,985,638	4,285,822	-7.00%
Sites, Buildings and Equipment	2,899,134	3,052,186	-5.01%
Fiscal and Other Fixed Cost Programs	256,146	147,548	*****
Food Service	(124,430)	62,897	*****
Community Services	147,531	297,549	-50.42%
Interest and Fiscal Charges on Long-Term Debt	710,895	797,269	-10.83%
Total	$ 34,217,198	$ 37,634,430	-9.08%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole differs somewhat from that reflected in its governmental funds. At the end of the 2020-21 fiscal year, the District's governmental funds reported a combined fund balance of $8,613,503, which is $2,472,844 less than the June 30, 2020 combined fund balance of $11,086,347. This decrease is primarily due to spent funds in the Capital Projects – Building Construction Fund.

Revenues for the District's governmental funds were $59,288,169, while total expenditures were $61,764,640. As a result, the District completed the year with an excess of expenditures over revenues of $2,476,471. The District also had other financing sources (uses) that totaled $3,627. This results in a net decrease of $2,472,844.

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2021

GENERAL FUND

The General Fund is used by the District to record the primary operations of providing education services to students from kindergarten through grade 12. Pupil transportation activities and capital and major maintenance projects, other than building construction, are also included in the General Fund.

Funding for Minnesota school districts is largely driven by enrollment. The District had a decrease in the number of students attending the District for the past year and a decrease in number of students who qualified for extended time as the District did not offer targeted services for the school year due to COVID.

The student enrollment for the last five years is as follows:

Year	Students (District Average Daily Membership Served plus Tuitioned out ADM and Adjusted Extended ADM)
2016-2017	3,491.51
2017-2018	3,543.65
2018-2019	3,579.61
2019-2020	3,559.22
2020-2021	3,392.23

The following schedule presents a summary of General Fund revenues.

	Year Ended June 30, 2021	Year Ended June 30, 2020	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources:				
Property Taxes	$ 5,751,885	$ 5,436,445	$ 315,440	5.80%
Tuition and Admissions	676,398	700,268	(23,870)	-3.41%
Interest Earnings and Other	254,354	1,141,561	(887,207)	*****
State Sources	41,974,794	42,130,974	(156,180)	-0.37%
Federal Sources	3,539,207	1,987,135	1,552,072	*****
Local sales and other revenue	-	402	(402)	*****
Total Revenues	52,196,638	51,396,785	799,853	1.56%
Other Financing Sources:				
Sale of Property or Equipment	3,627	6,970	(3,343)	-47.96%
Total General Fund Revenues and Other Financing Sources	$ 52,200,265	$ 51,403,755	$ 796,510	1.55%

Basic general education revenue is determined by a state per student funding formula and is made up of entirely state aid revenue for 2020-2021. Through 2001-02, basic general education revenue for school districts had been provided by the state via a combination of state aid and state-authorized tax levy. The 2001 legislature repealed the general education levy. Basic general education revenue continues to be based on a dollar amount per pupil unit, but the relationship between state aids and tax levies has changed significantly.

Other state-authorized revenues, including operating levy referenda, continue to be based on an equalized mix of property tax and state aid revenue. The equalization factors can be changed by the legislature as needed. Therefore, the mix of property tax and state aid can change significantly from year to year without any change in total revenue.

During 2020-2021, the District's total General Fund revenue increased by $796,510 or 1.55 percent over the previous year.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2021	Year Ended June 30, 2020	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 27,996,074	$ 28,218,518	$ (222,444)	-0.79%
Employee Benefits	13,024,569	12,386,890	637,679	5.15%
Purchased Services	6,352,209	6,070,113	282,096	4.65%
Supplies and Materials	2,426,552	2,104,824	321,728	15.29%
Capital Expenditures	2,916,664	1,624,585	1,292,079	79.53%
Other Expenditures	308,189	226,315	81,874	36.18%
Total General Fund Expenditures	$ 53,024,257	$ 50,631,245	$ 2,393,012	4.73%

Total General Fund expenditures increased by $2,393,012, or 4.73 percent over the previous year.

In summary, 2020-2021 General Fund expenditures exceeded revenues by $827,619. The District also had other financing sources netting ($18,374). As a result, the total general fund balance decreased by $845,993 at June 30, 2021. After deducting nonspendable, restricted, committed and assigned, the unassigned fund balance decreased from $6,106,730 at June 30, 2020 to $5,977,422 at June 30, 2021.

The following shows the General Fund unassigned fund balance for the past five years as a percentage of expenditures:

Year-End	Unassigned Fund Balance	Percentage of Expenditures
June 30, 2017	$ 6,190,900	13.85%
June 30, 2018	$ 6,243,701	13.85%
June 30, 2019	$ 5,814,911	11.85%
June 30, 2020	$ 6,106,730	12.06%
June 30, 2021	$ 5,977,422	11.27%

This information is the single best measure of overall financial health. The unassigned fund balance of $5,977,422 at June 30, 2021 represents 11.27 percent of the total annual expenditures of the District. The unassigned fund balance as described in District Policy No. 714 is 12.03% which meets the 12.0% goal. The District continues to monitor its fund balances closely.

General Fund Budgetary Highlights

Over the course of the year, the District revised its annual operating budget as needed. These budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants, adjusting staffing and various instructional allocations to the schools based on actual enrollment, and unspent funds carried over from the previous fiscal year.
- Increase in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated a fund balance decrease of $496,935, the actual result for the year shows a decrease of $827,619. The majority of the decrease is due to the following items:

- Actual enrollment was less than estimated.
- The District did not use as much of COVID grants as was originally budgeted.

CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND

During the 2021 fiscal year the District continued work on Hammer Field football complex and related athletic fields and facilities and updates at Halverson Elementary School. As of June 30, 2021, the District has unspent funds of $78,852.

DEBT SERVICE FUND

The combined Debt Service Funds expenditures exceeded revenues by $369,437 in 2020-21. The June 30, 2021 fund balance is $976,651. At June 30, 2021 the OPEB Debt Service Fund was transferred to the General Debt Service Fund, as the final payment was made on the OPEB bond.

NON-MAJOR FUNDS

Revenues and other financing sources exceeded expenditures in the "Non-major Funds" by $363,039.

The Food Service Fund revenue for 2020-21 totaled $1,892,655 and expenditures were $1,711,729, resulting in an increase in fund balance of $180,926. The District also transferred General Funds of $22,001 to the Food Service Fund in 2021. The June 30, 2021 Food Service Fund balance was $487,383.

In 2020-21, the total revenues for the Community Service Fund were $1,297,445 and expenditures were $1,115,332. The District transferred $47,299 to the Community Service Restricted Fund Balance from the Community Service ECFE Fund Balance under Minnesota Laws 2020, Chapter 116 House File 4415 due to the COVID-19 pandemic. The Community Service Fund revenues and other financing sources exceeded the expenditures by $182,113, resulting in a Community Service Fund balance of $533,730 as of June 30, 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2021, the District had net capital assets of $60,617,947 representing a broad range of capital assets including school buildings, athletic facilities, computer and audio-visual equipment, and other equipment for various instructional programs. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was $2,361,375.

Long-Term Liabilities

At year-end, the District had $37,604,042 (net) in general obligation and QZAB bonds outstanding. See Note 4 to the financial statements for more detailed information.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved excess operating referendums and a few other small local levies, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions regarding this report or need additional financial information, contact the Director of Finance and Operations, Independent School District No. 241, 211 W. Richway Drive, Albert Lea, MN 56007.

SECTION II – BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Statement of Net Position
As of June 30, 2021

	Governmental Activities 2021
Assets	
Cash and investments	$ 6,601,808
Current property taxes receivable	4,377,546
Delinquent property taxes receivable	254,370
Other accounts receivable	66,569
Interest receivable	20,019
Due from other Minnesota school districts	80,245
Due from Minnesota Department of Education	4,349,904
Due from Federal Government through Minnesota Department of Education	923,110
Due from other governmental units	102,402
Inventory	57,645
Prepaid expenses	16,149
Restricted assets - temporarily restricted	
Cash and investments for other post-employment benefits	1,755,996
Cash and investments for health insurance	3,504,493
Cash and investments for capital projects - building construction	81,153
Cash and investments for debt service	2,240,838
Capital assets	
Land (Nondepreciable asset)	748,472
Construction in progress (Nondepreciable asset)	19,156,416
Land improvements	6,973,445
Buildings	65,054,569
Furniture and equipment	9,408,793
Less: Accumulated depreciation	(40,723,748)
Capital Assets - Net of accumulated depreciation	60,617,947
Total Assets	85,050,194
Deferred Outflows of Resources	
Related to pensions	4,611,365
Related to OPEB	1,847,134
Total Deferred Outflows of Resources	6,458,499
Liabilities	
Salaries and compensated absences payable	358,216
Other accounts payable	1,310,011
Interest payable	372,837
Due to other Minnesota school districts	232,190
Due to other governmental units	108,235
Payroll deductions and employer contributions	178,647
Unearned revenue	126,343
Net obligation for other post-employment benefits	7,178,665
Long-term liabilities	
Due within one year	2,741,676
Due in more than one year	35,138,317
Net pension liability	33,216,107
Unamortized (discount) premium	(48,704)
Total Liabilities	80,912,540
Deferred Inflows of Resources	
Deferred revenue - property taxes levied for subsequent year's expenditures	8,674,499
Related to pensions	20,331,198
Related to OPEB	748,414
Total Deferred Inflows of Resources	29,754,111
Net Position	
Net investment in capital assets	23,141,461
Restricted for:	
Capital asset acquisition	28,700
Debt service	658,153
Other purposes	141,684
Unrestricted	(43,127,956)
Total Net Position	$ (19,157,958)

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

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Statement of Activities
For the Year Ended June 30, 2021

	2021				
		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	$ 2,549,585	$ 392,435	$ -	$ -	$ (2,157,150)
District support services	2,525,099	283,589	-	-	(2,241,510)
Elementary and secondary regular instruction	27,439,767	4,151,773	9,936,092	-	(13,351,902)
Vocational education instruction	1,108,910	170,367	60,848	-	(877,695)
Special education instruction	16,277,522	2,824,671	8,547,827	-	(4,905,024)
Instructional support services	3,121,657	312,654	-	-	(2,809,003)
Pupil support services	4,273,948	230,428	57,882	-	(3,985,638)
Sites, buildings and equipment	4,689,477	400,774	-	1,389,569	(2,899,134)
Fiscal and other fixed cost programs	256,146	-	-	-	(256,146)
Food service	1,831,487	123,665	1,832,252	-	124,430
Community services	1,411,047	805,254	458,262	-	(147,531)
Interest and fiscal charges on long term debt	965,282	-	-	254,387	(710,895)
Total Governmental Activities	$ 66,449,927	$ 9,695,610	$ 20,893,163	$ 1,643,956	(34,217,198)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	5,769,884
Property taxes, levied for community service	235,069
Property taxes, levied for debt service	2,900,259
State aid-formula grants	26,357,476
Investment earnings and other general revenues	212,449
Total general revenues	35,475,137
Changes in net position	1,257,939
Net position-beginning	(21,854,360)
Prior period restatement for construction in progress	338,578
Prior period restatement for health insurance	1,099,885
Net Position - beginning as restated	(20,415,897)
Net position-ending	$ (19,157,958)

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

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Governmental Funds
Balance Sheet
As of June 30, 2021
(with Partial Comparative Information as of June 30, 2020)

	General	Capital Projects - Building Construction	Debt Service	Nonmajor Funds	Total Governmental Funds 2021	Total Governmental Funds 2020
Assets						
Cash and investments	$ 5,757,884	$ 81,153	$ 2,240,838	$ 843,924	$ 8,923,799	$ 10,392,779
Current property taxes receivable	2,757,854	-	1,510,757	108,935	4,377,546	4,835,611
Delinquent property taxes receivable	161,237	-	86,174	6,959	254,370	227,204
Other accounts receivable	33,612	-	-	32,957	66,569	52,725
Interest receivable	13,026	-	-	-	13,026	77,696
Due from other funds	-	-	-	-	-	560,408
Due from other Minnesota school districts	18,400	-	-	61,845	80,245	158,781
Due from Minnesota Department of Education	4,238,171	-	73,044	38,689	4,349,904	4,346,189
Due from Federal Government through Minnesota Department of Education	673,539	-	-	249,571	923,110	616,201
Due from other governmental units	80,855	-	-	21,547	102,402	61,991
Inventory	-	-	-	57,645	57,645	64,818
Prepaid expenses	16,149	-	-	-	16,149	28,554
Total Assets	$ 13,750,727	$ 81,153	$ 3,910,813	$ 1,422,072	$ 19,164,765	$ 21,422,957
Liabilities						
Salaries and compensated absences payable	$ 307,484	$ -	$ -	$ 50,732	$ 358,216	$ 229,810
Other accounts payable	667,798	2,301	-	37,768	707,867	781,479
Due to other Minnesota school districts	232,190	-	-	-	232,190	283,018
Due to other governmental units	108,235	-	-	-	108,235	104,836
Payroll deductions and employer contributions	178,647	-	-	-	178,647	145,665
Unearned revenue	66,966	-	-	70,359	137,325	64,893
Total Liabilities	1,561,320	2,301	-	158,859	1,722,480	1,609,701
Deferred Inflows of Resources						
Deferred revenue - property taxes levied for subsequent year's expenditures	5,591,370	-	2,847,988	235,141	8,674,499	8,581,981
Unavailable revenue - delinquent taxes	61,150	-	86,174	6,959	154,283	144,928
Total Deferred Inflows of Resources	5,652,520	-	2,934,162	242,100	8,828,782	8,726,909
Fund Balances						
Nonspendable	16,149	-	-	57,645	73,794	93,092
Restricted	806,245	78,852	976,651	963,468	2,825,216	4,714,148
Committed	165,537	-	-	-	165,537	172,377
Assigned	-	-	-	-	-	-
Unassigned	5,548,956	-	-	-	5,548,956	6,106,730
Total Fund Balances	6,536,887	78,852	976,651	1,021,113	8,613,503	11,086,347
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 13,750,727	$ 81,153	$ 3,910,813	$ 1,422,072	$ 19,164,765	$ 21,422,957

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

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
As of June 30, 2021

	2021
Total fund balances - governmental funds	$ 8,613,503
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	101,341,695
Less: accumulated depreciation	(40,723,748)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
General obligation bonds payable	(24,618,042)
Severance payable	(275,951)
QZAB Bonds	(12,986,000)
Capital leases payable	-
TRA pension liability	(27,964,087)
PERA pension liability	(5,252,020)
District's proportionate share of PERA and TRA deferrals:	
Outflows of resources	4,611,365
Inflows of resources	(20,331,198)
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 deferred in the funds.	165,265
An Internal Service Fund has been established to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position as listed below	
OPEB Trust Fund	(4,316,956)
Health Insurance Trust Fund	2,902,349
Governmental Funds do not report a liability for accrued interest on long-term debt until due and payable.	(372,837)
Governmental Funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the District-wide financial statements.	
Premium	(71,280)
Discount	119,984
Total net position - governmental activities	$ (19,157,958)

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

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021
(with Partial Comparative Information for Year Ended June 30, 2020)

	General	Capital Projects - Building Construction	Debt Service	Nonmajor Funds	Total Governmental Funds 2021	Total Governmental Funds 2020
Revenues						
Local sources						
Property taxes	$ 5,751,885	$ -	$ 2,891,921	$ 234,446	$ 8,878,252	$ 8,491,646
Tuition and admissions	676,398	-	-	593,325	1,269,723	1,222,612
Investment earnings and other revenue	254,354	952	23,757	78,259	357,322	1,360,002
State sources	41,974,794	-	730,414	408,772	43,113,980	43,186,416
Federal sources through Department of Education	3,539,207	-	-	1,822,337	5,361,544	3,301,065
Federal aid received directly from Federal sources	-	-	254,387	-	254,387	253,712
Local sales and other revenue	-	-	-	52,961	52,961	415,961
Total Revenues	52,196,638	952	3,900,479	3,190,100	59,288,169	58,231,414
Expenditures						
Administration	2,005,781	-	-	-	2,005,781	2,113,361
District support services	2,103,469	-	-	-	2,103,469	2,044,750
Elementary and secondary regular instruction	21,790,157	-	-	-	21,790,157	20,630,762
Vocational education instruction	872,742	-	-	-	872,742	782,867
Special education instruction	13,046,887	-	-	-	13,046,887	13,162,375
Instructional support services	2,642,635	-	-	-	2,642,635	2,625,133
Pupil support services	3,820,299	-	-	-	3,820,299	4,102,712
Sites, buildings and equipment	4,095,240	-	-	-	4,095,240	4,170,201
Fiscal and other fixed cost programs	256,146	-	-	-	256,146	147,548
Food service	-	-	-	1,663,380	1,663,380	1,745,911
Community services	-	-	-	1,115,332	1,115,332	1,115,018
Capital outlay	2,387,427	1,643,406	-	48,349	4,079,182	12,670,792
Debt services						
Principal	3,470	-	3,291,929	-	3,295,399	3,187,954
Interest and fiscal charges	4	-	977,987	-	977,991	1,064,955
Total Expenditures	53,024,257	1,643,406	4,269,916	2,827,061	61,764,640	69,564,339
Excess (deficiency) of revenues over expenditures	(827,619)	(1,642,454)	(369,437)	363,039	(2,476,471)	(11,332,925)
Other Financing Sources (Uses)						
Transfer (to) from other funds	(22,001)	-	-	22,001	-	-
Sale of equipment	3,627	-	-	-	3,627	6,970
Sale of bonds	-	-	-	-	-	555,000
Total other Financing Sources (Uses)	(18,374)	-	-	22,001	3,627	561,970
Excess of revenues and other financing sources over (under) expenditures and other uses	$ (845,993)	$ (1,642,454)	$ (369,437)	$ 385,040	$ (2,472,844)	$ (10,770,955)
Changes in Fund Balances						
Fund balance, beginning of year	$ 7,382,880	$ 1,721,306	$ 1,346,088	$ 636,073	$ 11,086,347	$ 21,728,284
Prior period restatement	-	-	-	-	-	129,018
Fund balance, beginning of year - as restated	7,382,880	1,721,306	1,346,088	636,073	11,086,347	21,857,302
Excess of revenues and other financing sources over (under) expenditures and other uses	(845,993)	(1,642,454)	(369,437)	385,040	(2,472,844)	(10,770,955)
Fund balance, end of year	$ 6,536,887	$ 78,852	$ 976,651	$ 1,021,113	$ 8,613,503	$ 11,086,347

The accompanying notes to financial statements are an integral parts of this statement

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2021

	2021
Total net changes in fund balances - governmental funds	$ (2,472,844)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.	
Capital outlays	4,079,182
Depreciation expense	(2,361,375)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,291,929
Repayment of debt principal on capital lease.	3,470
Change in net pension liability	
TRA	(3,366,740)
PERA	(486,215)
District's proportionate share of PERA and TRA deferrals:	
Deferred outflows - pension plan deferments	(13,527,647)
Deferred inflows - pension plan deferments	14,198,709
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds 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.	33,668
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 and health benefits	70,665
Net amortization of premiums and discounts on long-term debt.	
Premium	7,129
Discount	(28,088)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The activity of each of the Internal Service Funds is included in the governmental activities of the Statement of Activities as listed below:	
OPEB	(13,328)
Health insurance	1,802,464
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 deferred in the funds.	26,960
Change in net position - governmental activities	$ 1,257,939

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

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	2021			
	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	$ 5,764,836	$ 5,737,164	$ 5,751,885	$ 14,721
Tuition, fees, and admissions	893,364	545,790	676,398	130,608
Investment earnings and other local revenue	130,636	378,960	254,354	(124,606)
Revenue from state sources	42,714,116	42,100,112	41,974,794	(125,318)
Federal aids received through Minnesota Department of Education	1,761,468	3,818,527	3,539,207	(279,320)
Local sales and other revenue	134,939	134,939	-	(134,939)
Total Revenues	51,399,359	52,715,492	52,196,638	(518,854)
Expenditures				
Administration	2,057,199	2,032,233	2,005,781	(26,452)
District support services	2,344,683	2,389,742	2,223,751	(165,991)
Elementary and secondary regular instruction	20,333,622	21,577,975	21,801,415	223,440
Vocational education instruction	812,418	857,255	901,141	43,886
Special education instruction	13,531,875	13,242,163	13,046,887	(195,276)
Instructional support services	2,645,499	2,537,015	2,642,635	105,620
Pupil support services	4,176,824	3,884,031	3,820,299	(63,732)
Sites, buildings and equipment	5,321,159	6,112,668	6,322,728	210,060
Fiscal and other fixed cost programs	290,714	579,345	259,620	(319,725)
Total Expenditures	51,513,993	53,212,427	53,024,257	(188,170)
Excess of revenues over (under) expenditures	(114,634)	(496,935)	(827,619)	(330,684)
Other Financing Sources (Uses)				
Transfer (to) from other fund	-	-	(22,001)	(22,001)
Sale of equipment	-	-	3,627	3,627
Total Other Financing Sources (Uses)	-	-	(18,374)	(18,374)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	$ (114,634)	$ (496,935)	$ (845,993)	$ (349,058)
Changes in Fund Balance				
Fund balance, beginning of year			$ 7,382,880	
Excess of revenues and other financing sources over (under) expenditures and other financing uses			(845,993)	
Fund balance, end of year			$ 6,536,887	

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

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Internal Service Fund
Statement of Net Position
As of June 30, 2021

	OPEB	Health Insurance
Assets		
Cash and investments	$ 1,755,996	$ 3,504,493
Interest receivable	6,993	-
Total Assets	1,762,989	3,504,493
Deferred Outflows of Resources		
Related to other post-employment benefits	1,847,134	-
Liabilities		
Accounts Payable	-	296,380
Claims payable	-	305,764
Net obligation for other post-employment benefits	7,178,665	-
Total Liabilities	7,178,665	602,144
Deferred Inflows of Resources		
Related to other post-employment benefits	748,414	-
Net Position		
Restricted for other post-employment benefits	(4,316,956)	-
Restricted for health insurance premiums	-	2,902,349
Total Net Position	$ (4,316,956)	$ 2,902,349

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

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Internal Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Net Position
For the Year Ended June 30, 2021

	OPEB	Health Insurance
Operating revenue		
Local sources		
Premiums collected	$ -	$ 8,358,993
Total operating revenue	-	8,358,993
Operating expenses		
Other post-employment benefits	37,071	-
Other employee benefits	-	5,501,407
Fees for services	250	1,061,246
Total operating expenses	37,321	6,562,653
Operating income (loss)	(37,321)	1,796,340
Other income		
Investment earnings	23,993	6,124
Change in net position	$ (13,328)	$ 1,802,464
Changes in Net Position		
Net position, beginning of year	$ (4,303,628)	$ 1,099,885
Change in net position	(13,328)	1,802,464
Net position, end of year	$ (4,316,956)	$ 2,902,349

The accompanying notes to financial statements are an integral parts of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Internal Service Fund
Statement of Cash Flows
Year Ended June 30, 2021

	OPEB	Health Insurance
Cash flows from operating activities		
Benefit payments and fees	$ (250)	$ (5,960,509)
Receipts from Employee Contributions	-	8,358,993
Net cash provided by (used in) by operating activities	(250)	2,398,484
Cash flows from investing activities		
Interest on investments	23,993	6,124
Change in interest receivable	37,867	-
Change in due to other funds	(560,408)	-
Net cash provided by (used in) investing activities	(498,548)	6,124
Net increase (decrease) in cash and investments	(498,798)	2,404,608
Cash and investments		
Beginning of year	2,254,794	1,099,885
End of year	$ 1,755,996	$ 3,504,493

The accompanying notes to financial statements are an integral parts of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Statement of Fiduciary Net Position
As of June 30, 2021

		Agency Fund
Assets		
Cash and investments	$	2,161
Total Assets		2,161
Liabilities		
Due to program participants		-
Net position		
Held in trust for scholarships	$	2,161

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

Additions		
Contributions for scholarships	$	500
Deductions		
Scholarships paid out		-
Change in net position		500
Other Changes in Net Position		
Investment earnings		45
Change in net position in excess of other changes in net position		545
Net position		
Beginning of year		1,616
End of year	$	2,161

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 241 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The District was formed and operates pursuant to applicable Minnesota laws and statutes and is an instrumentality of the state of Minnesota established to function as an education institution. The District is governed by a seven-member School Board elected by voters of the District to serve four-year terms.

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. Beginning July 1, 2019, the District was mandated that student activities will be under board control according to Minnesota Statute section 123B.49. The accounts were transferred into the District's General Fund and included as part of these financial statements.

C. Government-wide Financial Statement Presentation

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included as a direct expense in the functional areas that utilize the related fixed assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The proprietary (internal service) funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the proprietary (internal service) funds are consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, private-purpose trust, and agency. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applied 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 is made. Other revenue is considered available if collected within one year.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary and fiduciary funds use the accrual basis of accounting as described earlier in these notes. Proprietary and fiduciary funds are reported using the economic resources measurement focus.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's Internal Service Fund is charges to other district funds for services. Operating expenses for the Internal Service Fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District applies only those applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

Descriptions of Funds

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

Major Government Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund - The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or capital project levies.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation loan principal, interest, and related costs. See Note 4 for more information.

Nonmajor Government Funds

Food Service Fund – The Food Service Fund is used to account for food service revenue and expenditures in the District's child nutrition program.

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

Proprietary Funds

Internal Service Fund – The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District has established two internal service funds. One to account for the District's liabilities for OPEB and one to account for the activities related to the District's self-insured health benefits plan, which covers all district employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

Custodial Fund – The Scholarship Fund is a custodial fund used as a flow through mechanism to account for contributions made to the District for scholarships and the payment of those scholarships to eligible students.

E. Budgeting

The budget for each fund is prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. The School Board adopted an annual budget for the following fiscal year for the General, Debt Service, Food Service, Community Service and Capital Projects - Building Construction Funds. Budget amounts are presented as originally adopted or amended. The School Board approved several supplemental budgetary appropriations during the year.

F. Cash and Investments

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

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

G. Receivables

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

H. Due from Other Minnesota School Districts

Represents amounts owed and unpaid from other Minnesota school districts at June 30, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Due from Minnesota Department of Education

Represents amounts due from Minnesota Department of Education at June 30, 2021. The District receives payments from the Minnesota Department of Education on a metered system. For most state aids, 90.0 percent of the aid is paid during the year and the remaining 10.0 percent is paid with clean-up payments in September and October of the next fiscal year.

J. Due from Federal Government through Minnesota Department of Education

The District has a receivable of $923,110 at June 30, 2021 for federal aid that flows through the Minnesota Department of Education. The breakdown on Due from Federal Government on June 30, 2021, is as follows:

General Fund	
Elementary and Secondary School Education Relief Fund 90% Formula	$ 123,750
Elementary and Secondary School Education Relief Fund 9.5% State Direct	14,023
Elementary and Secondary School Education Relief II Fund 90% Formula	64,580
Expanded Summer Learning (GEER)	92,583
Title I, Part A	224,081
Title II, Part A	38,526
Title III, Part A - English Language Acquisition, Enhancement, Etc.	12,429
IDEA Part B Section 611	39,000
IDEA Part C Ages Birth through 2	7,990
Pyramid	867
Halverson Universal Grant	31,707
Hawthorne Universal Grant	24,003
Total General Fund	673,539
Food Service Fund	
After School Snack Program	1,459
Summer Food Service Program for Children	236,262
Child and Adult Care Food Program	402
Total Food Service Fund	238,123
Community Service Fund	
Summer Preschool Program	5,873
Miscellaneous grant	5,575
Total Community Service Fund	11,448
Total Due from Federal Government	$ 923,110

K. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the Department of Agriculture.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Property Taxes

Property taxes levied are certified by the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.
The majority of District revenue in the Major and Nonmajor Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the Legislature based on education fund priorities.

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

M. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Capital assets not being depreciated are land and construction in progress. All of the District's land improvements deteriorate with use or the passage of time, and thus are being depreciated.

N. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Notes to Financial Statements (continued)
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums 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.

O. Deferred Outflows of Resources

Deferred outflows of resources are those in which resources are not recognized as an expense by the District before it has a legal claim to them. The District has reported resources related to pensions as deferred outflows of resources. This is only shown in the government-wide statements.

P. Deferred Inflows of Resources

Deferred inflows of resources are those in which resources are received by the District before it has a legal claim to them. The District has reported deferred revenues for property taxes levied for the subsequent year and delinquent property taxes. The District also has deferred inflows related to the pension plan liabilities in the government-wide statements.

Q. Pensions

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 Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. 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 benefit terms. Investments are reported at fair value.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This 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 in 2015.

R. Compensated Absences

Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Vacation pay is accrued when incurred in the government-wide and all fiduciary fund financial statements.

S. Severance and Health Benefits

The District provides severance or retirement pay, and post-employment health care benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. The benefits are described as follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. **Severance or Retirement Pay** – Members of certain employee groups of the District, including teachers, may become eligible to receive severance or retirement pay benefits.

   Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave, by computing a benefit based solely on years of service, or a combination of both. No employee can receive severance or retirement benefits that exceed one year's salary.

   Members of certain employee groups may elect to receive District matching contributions paid into a tax-deferred matching contribution plan. The amount of any severance or retirement benefit due an individual will be reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

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

2. **Post-Employment Health Care Benefits** – For certain employees that meet certain age and/or length of service requirements, the District is required to pay health insurance premiums upon retirement until the employee reaches the age of eligibility for Medicare. The maximum monthly District contribution per retiree for post-employment health insurance premiums is set forth in the contracts for each eligible bargaining group.

   Retiree post-employment health care benefits are recorded in the internal service fund using the look back method. During fiscal year 2020, the District recorded health insurance premiums on behalf of 36 retirement employees totaling $560,408 in its internal service fund statement. The District records the estimated present value of future premiums as a liability in the government-wide financial statements as the benefits become vested. In fiscal year 2021, the expense recognized in the government-wide financial statements for post-employment health care benefits was $598,719 on behalf of 43 eligible retirees.

T. 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; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2021.

At June 30, 2020 the District set up a new internal service fund to account for and finance its uninsured risk of loss for employee health insurance plan. Under this plan, the internal service fund provides coverage to participating employees and their dependents for various healthcare costs as described in the plan.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District made premium payments to the internal service fund on behalf of program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service to charges.

District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Fiscal 2020-21 was the first year this trust was used.

Changes in the balance of health insurance claim liabilities for the year was as follows:

Fiscal Year Ended June 30,	Claims Payable Beginning of Year	Current Year Claims	Claims Payments	Claims Payable End of Year
2021	$ -	$ 5,501,407	$ 5,204,537	$ 296,870

U. Net Position

Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted net position increased in 2020-21 due to increase in the health insurance trust balance in 2020-21.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. The unrestricted net position is a larger negative balance at June 30, 2021. This is due to a large increase in the TRA and PERA pension liabilities at June 30, 2021.

V. Fund Balance Classifications

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Assigned – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District's superintendent or other designee is authorized to establish assignments of fund balance.

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

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

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use the resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

W. Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board.

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better, irrevocable standard letters of credit issued by the Federal Home Land Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in restricted accounts at the Federal Reserve Bank or

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

At year-end, the carrying amount of the District's cash deposits were $3,733,549 while the balance on the bank records was $4,076,386. At June 30, 2021, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

B. Investments

The District may also invest idle funds as authorized by Minnesota Statutes, as follows: direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 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; general obligations rated "A" or better, revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States' banks eligible for purchase by the Federal Reserve Systems; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial banks, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve Systems 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.
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** – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District does not have a formal policy limiting the total portfolio that may be invested with any one issuer. The District did not have more than 5 percent of its investments in the securities of a single issuer.

- **Interest rate risk** – The risk of potential variability in the fair value of fixed rate investments resulting from changes in the interest rates (the longer the period for which an interest rate is fixed, the greater the risk).

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

The following table presents the District's investment balances at June 30, 2021, and information relating to potential investment risk:

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Fair Value Measurement Using	Interest Rate Risk: Maturity Date	Carrying Value
State Bonds	Aa1	Moody's	Level 1	> 1 year	$ 159,041
State Bonds	Aaa	Moody's	Level 1	< 1 year	317,790
Certificates of deposits	N/A	N/A	Level 2	> 1 year	1,395,669
Certificates of deposits	N/A	N/A	Level 2	< 1 year	499,000
Limited term duration series	N/R	N/A	NAV	N/A	2,901,831
QZAB Sinking Fund	N/A	N/A	Level 1	N/A	176,854
Savings deposit accounts	N/A	N/A	Level 1	N/A	10,945
Money market funds	N/R	N/A	Level 1	N/A	4,991,770
Total investments					$10,452,900

N/A = Not Applicable
N/R = Not Rated

Cash and investments consist of the following:

Deposits	$ 3,733,549
Investments	10,452,900
	$14,186,449

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

Cash and investments - Governmental Fund Statement of Net Position	$14,184,288
Cash and investments - Statement of Fiduciary Net Position	2,161
Total cash and investments	$14,186,449

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

C. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

If the inputs used to measure the financial instrument fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are value using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

NAV – Net Asset Value is where the portfolio maintains a dollar-weighted average portfolio with maturity of 60 days or less and is managed to maintain a constant $1.00 price per share.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 is as follows:

	Capital Assets not Depreciated		Capital Assets Depreciated			
	Land	Construction in Progress	Land Improvements	Buildings	Furniture and Equipment	Total
Cost at June 30, 2020	$ 748,472	$ 21,142,138	$ 5,730,286	$ 60,517,373	$ 8,806,997	$ 96,945,266
Prior period adjustment	-	338,578	-	-	-	338,578
Additions	-	1,131,424	1,243,159	4,537,196	623,127	7,534,906
Deletions	-	-	-	-	(21,331)	(21,331)
Construction Completed	-	(3,455,724)	-	-	-	(3,455,724)
Cost at June 30, 2021	748,472	19,156,416	6,973,445	65,054,569	9,408,793	101,341,695
Accumulated depreciation at June 30, 2020	-	-	2,830,100	27,677,968	7,875,636	38,383,704
Additions	-	-	269,972	1,822,697	268,706	2,361,375
Deletions	-	-	-	-	(21,331)	(21,331)
Accumulated depreciation at June 30, 2021	-	-	3,100,072	29,500,665	8,123,011	40,723,748
Capital assets net of accumulated depreciation at June 30, 2021	$ 748,472	$ 19,156,416	$ 3,873,373	$ 35,553,904	$ 1,285,782	$ 60,617,947

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of $2,361,375 for the year ended June 30, 2021 is charged to the following governmental functions:

Administration	$ 87,886
District support services	92,167
Elementary and secondary regular instruction	954,769
Vocational education instruction	38,241
Special education instruction	571,669
Instructional support services	115,791
Pupil support services	185,945
Sites and buildings	179,439
Food service	85,965
Community service	49,503
Total depreciation expense	$ 2,361,375

NOTE 4 – LONG-TERM LIABILITIES

The District currently has the following bonds outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2011A Capital Facilities Bonds	7/13/2011	.55% - 3.00%	$ 1,215,000	2/1/2023	265,000
2011B Alternative Facilities Bonds	12/1/2011	2.54%	$ 3,535,000	2/1/2022	240,067
2011C QZAB Alternative Facilities Bonds	12/1/2011	5.00%	$ 5,500,000	2/1/2026	5,500,000
2011D QZAB Alternative Facilities Bonds	12/1/2011	5.00%	$ 4,986,000	2/1/2024	4,986,000
2014A QZAB Alternative Facilities Bonds	9/2/2014	5.00%	$ 2,500,000	2/29/2029	2,500,000
2018A General Obligation Bonds	8/16/2018	1.80%-4.00%	$ 13,875,000	2/1/2039	13,875,000
2018B General Obligation Bonds	8/16/2018	1.80%-4.00%	$ 9,728,975	2/1/2031	9,728,975
2019A General Obligation Capital Facilities	8/7/2019	1.95%	$ 555,000	2/1/2030	509,000
Total general obligation and QZAB bonds					$ 37,604,042

A. Bonds Payable

On July 13, 2011 the school district issued general obligation capital facilities bonds, series 2011A in the amount of $1,215,000 to help complete a series of district-wide energy efficiency upgrades. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds.

On December 1, 2011 the school district issued general obligation alternative facilities bonds, series 2011B in the amount of $3,535,000 to help complete a series of district-wide energy efficiency upgrades. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

On December 1, 2011 the District issued $5,500,000 of taxable general obligation alternative facilities QZAB bonds, series 2011C and $4,986,000 of taxable general obligation alternative facilities QZAB bonds, series 2011D. The proceeds of these issues are being used to finance the replacement and upgrades of existing indoor air quality and HVAC systems to district facilities to meet ventilation standards. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds.

On September 2, 2014 the District issued $2,500,000 of taxable general obligation alternative facilities QZAB bonds, series 2014A. The interest rate on these bonds is 0.0%. The bonds were issued with fees of $50,000. This fee is 2.0% of the total amount issued. These bonds were used to finance the replacements and upgrades of facilities and equipment, development of course materials for use in education programs, or the training of teachers. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds.

On August 16, 2018 the District issued $13,875,000 of taxable general obligation school building bonds, series 2018A. On the same date the District issued $9,728,975 of taxable general obligation school building bonds, series 2018B. These bonds were issued to finance upgrades and improvements to the Hammer Field football complex and related athletic fields and facilities; the construction of a full size gymnasium at Halverson Elementary School and the construction of safety and accessibility improvements to that facility. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds.

On August 7, 2019 the District issued $555,000 of taxable general obligation capital facilities bonds, series 2019A. These bonds were issued to finance the retrofit of existing classroom spaces for the purpose of expanded early learning classrooms. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds.

During the year ended June 30, 2021 the District paid $35,000 into the repayment account for the 2014A QZAB bond. The District has a total of $140,000 set aside for future bond payments.

The payment schedule for the bond payments are as follows:

Payment Due	General Obligation Bonds Payable		QZAB Bonds Payable	
Date	Principal	Interest	Principal	Interest
2022	$ 684,520	$ 530,025	$ 1,970,590	$ 364,784
2023	420,527	524,198	2,277,957	327,343
2024	301,142	529,499	2,298,989	284,062
2025	298,059	537,529	2,310,550	193,378
2026	886,937	674,579	1,627,914	79,930
2027-2031	9,481,857	5,161,649	2,500,000	-
2032-2036	7,445,000	1,640,727	-	-
2037-2041	5,100,000	354,544	-	-
Total	$ 24,618,042	$ 9,952,750	$ 12,986,000	$ 1,249,497

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Capital Lease

In 2015-2016 the District entered into a capital lease agreement with E.O. Johnson to lease copiers and related equipment. Total payments per month are $3,628 for 54 months. The inception date is January 25, 2016. The first payment date is February 16, 2016 and the last payment date is July 16, 2020. The original gross amount of the lease was $161,175.

On July 7, 2016 the District entered into another lease agreement for a copier in the amount of $4,485. Total payments per month are $110 for 48 months. The first payment date is August 16, 2016 and the last payment date is July 16, 2020.

The principal amount paid for 2020-2021 for both sets of leases is $3,470. There are no future lease payments for capital leases.

D. Changes in Long-Term Liabilities

The changes in long-term liabilities for the year are summarized as follows:

	Balance 7/1/20	Issued/ Increase	Retirements/ Adjustments	Balance 6/30/21	Projected Amount Due In One Year
Bonds payable	$ 25,799,971	$ -	$ 1,181,929	$ 24,618,042	$ 684,520
OPEB Bonds payable	2,110,000	-	2,110,000	-	-
QZAB Bonds payable	12,986,000	-	-	12,986,000	1,970,590
Capital Lease	3,470	-	3,470	-	-
Severance payable	346,616	-	70,665	275,951	86,566
Unamortized premium	78,409	-	7,129	71,280	-
Unamortized discount	(148,072)	-	28,088	(119,984)	-
Total	$ 41,176,394	$ -	$ 3,401,281	$ 37,831,289	$ 2,741,676

Due within one year	$ 2,741,676
Due in more than one year	35,138,317
Unamortized discount/premium	(48,704)
	$ 37,831,289

NOTE 5 – LEASES

On September 19, 2016, the District entered into a lease with the City of Albert Lea to use the City Arena for the District's hockey programs and Hayek Field for the District's baseball games and practices. Total lease cost for the 2020-21 season was $81,055. The terms of the lease commenced on October 3, 2016 and continue to June 30, 2021 when the lease terminates.

NOTE 5 – LEASES (CONTINUED)

The District entered into a one year lease beginning August 2020 and ending in June 2021 for the use of six classrooms and a computer lab at the Albert Lea Campus of Riverland Community College. Lease payments for 2020-21 totaled $50,280.

The District also leased vehicles on a short term basis for Driver's Education. The total paid out in fiscal year 2020-21 totaled $10,250.

In 2020-2021 the District entered into a lease agreement with E.O. Johnson to lease copiers and related equipment. The inception date is July 1, 2020. The first payment date is July 20, 2020 and the last payment date is June 20, 2025. Total payments per month are $7,670 for 60 months. Lease payments for 2020-21 totaled $92,040. Future lease payments are as follows:

2021-2022	$ 92,040
2022-2023	92,040
2023-2024	92,040
2024-2025	92,040
2025-2026	-
Total	$ 368,160

NOTE 6 – FUND BALANCE CLASSIFICATIONS

At June 30, 2021 the District has recorded the following fund balance classifications:

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
General Fund						
Student activities	$ -	$ 250,249	$ -	$ -	$ -	$ 250,249
Scholarships	-	209,628	-	-	-	209,628
Staff Development	-	42,079	-	-	-	42,079
Operating Capital	-	28,701	-	-	-	28,701
Safe schools levy	-	94,558	-	-	-	94,558
Basic skills	-	134,160	-	-	-	134,160
Basic skills extended	-	46,870	-	-	-	46,870
Long-term Facilities Maintenance	-	-	-	-	(428,466)	(428,466)
Prepaid expenses	16,149	-	-	-	-	16,149
Q Comp	-	-	165,537	-	-	165,537
Undesignated	-	-	-	-	5,977,422	5,977,422
Food Service						
Inventory and prepaid	57,645	-	-	-	-	57,645
Food Service	-	429,738	-	-	-	429,738
Community Service						
Community education programs	-	175,295	-	-	-	175,295
Early childhood family education	-	118,519	-	-	-	118,519
School readiness	-	102,372	-	-	-	102,372
Adult basic education	-	111,021	-	-	-	111,021
Other community service	-	26,523	-	-	-	26,523

NOTE 6 – FUND BALANCE CLASSIFICATIONS (CONTINUED)

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Building Construction	-	78,852	-	-	-	78,852
Debt Service Fund						
Debt Service	-	799,797	-	-	-	799,797
QZAB payments	-	176,854	-	-	-	176,854
Total	$ 73,794	$ 2,825,216	$ 165,537	$ -	$ 5,548,956	$ 8,613,503

The District shall classify its fund balances in its various funds in one or more of the following five classifications: nonspendable, restricted, committed, assigned and unassigned.

The District has the following fund balance policy:

- **Minimum Fund Balance** – The District will strive to maintain a minimum unassigned general fund balance of twelve percent (12%) of the annual budget, excluding Long Term Facility Maintenance (LTFM), operating capital, student activities, scholarships and TRA/PERA Special Funding Situation Pension expense (UFARS Object 891). The District's unassigned fund balance at June 30, 2021 is 11.27% of the total annual expenditures. The unassigned fund balance as described in District Policy No. 714 is 12.03% which meets the 12.0% goal of the District.

- **Order of Resource Use** – If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

- **Committed Fund Balance** – A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

- **Assigning Fund Balance** – The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: Superintendent and Deputy Superintendent. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board.

  An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Public Employees Retirement Association

A. Plan Descriptions
The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Retirement Fund
The General Employees Retirement Plan covers certain full time and part-time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided
PERA provide 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.

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 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 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 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 June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. 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 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were $454,935. The District's contributions were equal to the required contributions as set by state statute.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of $5,252,000 for its proportionate share of the General Employees Fund's net pension liability. The 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 District totaled $14,095. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0876 percent at the end of the measurement period and 0.0862 percent for the beginning of the period.

District's proportionate share of the net pension liability	$	5,252,020
State of Minnesota's proportionate share of the net pension liability associated with the District		161,951
Total	$	5,413,971

For the year ended June 30, 2021, the District recognized pension expense of $277,001 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $14,095 as grant revenue for its proportionate share of the State of Minnesota's contribution for the annual $16 million contribution.

At June 30, 2021, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 47,207	$ 19,871
Changes in actuarial assumptions	$ -	$ 195,576
Net collective difference between projected and actual investment earnings	$ 74,583	$ -
Changes in proportion	$ 67,602	$ 128,233
Contributions paid to PERA subsequent to the measurement date	$ 454,935	$ -
Total	$ 644,327	$ 343,680

The $454,935 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Year ended June 30	Pension Expense Amount
2022	$ (360,918)
2023	$ (39,341)
2024	$ 119,080
2025	$ 126,891

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25 percent per year
Active Member Payroll Growth	3.00 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on Pub-2010 General Employee Mortality tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

Changes in Actuarial Assumptions:

- 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

- 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.

Changes in Plan Provisions

- 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..

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 Stocks	35.5%	5.10%
Private Markets	17.5%	5.30%
Fixed Income	20.0%	0.75%
International Equity	25.0%	5.90%
Cash Equivalents	2.0%	0.00%
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 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 statute. Based on these assumptions, the fiduciary net position of the General Employees Fund was 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.

G. Pension Liability Sensitivity

The following presents the 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 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:

	1% Lower 6.50%	Current Discount Rate 7.50%	1% Higher 8.50%
Sensitivity of Net Pension Liability at Current Single Discount Rate (in thousands)	$ 8,613,313	$ 5,252,020	$ 2,465,737

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. 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.

Teachers Retirement Association

A. 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 Define Contribution Plan (DCR) administered by the State of Minnesota.

B. 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 Benefits

Tier I:	Step Rate Formula	Percentage
Basic	First 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 up 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 up 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:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

(b) 3 percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9 percent per year for coordinated members and 2.7 percent 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 calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans 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.

C. Contribution Rate
Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2019, June 30, 2020, and June 30, 2021 were:

	June 30, 2019		June 30, 2020		June 30, 2021	
	Employee	**Employer**	**Employee**	**Employer**	**Employee**	**Employer**
Basic	11.00%	11.71%	11.00%	11.92%	11.00%	12.13%
Coordinated	7.50%	7.71%	7.50%	7.92%	7.50%	8.13%

The following is a reconciliation of employer contributions in TRA's fiscal year 2020 CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

	in thousands
Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$ 425,223
Add employer contributions not related to future contribution efforts	(56)
Deduct TRA's contributions not included in allocation	(508)
Total employer contributions	$ 424,659
Total non-employer contributions	35,587
Total contributions reported in Schedule of Employer and Non-Employer Allocations	$ 460,246

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.

D. Actuarial Assumptions
The total pension liability in the June 30, 2020, 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, 2020
Experience Study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25%, after June 30, 2028
Projected salary increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028
Cost of living adjustment	1% for January 2020 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 five 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 adjustment.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
Unallocated Cash	2.0%	0.00%
Total	100.0%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 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.

Changes in actuarial assumptions since the 2018 valuation:

- 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 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

- 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, and 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.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. There was no change 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 2020 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).

F. Net Pension Liability

On June 30, 2021, the District reported a liability of $27,964,087 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 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 0.3785% at the end of the measurement period and 0. 3859% 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:

District's proportionate share of net pension liability	$ 27,964,087
State's proportionate share of the net pension liability associated with the District	$ 2,343,361

For the year ended June 30, 2021, the District recognized pension expense of $2,690,001. It also recognized $214,668 as an increase to pension expense for the support provided by direct aid.

At June 30, 2021, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 560,793	$ 215,678
Net difference between projected and actual investment earnings on pension plan investments	$ 446,520	$ -
Changes of assumptions	$ 21,048	$ 19,378,775
Changes in proportion	$ 1,166,595	$ 393,065
District's contributions subsequent to measurement date (July 1, 2020 through June 30, 2021)	$ 1,772,082	$ -
Total	$ 3,967,038	$ 19,987,518

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year ended June 30	Pension Expense Amount	
2022	$	(6,927,675)
2023	$	(5,931,264)
2024	$	(5,520,286)
2025	$	598,907
2026	$	37,756
Thereafter	$	-

G. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.50%, as well as what the net pension liability would be if were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
$42,812,722	$27,964,087	$15,729,563

The District'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.

H. 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 may be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire Drive Suite 400, St. Paul, Minnesota, 55103-4000; or by calling (651)-296-2409 or (800)-657-3669.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLAN

A. General Information about the OPEB Plan

Plan description. As noted in Note 1, the District provides post-retirement health care benefits based on provisions in the master contract.

Benefits provided. The District will contribute toward the premium for group health and hospitalization for those teachers who are eligible. The amount to be contributed shall remain at the amount contributed by the District for the teacher leaving under the Master Contract in effect at the time of the teacher's severance or retirement at the levels prescribed.

Employees covered by benefit terms. At June 30, 2021, the following employees were covered by the benefit terms:

Active employees	395
Retirees receiving payments	43

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Notes to Financial Statements (continued)
June 30, 2021

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

The OPEB plan was closed to new entrants beginning with the 2012-2013 school year depending on which employee group they belong to.

B. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the actuarial assumptions applied to all periods included in the measurement period. Since the last valuation, the following changes have been made:

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- 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.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations to the rates used in the 7/1/2019 valuations.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 5% to 15% to reflect recent plan experience.
- The percent of future Teacher and Administrative Assistant retirees assumed to elect retiree life insurance at retirement changed from 55% to 100% to reflect recent plan experience.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience. The following table provides the changes for assumed percent electing each plan:

Medical Plan	Fiscal 2021 Valuation	Fiscal 2020 Valuation
$1,200 HRA	30%	45%
$2,250 HRA	25%	25%
$3,000 HRA	45%	30%
$6,350 / $12,700 MVP	n/a	0%

Discount rate. Per GASB guidance, the single rate that produces the same present value of expected benefit payments as (1) the expected long-term rate of return on plan assets during the period when projected assets are sufficient to pay future retiree benefits, and (2) the 20-year municipal bond rate after assets are projected to be exhausted.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Changes in the Net OPEB Liability

	Increase (Decrease) Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2019[1]	$ 5,913,642	$ -	$ 5,913,642
Changes from the Prior Year:			
Service Cost	429,836	-	429,836
Interest	189,732	-	189,732
Differences between Expected and Actual Experience [2]	1,295,880	-	1,295,880
Assumption Changes	(84,445)	-	(84,445)
Changes in benefit terms	(2,460)	-	(2,460)
Employer Contributions[3]	-	563,520	(563,520)
Projected Investment Return	-	-	-
Benefit Payments[3]	(563,520)	(563,520)	-
Total Net Changes	1,265,023	-	1,265,023
Balances at June 30, 2020[1]	$ 7,178,665	$ -	$ 7,178,665

[1]The District has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.
[2]Approximately $480K of the increase/(decrease) is due to the change in premiums and assumed claims costs and $816K is due to all other experience changes.
[3]Benefit payments equal $387,357 explicit subsidy payments to retirees and $176,163 implicit subsidy costs incurred during the measurement period ending 6/30/2020.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.45%) or 1-percentage-point higher (3.45%) that the current discount rate:

	1% Decrease (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
Net OPEB Liability	$ 7,543,157	$ 7,178,665	$ 6,819,564

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.20% decreasing to 3.00%) or 1-percentage-point higher (7.20% decreasing to 5.00%) than the current healthcare cost trend rates:

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

	5.20% decreasing to 3.00%	Healthcare Cost Tred Rates 6.20% decreasing to 4.00%	7.20% decreasing to 5.00%
Net OPEB Liability	$ 6,648,064	$ 7,178,665	$ 7,797,743

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available on page 27 of these financial statements.

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of $583,127. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,145,546	$ 16,146
Changes of assumptions	102,869	732,268
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions between measurement date and reporting date	598,719	N/A
Total	$ 1,847,134	$ 748,414

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	
2022	$ 21,794
2023	$ 21,794
2024	$ 21,794
2025	$ 21,794
2026	$ 48,157
Thereafter	$ 364,668
	$ 500,001

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District offers its employees a flexible benefit plan which is classified as a "cafeteria plan" under §125 of the Internal Revenue Code (which includes pre-tax insurance premiums, unreimbursed medical expenses, and dependent care expenses). All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan. Payments are made from the plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the plan year, which is from January 1, to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the plan, whether or not such contributions have been made.

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

NOTE 10 – FUND TRANSFERS

For fiscal years 2020 and 2021 only, a school district, charter school, or cooperative unit may transfer any funds not already assigned or encumbered by staff salary and benefits, or otherwise encumbered by federal law, from any accounts or operating funds to the undesignated balance in any other operating fund. The transfer is allowed if the transfer meets the criteria from Minnesota Laws 2020, Chapter 116 House File 4415. The District transferred $47,299 to the Community Service Fund Restricted Fund Balance from the Community Service Fund ECFE Fund Balance. These transfers were made to help with distance learning expenditures due to the COVID-19 pandemic.

During the 2021 year the District approved a transfer from the General Fund to the Food Service Fund to allow for write-off of student receivable balances in the amount of $22,001.

At June 30, 2021 the District closed its OPEB Debt Service Fund and transferred the fund balance to the General Debt Service Fund. The amount of the transfer was $347,535.

NOTE 11 – AUSTIN ALBERT LEA AREA SPECIAL EDUCATION COOPERATIVE

On July 1, 2015 the District entered into a Joint Powers Agreement with ISD No. 492 Austin Public Schools. The name of the Joint Powers Cooperative shall be Austin Albert Lea Area Special Education Cooperative (AALASEC). The purpose of the AALASEC is to provide, by cooperative effort, special education instructional programs and related services for children and youth with low incidence disabilities for Member Districts.

The District made a payment in the amount of $162,811 as their share of the capital lease payment that is paid to Austin Public School ISD No. 492.

The Cooperative has a separate board and audit.

NOTE 12 – EXPENDITURES EXCEEDING BUDGET

The following funds had expenditures exceeding budget:

Fund	Approved Budget	Actual Expenditures	Amount Over Budget
Capital Projects - Building Construction Fund	$ 1,622,015	$ 1,643,406	$ 21,391
General Debt Service Fund	$ 2,096,142	$ 2,096,616	$ 474

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending, mostly of a minor nature and usually covered by insurance carried for that purpose.

B. Federal and State Receivables

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

C. Construction Projects

In August of 2018 the District issued General Obligation Bonds with a par value of $23,603,975. The District incurred costs of $1,643,406 towards the funded projects in the 2020-2021 fiscal year. The District has funds remaining of $78,852 to be used in 2021-2022 to complete the projects.

NOTE 14 – TRA SPECIAL FUNDING FROM THE STATE OF MINNESOTA

During the year ended June 30, 2021, the District is recording $214,468 of support that it received from the State of Minnesota for TRA special funding situation per GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 in the fund statements of the District. The District also recognized $14,095 for the District's proportionate share of support in the General Employees Plan for PERA received from the State of Minnesota.

NOTE 15– PRIOR PERIOD RESTATEMENT

During the year ended June 30, 2021 the District has two prior period restatements. One is for the addition of $338,578 to construction in progress that was not included in the June 30, 2020 balance. The other addition was to include the new health insurance trust in the amount of $1,099,885. The District transferred the cash for the health insurance trust on June 30, 2020. There was no activity until the 2020-21 fiscal year. The total prior period restatement was $1,438,463. This increased the June 30, 2020 net position of ($21,854,360) to ($20,415,897).

NOTE 16– SUBSEQUENT EVENTS

The outbreak of COVID-19 caused some disruption to the District. Starting in March 2020 the District had to go to distance learning. The 2020-21 school year continues to be impacted by COVID-19. The District is working within guidelines provided by the State of Minnesota provided for in school learning as much as is possible. The District will need to continue to monitor the health of staff and students to determine if they can continue in-school education. If the District runs into cases affecting staff and or students the District will need to switch to distance learning. COVID-19 has also impacted start times for extra-curricular activities. Their activities will be under continuous monitoring also. The District will incur additional cost for cleaning and additional costs for childcare for essential workers. The additional total cost is not known at this time.

SECTION III – OTHER REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Year Ended June 30, 2021

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2015	6/30/2014	0.09650%	$ 4,534,742	$ -	$ 4,534,742	$ 5,417,118	83.72%	107.76%
6/30/2016	6/30/2015	0.09380%	$ 4,861,203	$ -	$ 4,861,203	$ 5,651,039	86.02%	100.32%
6/30/2017	6/30/2016	0.09080%	$ 7,372,510	$ 96,303	$ 7,468,813	$ 5,809,034	126.91%	93.67%
6/30/2018	6/30/2017	0.09120%	$ 5,822,148	$ 73,233	$ 5,895,381	$ 5,800,614	100.37%	93.89%
6/30/2019	6/30/2018	0.09020%	$ 5,003,926	$ 164,034	$ 5,167,960	$ 5,781,571	86.54%	104.45%
6/30/2020	6/30/2019	0.08620%	$ 4,765,805	$ 147,994	$ 4,913,799	$ 6,229,070	82.43%	110.00%
	6/30/2020	0.08760%	$ 5,252,020	$ 161,951	$ 5,413,971	$ 6,092,460	82.17%	94.84%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2021

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	$ 407,066	$ 407,066	$ -	$ 5,417,118	7.50%
6/30/2016	$ 423,832	$ 423,832	$ -	$ 5,651,039	7.50%
6/30/2017	$ 438,682	$ 438,682	$ -	$ 5,809,034	7.50%
6/30/2018	$ 435,047	$ 435,047	$ -	$ 5,800,614	7.50%
6/30/2019	$ 436,900	$ 436,900	$ -	$ 5,781,571	7.50%
6/30/2020	$ 467,181	$ 467,181	$ -	$ 6,229,070	7.50%
6/30/2021	$ 454,935	$ 454,935	$ -	$ 6,092,460	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). The schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Year Ended June 30, 2021

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2015	6/30/2014	0.39090%	$ 18,012,391	$ 1,267,150	$ 19,279,541	$ 18,262,394	98.64%	106.75%
6/30/2016	6/30/2015	0.35980%	$ 22,257,188	$ 2,729,834	$ 24,987,022	$ 18,969,059	117.33%	81.68%
6/30/2017	6/30/2016	0.36480%	$ 87,013,504	$ 8,733,529	$ 95,747,033	$ 18,975,787	458.60%	44.88%
6/30/2018	6/30/2017	0.37200%	$ 74,257,948	$ 7,178,981	$ 81,436,929	$ 20,023,781	370.80%	51.57%
6/30/2019	6/30/2018	0.38120%	$ 23,942,928	$ 2,249,431	$ 26,192,359	$ 21,061,120	113.70%	78.07%
6/30/2020	6/30/2019	0.38590%	$ 24,597,347	$ 2,177,045	$ 26,774,392	$ 21,965,153	111.98%	141.34%
	6/30/2020	0.37850%	$ 27,964,087	$ 2,343,361	$ 30,307,448	$ 21,809,118	128.23%	157.28%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2021

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	$ 1,368,633	$ 1,368,633	$ -	$ 18,262,394	7.50%
6/30/2016	$ 1,425,522	$ 1,425,522	$ -	$ 18,969,059	7.50%
6/30/2017	$ 1,425,522	$ 1,425,522	$ -	$ 19,006,960	7.50%
6/30/2018	$ 1,501,784	$ 1,501,784	$ -	$ 20,023,781	7.50%
6/30/2019	$ 1,579,584	$ 1,579,584	$ -	$ 21,061,120	7.71%
6/30/2020	$ 1,689,014	$ 1,689,014	$ -	$ 21,965,153	7.92%
6/30/2021	$ 1,772,082	$ 1,772,082	$ -	$ 21,809,118	8.13%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). The schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Required Supplementary Information
Schedule of Changes in the District's Net OPEB Liability and Related Ratios

	Fiscal Year Ending 6/30/2021	Fiscal Year Ending 6/30/2020	Fiscal Year Ending 6/30/2019
Total OPEB Liability:			
Service cost	$ 429,836	$ 382,855	$ 450,592
Interest	189,732	212,032	238,141
Differences between expected and actual experience	1,295,880	-	(25,425)
Changes of assumptions	(84,445)	135,945	(860,829)
Changes of benefit terms	(2,460)	-	8,707
Benefit payments	(563,520)	(583,127)	(681,729)
Net change in total OPEB liability	1,265,023	147,705	(870,543)
Total OPEB liability - beginning of year	5,913,642	5,765,937	6,636,480
Total OPEB liability - end of year (a)	$ 7,178,665	$ 5,913,642	$ 5,765,937
Plan fiduciary net position			
Contrtibutions - employee	$ -	$ -	$ -
Contrtibutions - employer	563,520	583,127	681,729
Net investment income	-	-	-
Benefit payments	(563,520)	(583,127)	(681,729)
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning of year	-	-	-
Plan fiduciary net position - end of year (b)	$ -	$ -	$ -
District's net OPEB liability - ending (a) - (b)	$ 7,178,665	$ 5,913,642	$ 5,765,937
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered-employee payroll	26,842,691	26,983,620	25,786,220
District's net OPEB liability as a percentage of covered-employee payroll	25.57%	21.90%	22.4%

Notes to Schedule:
The District has elected to use the GASB 75 "lookback" method where assets and liabilities are measured up to a year prior to fiscal year-end, but applied to the current fiscal year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, this is the first year for which information is available.

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Notes to Required Supplementary Information
June 30, 2021

NOTE 1 – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

2020 Changes
Changes in Actuarial Assumptions – 1) The price inflation assumption was decreased from 2.50% to 2.25%. 2) The payroll growth assumption was decreased from 3.25% to 3.00%. 3) 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. 4) 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. 5) 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. 6) 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. 7) 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. 8) The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. 9) The assumed spouse age difference was changed from two years older for females to one year older. 10) 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.

Changes in Plan Provisions – 1) 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 Changes
Changes in Actuarial Assumptions – 1) The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions – 1) The employer supplemental contribution was changed prospectively, decreasing from $31 million to $21 million per year. The State's special funding contribution was changed prospectively, requiring $16 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions – 1) The morality projection scale was changed from MP-2015 to MP-2017. 2) The assumed benefit increase was changed from 1 percent per year through 2044 and 2.5 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions – 1) 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, 2034. 2) Interest credited on member contributions decreased from 4 percent to 3 percent, beginning July 1, 2018. 3) Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. 4) Contribution stabilizer provisions were repealed. 5) Postretirement benefit increases were changed from 1 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost-of-Living Adjustment, not less than 1 percent and not more than 1.5 percent, beginning January 1, 2019. 6) 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. 7) Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

NOTE 1 – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

2017 Changes
Changes in Actuarial Assumptions – 1) The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA load are now 0 percent for active member liability, 15 percent for vested deferred member liability, and 3 percent for non-vested deferred member liability. 2) The assumed postretirement benefit increase rate was changed for 1 percent per year for all years to 1 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions – 1) The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter. 2) The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar year 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes
Changes in Actuarial Assumptions – 1) The assumed postretirement benefit increase rate was changed from 1 percent per year through 2035 and 2.50 percent per year thereafter to 1 percent per year for all years. 2) The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent. 3) Other assumptions were changed pursuant to the experience study 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.

Changes in Plan Provisions – 1) There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions – 1) The assumed postretirement benefit increase rate was changed from 1 percent per year through 2030 and 2.5 percent per year thereafter to 1 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions – 1) 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 increase the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6 million, which meets the special funding situation definition, was due September 2015.

NOTE 2 – TEACHERS RETIREMENT ASSOCIATION

7/1/2020 Valuation
Changes in Actuarial Assumptions – 1) Assumed termination rates were changed to more closely reflect actual experience. 2) The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale. 3) Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

NOTE 2 – TEACHERS RETIREMENT ASSOCIATION (CONTINUED)

7/1/2018 Valuation
Changes in Actuarial Assumptions – 1) The investment return assumption was changed from 8.50% to 7.50%. 2) The price inflation assumption was lowered from 3.00% to 2.50%. 3) The payroll growth assumption was lowered from 3.50% to 3.00%. 4) The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter. 5) The total salary increase assumption was adjusted by the wage inflation change. 6) The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years). 7) A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

Note: Most of these changes were made previously for GASB purposes in the 2017 GASB valuation.

7/1/2017 Valuation
Changes in Actuarial Assumptions – 1) The Cost of Living Adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045. 2) Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0 percent and the non-vested inactive load increased from 4.0 percent to 9.0 percent. For GASB valuation: 1) The investment return assumption was changed from 8.00 percent to 7.50 percent. 2) The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years. 3) The price inflation assumption was lowered from 2.75 percent to 2.50 percent. 4) The payroll growth assumption was lowered from 3.50 percent to 3.00 percent. 5) The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years followed by 3.25 percent, thereafter. 6) The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

7/1/2016 Valuation
Changes in Actuarial Assumptions – 1) The Cost of Living Adjustment was not assumed to increase for funding or GASB calculation (it remained at 2.0 percent for all future years). 2) The price inflation assumption was lowered from 3.00 percent to 2.75 percent. 3) The general wage growth and payroll growth assumptions were lowered from 3.75 percent to 3.50 percent. 4) Minor changes as some durations for the merit scale of the salary increase assumption. 5) The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale. 6) The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. 7) The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment. 8) Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirement for retirement eligibility. 9) Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience. 10) A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

7/1/2015 Valuation
Changes in Actuarial Assumptions – 1) The cost-of-living (COLA) adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2037, for funding calculations. The COLA was not assumed to increase for GASB calculations. 2) The investment return assumption was changed from 8.25 percent to 8.00 percent.

NOTE 3 – NET OPEB LIABILITY

2017 Changes
Changes of assumptions: The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality table was updated from RP 2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated. The discount rate was changed from 3.00% to 2.80%. The percentage of future retirees not eligible for a post-employment subsidy who are assumed to continue to one of the District's medical plans was reduced from 50% to 40%.

2018 Changes
Benefit changes: None.

Assumption Changes: The discount rate was changed from 2.80% to 3.20% as of June 30, 2018.

2019 Changes
Benefit changes: None.

Assumption Changes: 1) The health care trend rates were changed to better anticipate short term and long term medical increases. 2) The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. 3) The expected long-term investment return was changed from 1.90% to 2.00%. 4) The discount rate was changed from 3.20% to 2.90%.

2020 Changes
Benefit changes: None.

Assumption Changes: 1) The discount rate was changed from 2.90% to 2.30%.

2021 Changes
Benefit changes: None

Assumption Changes: 1) The discount rate was changed from 2.30% to 2.45%. 2) The inflation rate is 2.50%

SECTION IV – COMBINING STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Debt Service Funds
Combining Balance Sheet
As of June 30, 2021
(with Comparative Totals as of June 30, 2020)

	Fund		Totals	
	General Debt Service	OPEB Debt Service	2021	2020
Assets				
Cash and investments	$ 2,240,838	$ -	$ 2,240,838	$ 3,274,746
Current property taxes receivable	1,510,757	-	1,510,757	1,362,809
Delinquent property taxes receivable	86,174	-	86,174	72,690
Due from Minnesota Department of Education	73,044	-	73,044	63,668
Total Assets	$ 3,910,813	$ -	$ 3,910,813	$ 4,773,913
Deferred Inflows of Resources				
Deferred revenue - property taxes levied for subsequent year's expenditures	$ 2,847,988	$ -	$ 2,847,988	$ 2,938,852
Unavailable revenue - delinquent taxes	86,174	-	86,174	72,690
Total Deferred Inflows of Resources	2,934,162	-	2,934,162	3,011,542
Fund Balances				
Restricted	799,797	-	799,797	1,657,371
Restricted for QZAB and QSCB payments	176,854	-	176,854	105,000
Total Fund Balances	976,651	-	976,651	1,762,371
Total Deferred Inflows of Resources and Fund Balances	$ 3,910,813	$ -	$ 3,910,813	$ 4,773,913

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Debt Service Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021
(with Comparative Totals for Year Ended June 30, 2020)

	Fund		Totals	
	General Debt Service	OPEB Debt Service	2021	2020
Revenues				
Property taxes	$ 650,767	$ 2,241,154	$ 2,891,921	$ 2,822,899
Investment earnings and other local revenue	23,757	-	23,757	42,898
Revenue from state sources	701,454	28,960	730,414	671,045
Federal aid received directly from federal sources	254,387	-	254,387	253,712
Total Revenues	1,630,365	2,270,114	3,900,479	3,790,554
Expenditures				
Principal	1,181,929	2,110,000	3,291,929	3,145,436
Interest and fiscal charges	914,687	63,300	977,987	1,061,401
Total Expenditures	2,096,616	2,173,300	4,269,916	4,206,837
Excess of revenues over (under) expenditures	(466,251)	96,814	(369,437)	(416,283)
Other Financing Sources (Uses)				
Transfer from OPEB Debt Service Fund	347,535	-	347,535	-
Transfer to Debt Service Fund	-	(347,535)	(347,535)	-
Total Other Financing Sources (Uses)	347,535	(347,535)	-	-
Excess of revenues and other financing sources over (under) expenditures and other uses	$ (118,716)	$ (250,721)	$ (369,437)	$ (416,283)
Changes in Fund Balances				
Fund balances, beginning of year	$ 1,095,367	$ 250,721	$ 1,346,088	$ 1,762,371
Excess of revenues over (under) expenditures	(118,716)	(250,721)	(369,437)	(416,283)
Fund balances, end of year	$ 976,651	$ -	$ 976,651	$ 1,346,088

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Nonmajor Governmental Funds
Combining Balance Sheet
As of June 30, 2021
(with Comparative Totals as of June 30, 2020)

	Fund: Food Service	Fund: Community Service	Totals: 2021	Totals: 2020
Assets				
Cash and investments	$ 249,891	$ 594,033	$ 843,924	$ 536,339
Current property taxes receivable	-	108,935	108,935	127,744
Delinquent property taxes receivable	-	6,959	6,959	6,421
Other accounts receivable	20,507	12,450	32,957	35,069
Due from other Minnesota school districts	-	61,845	61,845	92,489
Due from Minnesota Department of Education	286	38,403	38,689	34,875
Due from Federal Government through Minnesota Department of Education	238,123	11,448	249,571	143,443
Due from other governmental units	-	21,547	21,547	3,000
Inventory	57,645	-	57,645	64,818
Prepaid expenses	-	-	-	280
Total Assets	$ 566,452	$ 855,620	$ 1,422,072	$ 1,044,478
Liabilities				
Salaries and compensated absences payable	$ 3,773	$ 46,959	$ 50,732	$ 38,395
Other accounts payable	29,452	8,316	37,768	86,176
Due to other Minnesota school districts	-	-	-	371
Unearned revenue	45,844	24,515	70,359	38,698
Total Liabilities	79,069	79,790	158,859	163,640
Deferred Inflows of Resources				
Deferred revenue - property taxes levied for subsequent year's expenditures	-	235,141	235,141	238,344
Unavailable revenue - delinquent taxes	-	6,959	6,959	6,421
Total Deferred Inflows of Resources	-	242,100	242,100	244,765
Fund Balances				
Nonspendable - Food Service	57,645	-	57,645	64,818
Restricted - Food Service	429,738	-	429,738	219,638
Restricted for community education	-	175,295	175,295	121,133
Restricted for early childhood and family education	-	118,519	118,519	101,427
Reserved for school readiness	-	102,372	102,372	47,768
Reserved for adult basic education	-	111,021	111,021	75,397
Restricted for other community education programs	-	26,523	26,523	5,892
Total Fund Balances	487,383	533,730	1,021,113	636,073
Total Liabilities and Fund Balances	$ 566,452	$ 855,620	$ 1,422,072	$ 1,044,478

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021
(with Comparative Totals for Year Ended June 30, 2020)

	Fund: Food Service	Fund: Community Service	Totals: 2021	Totals: 2020
Revenues				
Property taxes	$ -	$ 234,446	$ 234,446	$ 232,302
Tuition, fees, and admissions	-	593,325	593,325	522,344
Investment earnings and other local revenue	7,442	70,817	78,259	47,586
Revenue from state sources	27,767	381,005	408,772	384,397
Federal aids received through Minnesota Department of Education and other agencies	1,804,485	17,852	1,822,337	1,313,930
Local sales and other revenue	52,961	-	52,961	387,587
Total Revenues	1,892,655	1,297,445	3,190,100	2,888,146
Expenditures				
Food service	1,711,729	-	1,711,729	1,747,234
Community education and service	-	1,115,332	1,115,332	1,116,274
Total Expenditures	1,711,729	1,115,332	2,827,061	2,863,508
Excess of revenues over (under) expenditures	180,926	182,113	363,039	24,638
Other Financing Sources (Uses)				
Transfer (to) from other fund	22,001	-	22,001	32,870
Total other Financing Sources (Uses)	22,001	-	22,001	32,870
Excess of revenues and other financing sources over (under) expenditures and other financing uses	$ 202,927	$ 182,113	$ 385,040	$ 57,508
Changes in Fund Balances				
Fund balances, beginning of year	$ 284,456	$ 351,617	$ 636,073	$ 578,565
Excess of revenues and other financing sources over (under) expenditures and other financing uses	202,927	182,113	385,040	57,508
Fund balances, end of year	$ 487,383	$ 533,730	$ 1,021,113	$ 636,073

SECTION V – INDIVIDUAL FUND SCHEDULES

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(with Comparative Information for Year Ended June 30, 2020)

	2021 Budget	2021 Actual	2021 Over (Under) Budget	2020 Actual
Revenues				
Property taxes	$ 5,737,164	$ 5,751,885	$ 14,721	$ 5,436,445
Tuition, fees, and admissions	545,790	676,398	130,608	700,268
Investment earnings and other local revenue	378,960	254,354	(124,606)	1,141,561
Revenue from state sources	42,100,112	41,974,794	(125,318)	42,130,974
Federal aids received through Minnesota Department of Education	3,818,527	3,539,207	(279,320)	1,987,135
Local sales and other revenue	134,939	-	(134,939)	402
Total Revenues	52,715,492	52,196,638	(518,854)	51,396,785
Expenditures				
Administration	2,032,233	2,005,781	(26,452)	2,113,361
District support services	2,389,742	2,223,751	(165,991)	2,053,272
Elementary and secondary regular instruction	21,577,975	21,801,415	223,440	20,668,781
Vocational education instruction	857,255	901,141	43,886	782,867
Special education instruction	13,242,163	13,046,887	(195,276)	13,195,270
Instructional support services	2,537,015	2,642,635	105,620	2,625,133
Pupil support services	3,884,031	3,820,299	(63,732)	4,102,712
Sites, buildings and equipment	6,112,668	6,322,728	210,060	4,942,301
Fiscal and other fixed cost programs	579,345	259,620	(319,725)	147,548
Total Expenditures	53,212,427	53,024,257	(188,170)	50,631,245
Excess of revenues over (under) expenditures	(496,935)	(827,619)	(330,684)	765,540
Other Financing Sources (Uses)				
Transfer (to) other funds	-	(22,001)	(22,001)	(32,870)
Sale of equipment	-	3,627	3,627	6,970
Total Other Financing Sources (Uses)	-	(18,374)	(18,374)	(25,900)
Excess of revenues and other financing sources over (under) expenditures and other uses	$ (496,935)	$ (845,993)	$ (349,058)	$ 739,640
Changes in Fund Balance				
Fund balance, beginning of year		$ 7,382,880		$ 6,514,222
Prior period restatement		-		129,018
Fund balance, beginning of year - as restated		7,382,880		6,643,240
Excess of revenues and other financing sources over (under) expenditures and other uses		(845,993)		739,640
Fund balance, end of year		$ 6,536,887		$ 7,382,880

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Capital Projects - Building Construction Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(with Comparative Information for Year Ended June 30, 2020)

	2021 Budget	2021 Actual	2021 Over (Under) Budget	2020 Actual
Revenues				
Investment earnings and other local revenue	$ 1,000	$ 952	$ (48)	$ 127,957
Local sales and other revenue	-	-	-	27,972
Total Revenues	1,000	952	(48)	155,929
Expenditures				
Sites, buildings and equipment	1,622,015	1,643,406	21,391	11,862,749
Total Expenditures	1,622,015	1,643,406	21,391	11,862,749
Excess of revenues over (under) expenditures	(1,621,015)	(1,642,454)	(21,439)	(11,706,820)
Other Financing Sources (Uses)				
Sale of bonds	-	-	-	555,000
Total Other Financing Sources (Uses)	-	-	-	555,000
Excess of revenues and other financing sources over (under) expenditures and other uses	$ (1,621,015)	$ (1,642,454)	$ (21,439)	$ (11,151,820)
Changes in Fund Balance				
Fund balance, beginning of year		$ 1,721,306		$ 12,873,126
Excess of revenues and other financing sources over (under) expenditures and other uses		(1,642,454)		(11,151,820)
Fund balance, end of year		$ 78,852		$ 1,721,306

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

General Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(with Comparative Information for Year Ended June 30, 2020)

	2021 Budget	2021 Actual	2021 Over (Under) Budget	2020 Actual
Revenues				
Property taxes	$ 676,071	$ 650,767	$ (25,304)	$ 573,645
Investment earnings and other local revenue	1,500	23,757	22,257	42,898
Revenue from state sources	698,238	701,454	3,216	636,241
Federal aid received directly from federal sources	254,387	254,387	-	253,712
Total Revenues	1,630,196	1,630,365	169	1,506,496
Expenditures				
Principal	1,181,929	1,181,929	-	1,095,436
Interest and fiscal charges	914,213	914,687	474	924,814
Total Expenditures	2,096,142	2,096,616	474	2,020,250
Excess of revenues over (under) expenditures	(465,946)	(466,251)	(305)	(513,754)
Other Financing Sources (Uses)				
Transfer In From OPEB Debt Service Fund	-	347,535	347,535	-
Total Other Financing Sources (Uses)	-	347,535	347,535	-
Excess of revenues and other financing sources over (under) expenditures and other uses	$ (465,946)	$ (118,716)	$ 347,230	$ (513,754)
Changes in Fund Balance				
Fund balance, beginning of year		$ 1,095,367		$ 1,609,121
Excess of revenues and other financing sources over (under) expenditures and other uses		(118,716)		(513,754)
Fund balance, end of year		$ 976,651		$ 1,095,367

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

OPEB Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(with Comparative Information for Year Ended June 30, 2020)

	2021 Budget	2021 Actual	2021 Over (Under) Budget	2020 Actual
Revenues				
Property taxes	$ 2,252,068	$ 2,241,154	$ (10,914)	$ 2,249,254
Revenue from state sources	32,198	28,960	(3,238)	34,804
Total Revenues	2,284,266	2,270,114	(14,152)	2,284,058
Expenditures				
Principal	2,110,000	2,110,000	-	2,050,000
Interest and fiscal charges	63,300	63,300	-	136,587
Total Expenditures	2,173,300	2,173,300	-	2,186,587
Excess of revenues over (under) expenditures	110,966	96,814	(14,152)	97,471
Other Financing Sources (Uses)				
Transfer Out to Debt Service Fund	-	(347,535)	(347,535)	-
Total Other Financing Sources (Uses)	-	(347,535)	(347,535)	-
Excess of revenues and other financing sources over (under) expenditures and other uses	$ 110,966	$ (250,721)	$ (361,687)	$ 97,471
Changes in Fund Balance				
Fund balance, beginning of year		$ 250,721		$ 153,250
Excess of revenues and other financing sources over (under) expenditures and other uses		(250,721)		97,471
Fund balance, end of year		$ -		$ 250,721

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Food Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(with Comparative Information for Year Ended June 30, 2020)

	2021 Budget	2021 Actual	2021 Over (Under) Budget	2020 Actual
Revenues				
Investment earnings and other local revenue	$ -	$ 7,442	$ 7,442	$ 7,780
Revenue from state sources	112,644	27,767	(84,877)	78,923
Federal aids received through Minnesota Department of Education and other agencies	1,486,581	1,804,485	317,904	1,300,748
Local sales and other revenue	669,567	52,961	(616,606)	387,587
Total Revenues	2,268,792	1,892,655	(376,137)	1,775,038
Expenditures				
Pupil support services	2,264,054	1,711,729	(552,325)	1,747,234
Total Expenditures	2,264,054	1,711,729	(552,325)	1,747,234
Excess of revenues over (under) expenditures	4,738	180,926	176,188	27,804
Other Financing Sources (Uses)				
Transfer from General Fund	-	22,001	22,001	20,211
Total Other Financing Sources (Uses)	-	22,001	22,001	20,211
Excess of revenues and other financing sources over (under) expenditures and other uses	$ 4,738	$ 202,927	$ 198,189	$ 48,015
Changes in Fund Balance				
Fund balance, beginning of year		$ 284,456		$ 236,441
Excess of revenues and other financing sources over (under) expenditures and other uses		202,927		48,015
Fund balance, end of year		$ 487,383		$ 284,456

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Community Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(with Comparative Information for Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Property taxes	$ 232,863	$ 234,446	$ 1,583	$ 232,302
Tuition, fees, and admissions	543,727	593,325	49,598	522,344
Investment earnings and other local revenue	29,524	70,817	41,293	39,806
Revenue from state sources	307,145	381,005	73,860	305,474
Federal aids received through Minnesota Department of Education and other agencies	11,978	17,852	5,874	13,182
Total Revenues	1,125,237	1,297,445	172,208	1,115,108
Expenditures				
Community education and services	1,333,088	1,115,332	(217,756)	1,116,274
Total Expenditures	1,333,088	1,115,332	(217,756)	1,116,274
Excess of revenues over (under) expenditures	(207,851)	182,113	389,964	(3,166)
Other Financing Sources (Uses)				
Transfer from General Fund	-	-	-	12,659
Total Other Financing Sources (Uses)	-	-	-	12,659
Excess of revenues and other financing sources over (under) expenditures and other uses	$ (207,851)	$ 182,113	$ 389,964	$ 9,493
Changes in Fund Balance:				
Fund balance, beginning of year		$ 351,617		$ 342,124
Excess of revenues over (under) expenditures		182,113		9,493
Fund balance, end of year		$ 533,730		$ 351,617

SECTION VI – REQUIRED AUDITOR'S REPORTS AND FEDERAL SCHEDULE

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Education			
Pass-Through Independent School District No. 761			
Adult Education - Basic Grant	84.002	Not available	$ 11,978
Pass-Through Minnesota Department of Education			
Special Education Cluster			
Individuals with Disabilities Education Act (IDEA)			
Part B Section 611	84.027	01-0241-000-000	458,127
Individuals with Disabilities Education Act (IDEA)			
Part B Section 619	84.173	01-0241-000-000	25,206
Pyramid	84.173	01-0241-000-000	1,162
Total Special Education Cluster			484,495
Pass-Through Minnesota Department of Education			
Title I, Parts A & D	84.010	01-0241-000-000	773,239
Infant and Toddler	84.181	01-0241-000-000	24,647
Javits Gifted and Talented Students Education	84.206	01-0241-000-000	148,805
Title III, Part A	84.365	01-0241-000-000	44,914
Title II, Part A	84.367	01-0241-000-000	133,710
Governor's Emergency Education Relief (GEER)	84.425	01-0241-000-000	877,940
Pass-Through Independent School District No. 492			
Vocational Education-Carl Perkins	84.048A	Not available	20,535
Total U.S. Department of Education			2,520,263
U.S. Department of Agriculture			
Pass-Through Minnesota Department of Education			
Child and Adult Care Food Program	10.558	01-0241-000-000	3,242
Child Nutrition Cluster			
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	01-0241-000-000	123,714
Cash Assistance			
After School Snack Program	10.555	01-0241-000-000	1,459
Summer Food Service Program	10.559	01-0241-000-000	1,531,306
Total Child Nutrition Cluster			1,656,479
Total U.S. Department of Agriculture			1,659,721
Department of the Treasury			
Pass-Through Minnesota Department of Education			
Coronavirus Relief Fund	21.019	01-0241-000-000	1,202,511
Coronavirus State and Local Fiscal Recovery Funds	21.027	01-0241-000-000	5,873
Total Department of the Treasury			1,208,384
Total Expenditures of Federal Awards			$ 5,388,368

See accompanying notes to Schedule of Expenditures of Federal Awards.

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Independent School District No. 241 (the District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal awards programs presented on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District did not use an indirect cost rate as allowed under the Uniform Guidance during the 2020-2021 year.

NOTE D - COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The total nonmonetary assistance received for the year ended June 30, 2021 is $123,714.

NOTE E – SUBRECIPIENTS

No federal expenditures presented in this schedule were provided to subrecipients.

HILL, LARSON & WALTH, P.A.

Certified Public Accountants

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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. 241
Albert Lea, Minnesota 56007

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 the aggregate remaining fund information of Independent School District No. 241 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 District'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Finding 2021-001 through 2021-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent School District No. 241's financial statements are free from 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent School District No. 241's Response to Findings

Independent School District No. 241's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hill, Larson & Walth, P.A.

Hill, Larson & Walth, P. A.

December 2, 2021

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INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the School Board
Independent School District No. 241
Albert Lea, Minnesota 56007

Report on Compliance for Each Major Federal Program
We have audited Independent School District No. 241's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 241's major federal programs for the year ended June 30, 2021. Independent School District No. 241's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Independent School District No. 241's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 241's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Independent School District No. 241's compliance.

Opinion on Each Major Federal Program
In our opinion, Independent School District No. 241, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance
Management of Independent School District No. 241 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 241's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items Finding 2021-001 and 2021-002 to be significant deficiencies.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hill, Larson & Walth, P.A.

Hill, Larson & Walth, P. A.

December 2, 2021

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INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 241
Albert Lea, Minnesota 56007

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 Independent School District No. 241, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Independent School District No. 241's basic financial statements, and have issued our report thereon dated December 2, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 241 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 uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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.

Hill, Larson & Walth, P. A.

Hill, Larson & Walth, P. A.

December 2, 2021

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified
Internal control over financial reporting:
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ yes ____ none reported
- Material weakness(es) identified? ____ yes __X__ no

Noncompliance material to financial statements noted? ____ yes __X__ no

Federal Awards
Internal control over major programs:
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? __X__ yes ____ none reported
- Material weakness(es) identified? ____ yes __X__ no

Type of auditor's report issued on compliance for major programs: unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance? __X__ yes ____ no
Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Special Education Cluster
84.027	Individual with Disabilities Education Act (IDEA) Part B Section 611
84.173	Individual with Disabilities Education Act (IDEA) Part B Section 619
84.173	Pyramid
	Child Nutrition Cluster
10.555	Commodity Supplemental Food Program
10.555	After School Snack Program
10.559	Summer Food Service Program
21.019	Coronavirus State and Local Fiscal Recovery Funds
84.425	Education Stabilization Fund

- The threshold for distinguishing Types A and B programs was $750,000.
- Independent School District No. 241 was determined to be a Low Risk Auditee.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021 (continued)

Section II – Financial Statement Findings

2021-001 Write up of Audit Report

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the statement of financial position and the results of its operations and changes in its net position for the year then ended. The District does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in conformity with accounting principles generally accepted in the United States of America. As such, management has requested us to prepare a draft of the financial statements, including the related footnote disclosures.

Section III – Federal Award Findings and Questioned Costs

2021-002 Unallowable Costs for Special Education Cluster

When performing tests of expenditures it was determined that one expense for $1,080 was included in fiscal year 2020-21 in error. One vendor submitted an invoice for work performed in June of 2021 and early July 2021. When payment was made it was not noted that $1,080 was for services performed in fiscal year 2021-22. Other invoices close to year end were reviewed. No other errors were noted.

Schedule of Findings and Responses
For the Year Ended June 30, 2021

Finding

2021 -001: Write up of Audit Report
Type of Finding: Significant Deficiency in Internal Control

Condition: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the statement of financial position and the results of its operations and changes in its net position for the year then ended. The District does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in conformity with accounting principles generally accepted in the United States of America. As such, management has requested us to prepare a draft of the financial statements, including the related footnote disclosures.

Criteria: The District should have controls to enable the District to conclude the financial statements and related disclosures are complete and presented in conformity with accounting principles generally accepted in the United States of America.

Cause: The District does not have staff with time to prepare and review financial statements and determine that the statements and disclosures are complete and in conformity.

Potential Effect of Condition: Financial statements could be incomplete or not in conformity with accounting principles generally accepted in the United States of America.

Recommendation: The District can continue to have the auditor prepare the financial statements; however, we would recommend that the District establish an internal control policy to document the annual review of the financial statements, disclosures and schedules.

Client Response: Client response is noted in the Corrective Action Plan submitted by the District. There is no disagreement with the finding.

2021-002: Unallowable Costs for Special Education Cluster
Type of Finding: Unallowable Costs for Special Education Cluster

Condition: Expenses for all federal programs need to be allowable. Which means they are spent for an allowable expense for the program, and they are spent in the correct year. When performing tests of expenditures, it was determined that one expense for $1,080 was included in the fiscal year expenses for 2021-22. It was an allowable expense for the program but was for services incurred in July 2021. Other invoices close to year end were also reviewed. No other errors were noted.

Criteria: Expenses for Federal Programs need to be the definition of allowable expenses.

Cause: The District did not catch the cut-off of expenses at year end.

Potential Effect of the Condition: The District is not in compliance with the federal program compliance requirements. The District will be required to refund excess costs reported.

Recommendation: The District needs to review with all staff the importance of a clean cut-off at year-end of expenditures to stay in compliance with Federal Program requirements.

Client Response: Client response is noted in the Corrective Action Plan submitted by the District. There is no disagreement with the finding.

ALBERT LEA
SCHOOL DISTRICT 241

Finding 2021-001: The District lacks oversight of the financial reporting process.

Correction Action Plan (CAP):

1. Action Planned
   The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements, disclosures and schedules.

2. Official Responsible
   The Superintendent will be responsible for making sure the policy is reviewed.

3. Planned Completion Date
   The policy will continue in future years.

4. Explanation
   The District is in agreement with the lack of oversight of the financial reporting process.

5. Plan to Monitor
   The Superintendent will monitor the policy.

Finding 2021-002: The District spent $1,080 for unallowable costs related to the Federal Special Education Program.

Correction Action Plan (CAP):

1. Action Planned
   The District will implement a plan to review with staff the review of invoices, especially at year-end to determine that the expenses are reported in the correct reporting period.

2. Official Responsible
   The Superintendent will be responsible for monitoring the review of invoice procedures.

3. Planned Completion Date
   The plan to review these procedures was put into place for the 2021-2022 school year and has already been completed.

4. Explanation
   The District is in agreement that there was $1,080 of unallowable expenses reported for the Federal Special Education Program for 2020-21.

6. Plan to Monitor
   The Superintendent will monitor that this review has been completed.

Superintendent Date 12/3/21

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Comments on Prior Year Audit Findings
For the Year Ended June 30, 2021

The District had two reportable conditions in the June 30, 2020 audit report. The conditions were 1) establishing and maintaining internal controls and for the fair presentation of the statement of financial position and the results of its operations and changes in its net position for the year then ended (write up of audit report) and 2) having statement of purpose forms for all student activity accounts. At the present time it appears that the costs needed to have personnel who are qualified to prepare the financial statements as part of the financial reporting process may be more than the benefits derived. The District now has all statement of purpose forms for the student activity accounts.

SECTION VII – OTHER INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
June 30, 2021

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$52,196,638	$52,196,638	$0
Total Expenditures	$53,024,257	$53,024,257	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$16,149	$16,149	$0
Restricted / Reserved:			
4.01 Student Activities	$250,249	$250,249	$0
4.02 Scholarships	$209,626	$209,626	$0
4.03 Staff Development	$42,079	$42,079	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$28,701	$28,701	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
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	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$134,160	$134,160	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$94,558	$94,558	$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	$46,870	$46,870	$0
4.67 LTFM	($428,466)	($428,466)	$0
4.72 Medical Assistance	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$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	$165,537	$165,537	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$5,977,422	$5,977,422	$0
02 FOOD SERVICES			
Total Revenue	$1,892,655	$1,892,654	$1
Total Expenditures	$1,711,729	$1,711,729	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$57,645	$57,645	$0
Restricted / Reserved			
4.52 OPEB Liab Not In Trust			

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$952	$952	$0
Total Expenditures	$1,643,406	$1,643,406	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$76,862	$76,863	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$1,630,365	$1,630,365	$0
Total Expenditures	$2,096,616	$2,096,616	$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	$176,854	$176,854	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$799,797	$799,797	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
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
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$545	$545	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$2,161	$2,161	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$8,365,117	$8,365,117	$0
Total Expenditures	$6,562,653	$6,562,653	$0
4.22 Unassigned Fund Balance (Net Assets)	$2,902,349	$2,902,349	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$23,993	$23,993	$0
Total Expenditures			

	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$429,738	$429,738	$0
Unassigned:			
4.63 Unassigned Fund Balances	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$1,297,445	$1,297,445	$0
Total Expenditures	$1,115,332	$1,115,332	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$175,295	$175,295	$0
4.32 E.C.F.E	$118,519	$118,519	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$102,372	$102,372	$0
4.47 Adult Basic Education	$111,021	$111,021	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$26,523	$26,523	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

	$37,321	$37,321	$0
4.22 Unassigned Fund Balance (Net Assets)	($4,316,956)	($4,316,956)	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$2,270,114	$2,270,113	$1
Total Expenditures	$2,173,300	$2,173,300	$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	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Kennedy & Graven
CHARTERED

Offices in
Minneapolis
Saint Paul
St. Cloud

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

$1,010,000
INDEPENDENT SCHOOL DISTRICT NO. 241
(ALBERT LEA AREA SCHOOLS)
FREEBORN COUNTY, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2022A

We have acted as bond counsel to Independent School District No. 241 (Albert Lea Area Schools), Freeborn County, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation School Building Bonds, Series 2022A (the "Bonds"), originally dated November 17, 2022, and issued in the original aggregate principal amount of $1,010,000. 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 for tax years beginning after December 31, 2022, 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 September 26, 2022, 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 November 17, 2022, 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)

$1,010,000
INDEPENDENT SCHOOL DISTRICT NO. 241
(ALBERT LEA AREA SCHOOLS)
FREEBORN COUNTY, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2022A

CONTINUING DISCLOSURE CERTIFICATE

November 17, 2022

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 241 (Albert Lea Area Schools), Freeborn County, Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Bonds, Series 2022A (the "Bonds"), in the original aggregate principal amount of $1,010,000. 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 Northland Securities, Inc., 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 2022A, issued by the District in the original aggregate principal amount of $1,010,000.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"District" means Independent School District No. 241 (Albert Lea Area Schools), Freeborn 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 October 25, 2022, 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 Northland Securities, Inc., 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, 2022, 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. 241 (ALBERT LEA AREA SCHOOLS), FREEBORN COUNTY, MINNESOTA

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Board Chair

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Clerk