

**INDEPENDENT SCHOOL DISTRICT NO. 241
ALBERT LEA, MINNESOTA**

**FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2022

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

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INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Organization

June 30, 2022

<u>School Board Member</u>	<u>Position</u>	<u>Term Expires</u>
Neal Skaar	Chair	January 2025
Kim Nelson	Vice - Chair	January 2023
David Klatt	Clerk	January 2023
Dennis Dieser	Treasurer	January 2023
Angie Hoffman	Director	January 2025
Jill Marin	Director	January 2023
Bruce Olson	Director	January 2025
Dr. Michael Funk	Superintendent of Schools through June 30, 2022	
Ronald Wagner	Superintendent of Schools started July 1, 2022	
Jennifer Walsh	Director of Finance and Operations	

FELDMANN & COMPANY, CPAs, P.C.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 241, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Independent School District No. 241's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 241, as of June 30, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Independent School District No. 241 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2022, the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District No. 241's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 241's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District No. 241's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 241's basic financial statements. The organization table, accompanying combining and individual nonmajor fund financial statements, the uniform financial accounting and reporting standards compliance table and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the organization table, accompanying combining and individual nonmajor fund financial statements, the uniform financial accounting and reporting standards compliance table and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Prior Year Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 9, 2022, on our consideration of the 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 the 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.

Feldmann & Company, CPAs, P.C.
Feldmann & Company, CPAs P.C.
Austin, Minnesota

December 9, 2022

SECTION I – REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Management's Discussion and Analysis Fiscal Year Ended June 30, 2022

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, 2022. 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 2021-2022 fiscal year include the following:

- Total net position of \$(3,358,023) as of June 30, 2022, represents an increase of \$15,799,935 from the prior year total net position of \$(19,157,958).
- For the 2021-22 year, revenues totaled \$70,945,979 and were \$15,799,935 more than expenses of \$55,146,044.
- The General Fund balance (under the governmental fund presentation) increased by \$1,537,500 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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2022

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:
 - o ***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.
 - o ***Proprietary Funds statements*** offer *short-term* and *long-term* financial information about the activities the District operates like businesses.
 - o ***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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2022

Figure A – 1

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	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, 2022

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).

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2022

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.

NDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was \$(3,358,023) on June 30, 2022. This was an increase of \$15,799,935 from the previous year total net position of \$(19,157,958). (See Table A-1)

<p style="text-align: center;">Table A-1 Independent School District #241 Net Position - Governmental Activities</p>			
	<u>2022</u>	<u>2021</u>	<u>Percent Change 2021 to 2022</u>
Assets			
Current and Other Assets	\$ 27,484,211	\$ 24,432,247	12.49%
Capital Assets	59,479,448	60,617,947	-1.88%
Total Assets	<u>86,963,659</u>	<u>85,050,194</u>	2.25%
Total Deferred Outflows of Resources	<u>16,612,589</u>	<u>6,458,499</u>	*****
Liabilities			
Long-Term Liabilities	52,271,112	71,047,396	-26.43%
Other Liabilities	13,375,131	9,865,144	35.58%
Total Liabilities	<u>65,646,243</u>	<u>80,912,540</u>	-18.87%
Total Deferred Inflows of Resources	<u>41,288,028</u>	<u>29,754,111</u>	38.76%
Net Position			
Net Investment in Capital Assets	24,194,538	23,141,461	4.55%
Restricted	2,230,870	828,537	*****
Unrestricted	(29,783,431)	(43,127,956)	-30.94%
Total Net Position	<u>\$ (3,358,023)</u>	<u>\$ (19,157,958)</u>	-82.47%

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Management's Discussion and Analysis (continued)
 Fiscal Year Ended June 30, 2022

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			
	2022	2021	Percent Change 2021 to 2022
Revenues			
Program Revenues			
Charges for Services	\$ 10,243,288	\$ 9,695,610	*****
Operating Grants and Contributions	23,403,350	20,893,163	12.01%
Capital Grants and Contributions	1,686,004	1,643,956	2.56%
General Revenues			
Property Taxes	8,563,078	8,905,212	-3.84%
State Aid-Formula Grants	26,768,059	26,357,476	1.56%
Other	282,200	212,449	*****
Total Revenues	70,945,979	67,707,866	4.78%
Expenses			
Administration	1,885,398	2,549,585	-26.05%
District Support Services	2,110,099	2,525,099	-16.43%
Elementary and Secondary Regular Instruction	21,802,075	27,439,767	-20.55%
Vocational Education Instruction	905,458	1,108,910	-18.35%
Special Education Instruction	12,230,229	16,277,522	-24.86%
Instructional Support Services	2,364,452	3,121,657	-24.26%
Pupil Support Services	4,640,521	4,273,948	8.58%
Sites, Buildings and Equipment	4,236,682	4,689,477	-9.66%
Fiscal and Other Fixed Cost Programs	277,956	256,146	*****
Food Service	2,353,778	1,831,487	28.52%
Community Services	1,443,740	1,411,047	2.32%
Interest & Fiscal Charges on Long-Term Debt	895,656	965,282	-7.21%
Total Expenses	55,146,044	66,449,927	-17.01%
Increase (Decrease) in Net Position	15,799,935	1,257,939	
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	\$ 15,799,935	\$ 2,696,402	

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Management's Discussion and Analysis (continued) Fiscal Year Ended June 30, 2022

Changes in Net Position. The District's total revenues were \$70,945,979 for the year ended June 30, 2022. This is an increase of \$3,238,113 or 4.8 percent over the 2020-21 actual revenues of \$67,707,866. This increase is mainly due to an increase in federal grants in 2021-22.

For 2021-22, property taxes and state aid-formula grants accounted for 49.8 percent of total revenues for the year. Another 0.30 percent came from other general revenues and investment income. The remainder came from program revenues.

The total cost of all programs and services was \$55,146,044. This is a decrease of \$11,303,883, or 17.0 percent over the 2020-21 total of \$66,449,927. The District's change this year is mainly due to the change in the District's share of the pension liabilities.

In 2021-22, total revenues surpassed expenses, increasing net assets \$15,799,935. The June 30, 2022 net position totaled \$(3,358,023).

- The cost of all governmental activities for 2021-22 was \$55,146,044. Of this amount, \$35,332,265 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 2021-22 was \$19,813,402 (see table A-3).
- About 18.5 percent, or \$10,243,288 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 \$25,089,354, or 45.4 percent of the total costs for 2021-22.
- The net cost of District services \$(19,813,402) 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 2021-2022 net cost to the prior year.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Management's Discussion and Analysis (continued)
 Fiscal Year Ended June 30, 2022

Table A-3
Net Cost of Governmental Activities

	2022	2021	Percent Change 2021 to 2022
Administration	\$ 1,501,814	\$ 2,157,150	-30.38%
District Support Services	1,832,907	2,241,510	-18.23%
Elementary and Secondary Regular Instruction	6,888,329	13,351,902	-48.41%
Vocational Education Instruction	692,163	877,695	-21.14%
Special Education Instruction	(406,410)	4,905,024	*****
Instructional Support Services	2,011,990	2,809,003	-28.37%
Pupil Support Services	4,264,849	3,985,638	7.01%
Sites, Buildings and Equipment	2,409,163	2,899,134	-16.90%
Fiscal and Other Fixed Cost Programs	277,956	256,146	8.51%
Food Service	(260,312)	(124,430)	*****
Community Services	(40,046)	147,531	*****
Interest and Fiscal Charges on Long-Term Debt	640,999	710,895	-9.83%
Total	\$ 19,813,402	\$ 34,217,198	-42.10%

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 2021-22 fiscal year, the District's governmental funds reported a combined fund balance of \$10,551,494, which is \$1,937,991 more than the June 30, 2021 combined fund balance of \$8,613,503.

Revenues for the District's governmental funds were \$62,864,075, while total expenditures were \$60,955,725. As a result, the District completed the year with an excess of expenditures over revenues of \$1,908,350. The District also had other financing sources (uses) that totaled \$29,641. This results in a net increase of \$1,937,991.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2022**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 small increase in the number of students attending the District for the past year.

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)
2017-2018	3,543.65
2018-2019	3,579.61
2019-2020	3,559.22
2020-2021	3,432.21
2021-2022	3,444.63

The following schedule presents a summary of General Fund revenues.

	Year Ended June 30, 2022	Year Ended June 30, 2021	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources:				
Property Taxes	\$ 5,925,298	\$ 5,751,885	\$ 173,413	3.01%
Tuition and Admissions	1,095,665	676,398	419,267	61.99%
Interest Earnings and Other	417,048	254,354	162,694	*****
State Sources	42,316,870	41,974,794	342,076	0.81%
Federal Sources	5,101,754	3,539,207	1,562,547	*****
Local sales and other revenue	379	-	379	*****
 Total Revenues	 54,857,014	 52,196,638	 2,660,376	 5.10%
Other Financing Sources:				
Sale of Property or Equipment	29,641	3,627	26,014	*****
Total General Fund Revenues and Other Financing Sources	<u>\$ 54,886,655</u>	<u>\$ 52,200,265</u>	<u>\$ 2,686,390</u>	5.15%

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2022

Basic general education revenue is determined by a state per student funding formula and is made up of entirely state aid revenue for 2021-2022. 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 2021-2022, the District's total General Fund revenue increased by \$2,686,390 or 5.1 percent over the previous year.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2022	Year Ended June 30, 2021	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 29,071,789	\$ 27,996,074	\$ 1,075,715	3.84%
Employee Benefits	13,158,294	13,024,569	133,725	1.03%
Purchased Services	6,320,976	6,352,209	(31,233)	-0.49%
Supplies and Materials	2,682,368	2,426,552	255,816	10.54%
Capital Expenditures	1,973,632	2,916,664	(943,032)	-32.33%
Other Expenditures	123,724	308,189	(184,465)	-59.85%
Total General Fund Expenditures	<u>\$ 53,330,783</u>	<u>\$ 53,024,257</u>	<u>\$ 306,526</u>	0.58%

Total General Fund expenditures increased by \$306,526, or 0.6 percent over the previous year.

In summary, 2021-2022 General Fund revenues exceeded expenditures by \$1,526,231. The District also had other financing sources netting \$11,269. As a result, the total general fund balance increased by \$1,537,500 at June 30, 2022. After deducting nonspendable, restricted, committed and assigned, the unassigned fund balance increased from \$5,977,422 at June 30, 2021 to \$6,653,094 at June 30, 2022.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Management's Discussion and Analysis (continued) Fiscal Year Ended June 30, 2022

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

<u>Year-End</u>	<u>Unassigned Fund Balance</u>	<u>Percentage of Expenditures</u>
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%
June 30, 2022	\$ 6,653,094	12.48%

This information is the single best measure of overall financial health. The unassigned fund balance of \$6,653,094 at June 30, 2022 represents 12.48 percent of the total annual expenditures of the District. The unassigned fund balance as described in District Policy No. 714 is 13.03% 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 increase of \$622,846, the actual result for the year shows an increase of \$1,526,231. The majority of the increase is due to the following items:

- Special Education costs came in under budget due to vacancies not being filled.

CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND

During the 2022 fiscal year the District completed work on Hammer Field football complex and related athletic fields and facilities and updates at Halverson Elementary School. As of June 30, 2022, the District has unspent funds of \$401.

DEBT SERVICE FUND

The Debt Service Fund revenues exceeded expenditures by \$391,528 in 2021-22. The June 30, 2022 fund balance is \$1,368,179.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2022

NON-MAJOR FUNDS

Revenues and other financing sources exceeded expenditures in the "Non-major Funds" by \$69,042.

The Food Service Fund revenue for 2021-22 totaled \$2,546,388 and expenditures were \$2,357,799, resulting in an increase in fund balance of \$188,589. The District also transferred General Funds of \$18,372 to the Food Service Fund in 2022. The June 30, 2022 Food Service Fund balance was \$694,344.

In 2021-22, the total revenues for the Community Service Fund were \$1,514,537 and expenditures were \$1,634,084. The Community Service Fund expenditures sources exceeded revenues the by \$119,547, resulting in a Community Service Fund balance of \$414,183 as of June 30, 2022.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2022, the District had net capital assets of \$59,479,448 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 \$3,013,812.

Long-Term Liabilities

At year-end, the District had \$34,948,932 (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, 2022

	Governmental Activities 2022
Assets	
Cash and investments	\$ 8,123,867
Current property taxes receivable	4,268,559
Delinquent property taxes receivable	110,237
Other accounts receivable	67,090
Interest receivable	1,092
Due from other Minnesota school districts	94,971
Due from Minnesota Department of Education	3,850,626
Due from Federal Government through Minnesota Department of Education	2,093,089
Due from other governmental units	99,055
Inventory	54,178
Prepaid expenses	162,481
Restricted assets - temporarily restricted	
Cash and investments for other post-employment benefits	1,720,103
Cash and investments for health insurance	4,236,967
Cash and investments for capital projects - building construction	401
Cash and investments for debt service	2,601,495
Capital assets	
Land (Nondepreciable asset)	748,472
Construction in progress (Nondepreciable asset)	883,365
Land improvements	26,313,934
Buildings	65,163,671
Furniture and equipment	9,634,526
Leased equipment (intangible right to use asset)	456,989
Less: Accumulated depreciation	(43,721,509)
Capital Assets - Net of accumulated depreciation	<u>59,479,448</u>
Total Assets	<u>86,963,659</u>
Deferred Outflows of Resources	
Related to pensions	15,315,119
Related to OPEB	<u>1,297,470</u>
Total Deferred Outflows of Resources	<u>16,612,589</u>
Liabilities	
Salaries and compensated absences payable	431,891
Other accounts payable	1,597,297
Interest payable	355,642
Due to other Minnesota school districts	149,341
Due to other governmental units	89,811
Payroll deductions and employer contributions	208,832
Unearned revenue	267,844
Net obligation for other post-employment benefits	7,467,305
Long-term liabilities	
Due within one year	2,807,168
Due in more than one year	32,699,456
Net pension liability	19,603,584
Unamortized (discount) premium	(31,928)
Total Liabilities	<u>65,646,243</u>
Deferred Inflows of Resources	
Deferred revenue - property taxes levied for subsequent year's expenditures	8,686,434
Related to pensions	31,998,258
Related to OPEB	<u>603,336</u>
Total Deferred Inflows of Resources	<u>41,288,028</u>
Net Position	
Net investment in capital assets	24,194,538
Restricted for:	
Capital asset acquisition	106,797
Debt service	1,028,682
Other purposes	1,095,391
Unrestricted	<u>(29,783,431)</u>
Total Net Position	<u>\$ (3,358,023)</u>

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, 2022

2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Administration	\$ 1,885,398	\$ 383,584	\$ -	\$ -	\$ (1,501,814)
District support services	2,110,099	277,192	-	-	(1,832,907)
Elementary and secondary regular instruction	21,802,075	4,104,403	10,809,343	-	(6,888,329)
Vocational education instruction	905,458	166,524	46,771	-	(692,163)
Special education instruction	12,230,229	3,178,716	9,457,923	-	406,410
Instructional support services	2,364,452	305,602	46,860	-	(2,011,990)
Pupil support services	4,640,521	225,231	150,441	-	(4,264,849)
Sites, buildings and equipment	4,236,682	396,172	-	1,431,347	(2,409,163)
Fiscal and other fixed cost programs	277,956	-	-	-	(277,956)
Food service	2,353,778	206,074	2,408,016	-	260,312
Community services	1,443,740	999,790	483,996	-	40,046
Interest and fiscal charges on long term debt	895,656	-	-	254,657	(640,999)
Total Governmental Activities	\$ 55,146,044	\$ 10,243,288	\$ 23,403,350	\$ 1,686,004	(19,813,402)

General revenues:

Taxes:

Property taxes, levied for general purposes	5,858,368
Property taxes, levied for community service	233,067
Property taxes, levied for debt service	2,471,643
State aid-formula grants	26,768,059
Loss on disposal of fixed assets	(1,073)
Investment earnings and other general revenues	283,273
Total general revenues	35,613,337
Changes in net position	15,799,935

Net position-beginning	(19,157,958)
Net position-ending	\$ (3,358,023)

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, 2022

(with Partial Comparative Information as of June 30, 2021)

	General	Capital Projects - Building Construction	Debt Service	Nonmajor Funds	Total Governmental Funds	
					2022	2021
Assets						
Cash and investments	\$ 6,777,836	\$ 401	\$ 2,601,495	\$ 1,346,031	\$ 10,725,763	\$ 8,923,799
Current property taxes receivable	2,665,774	-	1,497,544	105,241	4,268,559	4,377,546
Delinquent property taxes receivable	72,776	-	34,453	3,008	110,237	254,370
Other accounts receivable	38,273	-	-	28,817	67,090	66,569
Interest receivable	1,033	-	-	-	1,033	13,026
Due from other Minnesota school districts	17,933	-	-	77,038	94,971	80,245
Due from Minnesota Department of Education	3,693,238	-	116,996	40,392	3,850,626	4,349,904
Due from Federal Government through Minnesota Department of Education	2,036,549	-	-	56,540	2,093,089	923,110
Due from other governmental units	96,054	-	-	3,001	99,055	102,402
Inventory	-	-	-	54,178	54,178	57,645
Prepaid expenses	162,481	-	-	-	162,481	16,149
Total Assets	\$ 15,561,947	\$ 401	\$ 4,250,488	\$ 1,714,246	\$ 21,527,082	\$ 19,164,765
Liabilities						
Salaries and compensated absences payable	\$ 360,720	\$ -	\$ -	\$ 71,171	\$ 431,891	\$ 358,216
Other accounts payable	846,898	-	-	237,274	1,084,172	707,867
Due to other Minnesota school districts	148,957	-	-	384	149,341	232,190
Due to other governmental units	89,811	-	-	-	89,811	108,235
Payroll deductions and employer contributions	208,832	-	-	-	208,832	178,647
Unearned revenue	154,625	-	-	60,245	214,870	137,325
Total Liabilities	1,809,843	-	-	369,074	2,178,917	1,722,480
Deferred Inflows of Resources						
Deferred revenue - property taxes levied for subsequent year's expenditures	5,604,941	-	2,847,856	233,637	8,686,434	8,674,499
Unavailable revenue - delinquent taxes	72,776	-	34,453	3,008	110,237	154,283
Total Deferred Inflows of Resources	5,677,717	-	2,882,309	236,645	8,796,671	8,828,782
Fund Balances						
Nonspendable	162,481	-	-	54,178	216,659	73,794
Restricted	1,339,976	401	1,368,179	1,054,349	3,762,905	2,825,216
Committed	169,450	-	-	-	169,450	165,537
Unassigned	6,402,480	-	-	-	6,402,480	5,548,956
Total Fund Balances	8,074,387	401	1,368,179	1,108,527	10,551,494	8,613,503
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,561,947	\$ 401	\$ 4,250,488	\$ 1,714,246	\$ 21,527,082	\$ 19,164,765

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, 2022

	<u>2022</u>
Total fund balances - governmental funds	\$ 10,551,494
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	103,200,957
Less: accumulated depreciation	(43,721,509)
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	(23,933,522)
Severance payable	(189,385)
QZAB Bonds	(11,015,410)
TRA pension liability	(15,982,244)
PERA pension liability	(3,621,340)
Leases payable	(368,307)
District's proportionate share of PERA and TRA deferrals:	
Outflows of resources	15,315,119
Inflows of resources	(31,998,258)
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.	57,263
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	(5,053,009)
Health Insurance Trust Fund	3,723,842
Governmental Funds do not report a liability for accrued interest on long-term debt until due and payable.	(355,642)
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	(64,151)
Discount	96,079
Total net position - governmental activities	<u>\$ (3,358,023)</u>

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, 2022

(with Partial Comparative Information for Year Ended June 30, 2021)

	General	Capital Projects -		Nonmajor Funds	Total Governmental Funds	
		Building Construction	Debt Service		2022	2021
Revenues						
Local sources						
Property taxes	\$ 5,925,298	\$ -	\$ 2,509,837	\$ 235,945	\$ 8,671,080	\$ 8,878,252
Tuition and admissions	1,095,665	-	-	792,641	1,888,306	1,269,723
Investment earnings and other revenue	417,048	3	7,106	18,996	443,153	357,322
State sources	42,316,870	-	1,171,113	395,034	43,883,017	43,113,980
Federal sources through Department of Education	5,101,754	-	-	2,481,345	7,583,099	5,361,544
Federal aid received directly from Federal sources	-	-	254,657	-	254,657	254,387
Local sales and other revenue	379	3,420	-	136,964	140,763	52,961
Total Revenues	54,857,014	3,423	3,942,713	4,060,925	62,864,075	59,288,169
Expenditures						
Administration	1,980,364	-	-	-	1,980,364	2,005,781
District support services	2,144,145	-	-	-	2,144,145	2,103,469
Elementary and secondary regular instruction	22,902,780	-	-	-	22,902,780	21,790,157
Vocational education instruction	950,067	-	-	-	950,067	872,742
Special education instruction	12,754,491	-	-	-	12,754,491	13,046,887
Instructional support services	2,419,806	-	-	-	2,419,806	2,642,635
Pupil support services	4,586,506	-	-	-	4,586,506	3,820,299
Sites, buildings and equipment	4,209,096	-	-	-	4,209,096	4,095,240
Fiscal and other fixed cost programs	277,956	-	-	-	277,956	256,146
Food service	-	-	-	2,242,069	2,242,069	1,663,380
Community services	-	-	-	1,517,863	1,517,863	1,115,332
Capital outlay	1,105,572	81,874	-	231,951	1,419,397	4,079,182
Debt services						
Principal	-	-	2,655,110	-	2,655,110	3,295,399
Interest and fiscal charges	-	-	896,075	-	896,075	977,991
Total Expenditures	53,330,783	81,874	3,551,185	3,991,883	60,955,725	61,764,640
Excess (deficiency) of revenues over expenditures	1,526,231	(78,451)	391,528	69,042	1,908,350	(2,476,471)
Other Financing Sources (Uses)						
Transfer (to) from other funds	(18,372)	-	-	18,372	-	-
Sale of equipment	29,641	-	-	-	29,641	3,627
Total other Financing Sources (Uses)	11,269	-	-	18,372	29,641	3,627
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ 1,537,500</u>	<u>\$ (78,451)</u>	<u>\$ 391,528</u>	<u>\$ 87,414</u>	<u>\$ 1,937,991</u>	<u>\$ (2,472,844)</u>
Changes in Fund Balances						
Fund balance, beginning of year	\$ 6,536,887	\$ 78,852	\$ 976,651	\$ 1,021,113	\$ 8,613,503	\$ 11,086,347
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>1,537,500</u>	<u>(78,451)</u>	<u>391,528</u>	<u>87,414</u>	<u>1,937,991</u>	<u>(2,472,844)</u>
Fund balance, end of year	<u>\$ 8,074,387</u>	<u>\$ 401</u>	<u>\$ 1,368,179</u>	<u>\$ 1,108,527</u>	<u>\$ 10,551,494</u>	<u>\$ 8,613,503</u>

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, 2022**

	<u>2022</u>
Total net changes in fund balances - governmental funds	\$ 1,937,991
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	1,419,397
Depreciation expense	(3,013,812)
Loss on disposal of assets	(1,073)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,655,110
Lease payments recorded as expense that were used to reduce lease payable	88,682
Change in net pension liability	
TRA	11,981,843
PERA	1,630,680
District's proportionate share of PERA and TRA deferrals:	
Deferred outflows - pension plan deferments	10,703,754
Deferred inflows - pension plan deferments	(11,667,060)
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.	17,195
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	86,566
Net amortization of premiums and discounts on long-term debt.	
Premium	7,129
Discount	(23,905)
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	(736,053)
Health Insurance	821,493
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.	<u>(108,002)</u>
Change in net position - governmental activities	<u>\$ 15,799,935</u>

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, 2022

	2022			
	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 6,062,601	\$ 6,049,311	\$ 5,925,298	\$ (124,013)
Tuition, fees, and admissions	821,742	817,125	1,095,665	278,540
Investment earnings and other local revenue	171,208	471,663	417,048	(54,615)
Revenue from state sources	42,357,816	42,032,549	42,316,870	284,321
Federal aids received through Minnesota				
Department of Education	4,013,215	5,330,135	5,101,754	(228,381)
Local sales and other revenue	-	-	379	379
Total Revenues	53,426,582	54,700,783	54,857,014	156,231
Expenditures				
Administration	2,031,430	1,938,093	1,980,364	42,271
District support services	2,373,673	2,543,252	2,144,145	(399,107)
Elementary and secondary regular instruction	22,031,722	22,682,782	22,910,754	227,972
Vocational education instruction	904,595	919,810	950,067	30,257
Special education instruction	13,470,332	13,306,496	12,754,491	(552,005)
Instructional support services	2,690,419	2,716,997	2,419,806	(297,191)
Pupil support services	3,791,820	4,506,671	4,616,734	110,063
Sites, buildings and equipment	5,589,130	5,181,424	5,276,466	95,042
Fiscal and other fixed cost programs	259,005	282,412	277,956	(4,456)
Total Expenditures	53,142,126	54,077,937	53,330,783	(747,154)
Excess of revenues over (under) expenditures	284,456	622,846	1,526,231	903,385
Other Financing Sources (Uses)				
Transfer (to) from other fund	-	-	(18,372)	(18,372)
Sale of equipment	-	-	29,641	29,641
Total Other Financing Sources (Uses)	-	-	11,269	11,269
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 284,456</u>	<u>\$ 622,846</u>	<u>\$ 1,537,500</u>	<u>\$ 914,654</u>
Changes in Fund Balance				
Fund balance, beginning of year			\$ 6,536,887	
Excess of revenues and other financing sources over (under) expenditures and other financing uses			<u>1,537,500</u>	
Fund balance, end of year			<u>\$ 8,074,387</u>	

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, 2022

	<u>OPEB</u>	<u>Health Insurance</u>
Assets		
Cash and investments	\$ 1,720,103	\$ 4,236,967
Interest receivable	59	-
Total Assets	<u>1,720,162</u>	<u>4,236,967</u>
Deferred Outflows of Resources		
Related to other post-employment benefits	<u>1,297,470</u>	<u>-</u>
Liabilities		
Accounts Payable	-	7,502
Claims payable	-	505,623
Net obligation for other post-employment benefits	<u>7,467,305</u>	<u>-</u>
Total Liabilities	<u>7,467,305</u>	<u>513,125</u>
Deferred Inflows of Resources		
Related to other post-employment benefits	<u>603,336</u>	<u>-</u>
Net Position		
Restricted for other post-employment benefits	(5,053,009)	-
Restricted for health insurance premiums	<u>-</u>	<u>3,723,842</u>
Total Net Position	<u>\$ (5,053,009)</u>	<u>\$ 3,723,842</u>

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, 2022

	<u>OPEB</u>	<u>Health Insurance</u>
Operating revenue		
Local sources		
Premiums collected	\$ -	\$ 8,170,455
Total operating revenue	-	8,170,455
Operating expenses		
Other post-employment benefits	693,226	-
Other employee benefits	-	6,274,285
Fees for services	250	1,108,137
Total operating expenses	693,476	7,382,422
Operating income (loss)	(693,476)	788,033
Other income		
Investment earnings	(42,577)	33,460
Change in net position	<u>\$ (736,053)</u>	<u>\$ 821,493</u>
Changes in Net Position		
Net position, beginning of year	\$ (4,316,956)	\$ 2,902,349
Change in net position	<u>(736,053)</u>	<u>821,493</u>
Net position, end of year	<u>\$ (5,053,009)</u>	<u>\$ 3,723,842</u>

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, 2022**

	<u>OPEB</u>	<u>Health Insurance</u>
Cash flows from operating activities		
Benefit payments and fees	\$ (250)	\$ (7,471,441)
Receipts from Employee Contributions	-	8,170,455
Net cash provided by (used in) by operating activities	(250)	699,014
Cash flows from investing activities		
Interest on investments	(42,577)	33,460
Change in interest receivable	6,934	-
Net cash provided by (used in) investing activities	(35,643)	33,460
Net increase (decrease) in cash and investments	(35,893)	732,474
Cash and investments		
Beginning of year	<u>1,755,996</u>	<u>3,504,493</u>
End of year	<u>\$ 1,720,103</u>	<u>\$ 4,236,967</u>

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, 2022

	Agency Fund
Assets	
Cash and investments	\$ 1,167
Total Assets	<u>1,167</u>
Liabilities	
Due to program participants	<u>-</u>
Net position	
Held in trust for scholarships	<u>\$ 1,167</u>

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2022

Additions	
Contributions for scholarships	\$ -
Deductions	
Scholarships paid out	<u>1,000</u>
Change in net position	(1,000)
Other Changes in Net Position	
Investment earnings	<u>6</u>
Change in net position in excess of other changes in net position	(994)
Net position	
Beginning of year	<u>2,161</u>
End of year	<u>\$ 1,167</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements

June 30, 2022

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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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, 2022.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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, 2022. 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 \$2,093,089 at June 30, 2022, for federal aid that flows through the Minnesota Department of Education. The breakdown on Due from Federal Government on June 30, 2022, is as follows:

General Fund

ARP - IDEA Part B 611	\$ 44,848
America Rescue Plan Summer Academic Enrichment & Mental Health	65,800
Elementary and Secondary School Education Relief II Fund 90% Formula	156,171
Elementary and Secondary School Education Relief III Fund 90% Formula	799,649
Elementary and Secondary School Education Relief III Fund 90% Learning Loss	116,371
Expanded Summer Learning ESSER	142,367
Learning Recovery Lost Instructional Time	2,270
Pandemic Enrollment Loss	26,347
Title I, Part A	172,702
Title II, Part A	38,094
IDEA Part B Section 611	421,240
Infants & Toddlers Program Ages Birth through 2	7,704
Miscellaneous Federal Revenue Received from the Department of Education	42,986
Total General Fund	<u>2,036,549</u>

Food Service Fund

Summer Food Service Program for Children	<u>51,153</u>
Total Food Service Fund	<u>51,153</u>

Community Service Fund

Summer Preschool Program	<u>5,387</u>
Total Community Service Fund	<u>5,387</u>

Total Due from Federal Government	<u><u>\$2,093,089</u></u>
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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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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, 2022

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 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:

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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 2021, the District recorded health insurance premiums on behalf of 43 retirement employees totaling \$598,719 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 2022, the expense recognized in the government-wide financial statements for post-employment health care benefits was \$693,226 on behalf of 33 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 2022.

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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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
2022	\$ 296,870	\$ 6,274,285	\$ 6,065,532	\$ 505,623

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.

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.

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.

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

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end, the carrying amount of the District's cash deposits were \$2,077,067 while the balance on the bank records was \$2,826,224. At June 30, 2022, 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, 2022, and information relating to potential investment risk:

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Credit Risk		Fair Value Measurement Using	Interest Rate Risk	Carrying Value
	Credit Rating	Rating Agency		Maturity Date	
State Bonds	Aaa	Moody's	Level 1	< 1 year	\$ 310,400
US Treasury N/B	Aaa	Moody's	Level 1	> 1 year	1,063,749
Certificates of deposits	N/A	N/A	Level 2	< 1 year	1,645,318
Certificates of deposits	N/A	N/A	Level 2	> 1 year	483,580
Limited term duration series	N/R	N/A	NAV	N/A	1,873,661
QZAB Sinking Fund	N/A	N/A	Level 1	N/A	438,055
Savings deposit accounts	N/A	N/A	Level 1	N/A	10,950
Money market funds	N/R	N/A	Level 1	N/A	8,158,220
Total investments					<u>\$13,983,933</u>
N/A = Not Applicable					
N/R = Not Rated					

Cash and investments consist of the following:

Deposits	\$ 2,700,067
Investments	<u>13,983,933</u>
	<u>\$16,684,000</u>

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

Cash and investments - Governmental Fund Statement of Net Position	\$16,682,833
Cash and investments - Statement of Fiduciary Net Position	<u>1,167</u>
Total cash and investments	<u>\$16,684,000</u>

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).

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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, 2022, is as follows:

	Balance - Beginning of Year	Additions	Deletions	Balance - End of Year
Capital assets, not depreciated				
Land	\$ 748,472	\$ -	\$ -	\$ 748,472
Construction in progress	19,156,416	926,287	(19,199,338)	883,365
Total capital assets, not depreciated	19,904,888	926,287	(19,199,338)	1,631,837
Capital assets, depreciated/amortized				
Land improvements	6,973,445	19,340,489	-	26,313,934
Buildings	65,054,569	109,102	-	65,163,671
Furniture and equipment	9,408,793	242,857	(17,124)	9,634,526
Leased equipment (intangible right to use asset)	-	456,989	-	456,989
Total capital assets, depreciated	81,436,807	20,149,437	(17,124)	101,569,120
Less accumulated depreciation/amortization for				
Land improvements	(3,100,072)	(757,024)	-	(3,857,096)
Buildings	(29,500,665)	(1,911,105)	-	(31,411,770)
Furniture and equipment	(8,123,011)	(257,001)	16,051	(8,363,961)
Leased equipment (intangible right to use asset)	-	(88,682)	-	(88,682)
Total accumulated depreciation	(40,723,748)	(3,013,812)	16,051	(43,721,509)
Net capital assets, depreciated	40,713,059	17,135,625	(1,073)	57,847,611
Total capital assets, net	\$ 60,617,947	\$ 18,061,912	\$(19,200,411)	\$ 59,479,448

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$3,013,812 for the year ended June 30, 2022, is charged to the following governmental functions:

Administration	\$ 105,829
District support services	114,582
Elementary and secondary regular instruction	1,223,910
Vocational education instruction	50,771
Special education instruction	681,592
Instructional support services	129,313
Pupil support services	261,509
Sites and buildings	224,931
Food service	138,769
Community service	82,606
Total depreciation expense	<u>\$ 3,013,812</u>

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	135,000
2011B Alternative Facilities Bonds	12/1/2011	2.54%	\$ 3,535,000	2/1/2022	-
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	3,015,410
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	9,466,522
2019A General Obligation Capital Facilities	8/7/2019	1.95%	\$ 555,000	2/1/2030	457,000
Total general obligation and QZAB bonds					<u>\$ 34,948,932</u>

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. The final bond payment of \$240,067 was made in 2021-2022.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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, 2022, the District paid \$35,000 into the repayment account for the 2014A QZAB bond. The District has a total of \$175,000 set aside for future bond payments.

The payment schedule for the bond payments are as follows:

Payment Due Date	General Obligation Bonds Payable		QZAB Bonds Payable	
	Principal	Interest	Principal	Interest
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	2,088,787	1,027,616	-	-
2028-2032	8,773,070	4,569,600	2,500,000	-
2033-2037	7,710,000	1,379,480	-	-
2038-2041	3,455,000	180,224	-	-
Total	<u>\$ 23,933,522</u>	<u>\$ 9,422,725</u>	<u>\$ 11,015,410</u>	<u>\$ 884,713</u>

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)**C. Changes in Long-Term Liabilities**

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

	Balance 7/1/21	Issued/ Increase	Retirements/ Adjustments	Balance 6/30/22	Projected Amount Due In One Year
Bonds payable	\$ 24,618,042	\$ -	\$ 684,520	\$ 23,933,522	\$ 420,527
QZAB Bonds payable	12,986,000	-	1,970,590	11,015,410	2,277,957
Severance payable	275,951	-	86,566	189,385	17,354
Leases payable	456,989	-	88,682	368,307	91,330
Unamortized premium	71,280	-	7,129	64,151	-
Unamortized discount	(119,984)	-	23,905	(96,079)	-
Total	<u>\$ 38,288,278</u>	<u>\$ -</u>	<u>\$ 2,861,392</u>	<u>\$ 35,474,696</u>	<u>\$ 2,807,168</u>
			Due within one year	\$ 2,807,168	
			Due in more than one year	32,699,456	
			Unamortized discount/premium	(31,928)	
				<u>\$ 35,474,696</u>	

NOTE 5 – LEASES

On September 27, 2021, 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 2021-22 season was \$65,260. The terms of the lease commenced on October 3, 2021 and continue to June 30, 2023 when the lease terminates.

The District also leased vehicles on a short term basis for Driver's Education. The total paid out in fiscal year 2021-22 totaled \$9,110.

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 2021-22 totaled \$92,040. Future lease payments are as follows:

2022-2023	\$ 92,040
2023-2024	92,040
2024-2025	92,040
2025-2026	-
2026-2027	-
Total	<u>\$ 276,120</u>

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 6 – FUND BALANCE CLASSIFICATIONS

At June 30, 2022, the District has recorded the following fund balance classifications:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General Fund					
Student activities	\$ -	\$ 296,013	\$ -	\$ -	\$ 296,013
Scholarships	-	209,097	-	-	209,097
Staff Development	-	42,011	-	-	42,011
Operating Capital	-	106,797	-	-	106,797
Area learning center	-	45,242	-	-	45,242
Safe schools levy	-	51,896	-	-	51,896
Basic skills extended	-	38,731	-	-	38,731
Long-term Facilities					
Maintenance	-	-	-	(250,614)	(250,614)
Medical assistance	-	550,189	-	-	550,189
Prepaid expenses	162,481	-	-	-	162,481
Q Comp	-	-	169,450	-	169,450
Undesignated	-	-	-	6,653,094	6,653,094
Food Service					
Inventory and prepaid	54,178	-	-	-	54,178
Food Service	-	640,166	-	-	640,166
Community Service					
Community education					
programs	-	137,220	-	-	137,220
Early childhood					
family education	-	110,129	-	-	110,129
School readiness	-	51,033	-	-	51,033
Adult basic education	-	108,199	-	-	108,199
Other community service	-	7,602	-	-	7,602
Building Construction	-	401	-	-	401
Debt Service Fund					
Debt Service	-	930,124	-	-	930,124
QZAB payments	-	438,055	-	-	438,055
Total	<u>\$ 216,659</u>	<u>\$ 3,762,905</u>	<u>\$ 169,450</u>	<u>\$ 6,402,480</u>	<u>\$10,551,494</u>

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, 2022, is 13.03% of the total annual expenditures. The unassigned fund balance as described in District Policy No. 714 is 13.03% which meets the 12.0% goal of the District.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 6 – FUND BALANCE CLASSIFICATIONS (CONTINUED)

- **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 adopted by the board.
- **Assigned 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.

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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 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, 2022, were \$470,868. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of \$3,621,340 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 \$8,924.

The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0848 percent at the end of the measurement period and 0.0876 percent for the beginning of the period.

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Notes to Financial Statements (continued)
June 30, 2022

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

District's proportionate share of the net pension liability	\$ 3,621,340
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>110,601</u>
Total	<u>\$ 3,731,941</u>

For the year ended June 30, 2022, the District recognized pension expense of \$262,269 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$8,924 as grant revenue for its proportionate share of the State of Minnesota's contribution for the annual \$16 million contribution.

At June 30, 2022, 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	\$ 120,614	\$ 13,247
Changes in actuarial assumptions	\$ -	\$ 2,293,445
Net collective difference between projected and actual investment earnings	\$ 3,817,692	\$ 104,440
Changes in proportion	\$ 169,381	\$ 55,476
Contributions paid to PERA subsequent to the measurement date	\$ 470,868	\$ -
Total	\$ 4,578,555	\$ 2,466,608

The \$470,868 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense Amount
2023	\$ 135,013
2024	\$ 293,431
2025	\$ 301,248
2026	\$ 911,392

E. Long-Term Expected Return on Investment

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

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

F. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent. Benefit increases after retirement are assumed to be 1.25 percent.

Salary growth assumptions range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.

Mortality rates are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions are reviewed every four years. The most recent four-year experience study 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 2021:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 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 Statutes. 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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**H. 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 5.50%	Current Discount Rate 6.50%	1% Higher 7.50%
Sensitivity of Net Pension Liability at Current Single Discount Rate (in thousands)	\$ 7,385,685	\$ 3,621,340	\$ 532,465

I. 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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)*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.
- (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 benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund 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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**C. Contribution Rate**

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2020, June 30, 2021, and June 30, 2022, were:

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.92%	11.00%	12.13%	11.00%	12.34%
Coordinated	7.50%	7.92%	7.50%	8.13%	7.50%	8.34%

The following is a reconciliation of employer contributions in TRA's fiscal year 2021 CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

	<i>in thousands</i>
Employer contributions reported in TRA's CAFR,	
Statement of Changes in Fiduciary Net Position	\$ 448,829
Add employer contributions not related to future contribution efforts	379
Deduct TRA's contributions not included in allocation	(538)
Total employer contributions	\$ 448,670
Total non-employer contributions	37,840
Total contributions reported in Schedule of Employer and Non-Employer Allocations	\$ 486,510

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, 2021
Measurement Date	June 30, 2021
Experience Study	6/5/2019 (demographic assumptions)
	November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.0%
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	1.00% for January 2020 through January 2023, then increasing by 0.10% each year up to 1.50% annually.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
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.

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 2022 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 2020 valuation:

- For GASB Valuation:
 - The investment return assumption was changed from 7.50 percent to 7.00 percent.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 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).

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**F. Net Pension Liability**

On June 30, 2022, the District reported a liability of \$15,982,244 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 0.3652% at the end of the measurement period and 0.3785% 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	\$ 15,982,244
State's proportionate share of the net pension liability associated with the District	\$ 1,347,921

For the year ended June 30, 2022, the District recognized pension expense of (\$369,085). It also recognized \$15,093 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	\$ 448,634	\$ 358,961
Net difference between projected and actual investment earnings on pension plan investments	\$ 1,763,475	\$ 15,120,202
Changes of assumptions	\$ 5,857,482	\$ 12,919,183
Changes in proportion	\$ 759,764	\$ 1,133,304
District's contributions subsequent to measurement date (July 1, 2021 through June 30, 2022)	\$ 1,907,209	\$ -
Total	\$ 10,736,564	\$ 29,531,650

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

Year ended June 30	Pension Expense Amount
2023	\$ (8,681,706)
2024	\$ (8,220,728)
2025	\$ (2,101,536)
2026	\$ (2,662,688)
2027	\$ 964,363
Thereafter	\$ -

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.00%, as well as what the net pension liability would be if were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate		
1 percent decrease (6.00%)	Current (7.00%)	1 percent increase (8.00%)
\$32,284,911	\$15,982,244	\$2,612,758

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, 2022, the following employees were covered by the benefit terms:

Active employees electing coverage	402
Active employees waiving coverage	96
Retirees electing coverage	33

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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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

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:

- Discount rate is 1.92%.
- Inflation rate is 2.50%
- Mortality for teachers from the July 1, 2019 Teachers Retirement Association of Minnesota (TRA) actuarial valuation, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.
- Mortality for non-teachers from the July 1, 2019 PERA of Minnesota General Employees Retirement Plan actuarial valuation, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments.
- Healthcare cost trend rate is 6.2% for FY 2021, gradually decreasing over several decades to an ultimate rate of 4.0% in FY2076 and later years.

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.

C. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balance at June 30, 2021 (Measured at 6/30/2020)	\$ 7,178,665	\$ -	\$ 7,178,665
Changes from the Prior Year:			
Service Cost	463,204	-	463,204
Interest	179,891	-	179,891
Differences between Expected and Actual Experience ¹	50,609	-	50,609
Assumption Changes	193,655	-	193,655
Changes in benefit terms	-	-	-
Employer Contributions ²	-	598,719	(598,719)
Projected Investment Return	-	-	-
Benefit Payments ⁴	(598,719)	(598,719)	-
Total Net Changes	288,640	-	288,640
Balances at June 30, 2022 (Measured at 6/30/2021)	\$ 7,467,305	\$ -	\$ 7,467,305

¹Due to the difference between expected and actual benefit payments during the measurement period ending 6/30/2021.

²Benefit payments equal \$406,200 explicit subsidy payments to retirees and \$192,519 implicit subsidy costs incurred during the measurement period ending 6/30/2021.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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

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 (0.92%) or 1-percentage-point higher (2.92%) than the current discount rate:

	1% Decrease (0.92%)	Discount Rate (1.92%)	1% Increase (2.92%)
Net OPEB Liability	\$ 7,833,953	\$ 7,467,305	\$ 7,103,018

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:

	5.20% decreasing to 3.00%	Healthcare Cost Trend Rates 6.20% decreasing to 4.00%	7.20% decreasing to 5.00%
Net OPEB Liability	\$ 6,840,340	\$ 7,467,305	\$ 8,204,100

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available on page 25 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, 2022, the District recognized OPEB expense of \$598,719. At June 30, 2022, 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	<u>\$ 1,847,134</u>	<u>\$ 748,414</u>

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

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

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

Year ended June 30		
2023	\$	50,131
2024	\$	50,131
2025	\$	50,131
2026	\$	76,494
2027	\$	161,695
Thereafter	\$	305,552
	\$	<u>694,134</u>

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 it is unlikely that it will use the assets to satisfy claims of general creditors in the future.

NOTE 10 – FUND TRANSFERS

During the 2022 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 \$18,372.

NOTE 11 – EXPENDITURES EXCEEDING BUDGET

The following funds had expenditures exceeding budget:

Fund	Approved Budget	Actual Expenditures	Amount Over Budget
General Debt Service Fund	\$ 3,547,330	\$ 3,551,185	\$ 3,855
Food Service Fund	\$ 2,354,804	\$ 2,357,799	\$ 2,995

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 12 – 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 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 \$81,874 towards the funded projects in the 2021-2022 fiscal year. The District has funds remaining of \$401 to be used in 2022-2023 to complete the projects.

NOTE 14 – TRA SPECIAL FUNDING FROM THE STATE OF MINNESOTA

During the year ended June 30, 2022, the District is recording \$15,093 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 \$8,924 for the District's proportionate share of support in the General Employees Plan for PERA received from the State of Minnesota.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Financial Statements (continued)

June 30, 2022

NOTE 15 – IMPLEMENTATION OF GASB STANDARD NO. 87

On July 1, 2021 the District adopted Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments.

Note 3 has information that includes the right to use assets that are part of a lease agreement. It also shows the accumulated amortization of the lease payment as it reduces the right to use amount of the asset.

Note 4 has information showing the amount of the lease payable at June 30, 2022.

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, 2022

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%
6/30/2021	6/30/2020	0.08760%	\$ 5,252,020	\$ 161,951	\$ 5,413,971	\$ 6,092,460	82.17%	94.84%
	6/30/2021	0.08480%	\$ 3,621,340	\$ 110,601	\$ 3,731,941	\$ 6,275,294	59.86%	61.68%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2022

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%
6/30/2022	\$ 470,868	\$ 470,868	\$ -	\$ 6,275,294	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, 2022

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%
6/30/2021	6/30/2020	0.37850%	\$ 27,964,087	\$ 2,343,361	\$ 30,307,448	\$ 21,809,118	128.23%	157.28%
6/30/2022	6/30/2021	0.36520%	\$ 15,982,244	\$ 1,347,921	\$ 17,330,165	\$ 22,868,185	69.88%	75.78%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2022

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%
6/30/2022	\$ 1,907,209	\$ 1,907,209	\$ -	\$ 22,868,185	8.34%

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 6/30/2022	Fiscal Year Ending 6/30/2021	Fiscal Year Ending 6/30/2020	Fiscal Year Ending 6/30/2019	Fiscal Year Ending 6/30/2018
Total OPEB Liability:					
Service cost	\$ 463,204	\$ 429,836	\$ 382,855	\$ 450,592	\$ 468,518
Interest	179,891	189,732	212,032	238,141	200,062
Differences between expected and actual experience	50,609	1,295,880	-	(25,425)	-
Changes of assumptions	193,655	(84,445)	135,945	(860,829)	-
Changes of benefit terms	-	(2,460)	-	8,707	(220,822)
Benefit payments	(598,719)	(563,520)	(583,127)	(681,729)	(724,957)
Net change in total OPEB liability	288,640	1,265,023	147,705	(870,543)	(277,199)
Total OPEB liability - beginning of year	7,178,665	5,913,642	5,765,937	6,636,480	6,913,679
Total OPEB liability - end of year (a)	<u>\$ 7,467,305</u>	<u>\$ 7,178,665</u>	<u>\$ 5,913,642</u>	<u>\$ 5,765,937</u>	<u>\$ 6,636,480</u>
Plan fiduciary net position					
Contributions - employee	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employer	598,719	563,520	583,127	681,729	724,957
Net investment income	-	-	-	-	-
Benefit payments	(598,719)	(563,520)	(583,127)	(681,729)	(724,957)
Administrative expense	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning of year	-	-	-	-	-
Plan fiduciary net position - end of year (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 7,467,305</u>	<u>\$ 7,178,665</u>	<u>\$ 5,913,642</u>	<u>\$ 5,765,937</u>	<u>\$ 6,636,480</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	28,802,763	26,842,691	26,983,620	25,786,220	24,862,812
District's net OPEB liability as a percentage of covered-employee payroll	25.90%	25.57%	21.90%	22.40%	26.69%

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.

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Notes to Required Supplementary Information
June 30, 2022

NOTE 1 – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

2022 Changes

Changes in Actuarial Assumption: 1) The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. 2) The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions: 1) There were no changes in plan provisions since the previous valuation.

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 mortality 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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Required Supplementary Information (continued)

June 30, 2022

NOTE 1 – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Required Supplementary Information (continued)

June 30, 2022

NOTE 2 – TEACHERS RETIREMENT ASSOCIATION

7/1/2020 Valuation for year ended June 30, 2022

Change in Actuarial Assumption – 1) The investment return assumption was changed from 7.50 percent to 7.00 percent.

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.

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,

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Notes to Required Supplementary Information (continued)

June 30, 2022

NOTE 2 – TEACHERS RETIREMENT ASSOCIATION (CONTINUED)

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%.

2022 Changes

Benefit changes: None

SECTION IV – COMBINING STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Nonmajor Governmental Funds**Combining Balance Sheet**

As of June 30, 2022

(with Comparative Totals as of June 30, 2021)

	Fund		Totals	
	Food Service	Community Service	2022	2021
Assets				
Cash and investments	\$ 779,016	\$ 567,015	\$ 1,346,031	\$ 843,924
Current property taxes receivable	-	105,241	105,241	108,935
Delinquent property taxes receivable	-	3,008	3,008	6,959
Other accounts receivable	16,345	12,472	28,817	32,957
Due from other Minnesota school districts	-	77,038	77,038	61,845
Due from Minnesota Department of Education	-	40,392	40,392	38,689
Due from Federal Government through Minnesota Department of Education	51,153	5,387	56,540	249,571
Due from other governmental units	-	3,001	3,001	21,547
Inventory	54,178	-	54,178	57,645
Total Assets	<u>\$ 900,692</u>	<u>\$ 813,554</u>	<u>\$ 1,714,246</u>	<u>\$ 1,422,072</u>
Liabilities				
Salaries and compensated absences payable	\$ 3,425	\$ 67,746	\$ 71,171	\$ 50,732
Other accounts payable	166,808	70,466	237,274	37,768
Due to other Minnesota school districts	-	384	384	-
Unearned revenue	36,115	24,130	60,245	70,359
Total Liabilities	<u>206,348</u>	<u>162,726</u>	<u>369,074</u>	<u>158,859</u>
Deferred Inflows of Resources				
Deferred revenue - property taxes levied for subsequent year's expenditures	-	233,637	233,637	235,141
Unavailable revenue - delinquent taxes	-	3,008	3,008	6,959
Total Deferred Inflows of Resources	<u>-</u>	<u>236,645</u>	<u>236,645</u>	<u>242,100</u>
Fund Balances				
Nonspendable - Food Service	54,178	-	54,178	57,645
Restricted - Food Service	640,166	-	640,166	429,738
Restricted for community education	-	137,220	137,220	175,295
Restricted for early childhood and family education	-	110,129	110,129	118,519
Reserved for school readiness	-	51,033	51,033	102,372
Reserved for adult basic education	-	108,199	108,199	111,021
Restricted for other community education programs	-	7,602	7,602	26,523
Total Fund Balances	<u>694,344</u>	<u>414,183</u>	<u>1,108,527</u>	<u>1,021,113</u>
Total Liabilities and Fund Balances	<u>\$ 900,692</u>	<u>\$ 813,554</u>	<u>\$ 1,714,246</u>	<u>\$ 1,422,072</u>

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, 2022

(with Comparative Totals for Year Ended June 30, 2021)

	Fund		Totals	
	Food Service	Community Service	2022	2021
Revenues				
Property taxes	\$ -	\$ 235,945	\$ 235,945	\$ 234,446
Tuition, fees, and admissions	-	792,641	792,641	593,325
Investment earnings and other local revenue	1,408	17,588	18,996	78,259
Revenue from state sources	48,111	346,923	395,034	408,772
Federal aids received through Minnesota				
Department of Education and other agencies	2,359,905	121,440	2,481,345	1,822,337
Local sales and other revenue	136,964	-	136,964	52,961
Total Revenues	2,546,388	1,514,537	4,060,925	3,190,100
Expenditures				
Food service	2,357,799	-	2,357,799	1,711,729
Community education and service	-	1,634,084	1,634,084	1,115,332
Total Expenditures	2,357,799	1,634,084	3,991,883	2,827,061
Excess of revenues over (under) expenditures	188,589	(119,547)	69,042	363,039
Other Financing Sources (Uses)				
Transfer (to) from other fund	18,372	-	18,372	22,001
Total other Financing Sources (Uses)	18,372	-	18,372	22,001
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 206,961</u>	<u>\$ (119,547)</u>	<u>\$ 87,414</u>	<u>\$ 385,040</u>
Changes in Fund Balances				
Fund balances, beginning of year	\$ 487,383	\$ 533,730	\$ 1,021,113	\$ 636,073
Excess of revenues and other financing sources over (under) expenditures and other financing uses	206,961	(119,547)	87,414	385,040
Fund balances, end of year	<u>\$ 694,344</u>	<u>\$ 414,183</u>	<u>\$ 1,108,527</u>	<u>\$ 1,021,113</u>

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, 2022

(with Comparative Information for Year Ended June 30, 2021)

	2022		2021	
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Property taxes	\$ 6,049,311	\$ 5,925,298	\$ (124,013)	\$ 5,751,885
Tuition, fees, and admissions	817,125	1,095,665	278,540	676,398
Investment earnings and other local revenue	471,663	417,048	(54,615)	254,354
Revenue from state sources	42,032,549	42,316,870	284,321	41,974,794
Federal aids received through Minnesota				
Department of Education	5,330,135	5,101,754	(228,381)	3,539,207
Local sales and other revenue	-	379	379	-
Total Revenues	54,700,783	54,857,014	156,231	52,196,638
Expenditures				
Administration	1,938,093	1,980,364	42,271	2,005,781
District support services	2,543,252	2,144,145	(399,107)	2,223,751
Elementary and secondary regular instruction	22,682,782	22,910,754	227,972	21,801,415
Vocational education instruction	919,810	950,067	30,257	901,141
Special education instruction	13,306,496	12,754,491	(552,005)	13,046,887
Instructional support services	2,716,997	2,419,806	(297,191)	2,642,635
Pupil support services	4,506,671	4,616,734	110,063	3,820,299
Sites, buildings and equipment	5,181,424	5,276,466	95,042	6,322,728
Fiscal and other fixed cost programs	282,412	277,956	(4,456)	259,620
Total Expenditures	54,077,937	53,330,783	(747,154)	53,024,257
Excess of revenues over (under) expenditures	622,846	1,526,231	903,385	(827,619)
Other Financing Sources (Uses)				
Transfer (to) other funds	-	(18,372)	(18,372)	(22,001)
Sale of equipment	-	29,641	29,641	3,627
Total Other Financing Sources (Uses)	-	11,269	11,269	(18,374)
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ 622,846</u>	<u>\$ 1,537,500</u>	<u>\$ 914,654</u>	<u>\$ (845,993)</u>
Changes in Fund Balance				
Fund balance, beginning of year		\$ 6,536,887		\$ 7,382,880
Excess of revenues and other financing sources over (under) expenditures and other uses		<u>1,537,500</u>		<u>(845,993)</u>
Fund balance, end of year		<u>\$ 8,074,387</u>		<u>\$ 6,536,887</u>

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, 2022

(with Comparative Information for Year Ended June 30, 2021)

	2022		2021	
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Investment earnings and other local revenue	\$ -	\$ 3	\$ 3	\$ 952
Local sales and other revenue	3,421	3,420	(1)	-
Total Revenues	3,421	3,423	2	952
Expenditures				
Sites, buildings and equipment	82,274	81,874	(400)	1,643,406
Total Expenditures	82,274	81,874	(400)	1,643,406
Excess of revenues over (under) expenditures	<u>\$ (78,853)</u>	<u>\$ (78,451)</u>	<u>\$ 402</u>	<u>\$ (1,642,454)</u>
Changes in Fund Balance				
Fund balance, beginning of year		\$ 78,852		\$ 1,721,306
Excess of revenues over (under) expenditures		<u>(78,451)</u>		<u>(1,642,454)</u>
Fund balance, end of year		<u>\$ 401</u>		<u>\$ 78,852</u>

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, 2022

(with Comparative Information for Year Ended June 30, 2021)

	2022		2021	
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Property taxes	\$ 2,458,074	\$ 2,509,837	\$ 51,763	\$ 650,767
Investment earnings and other local revenue	1,000	7,106	6,106	23,757
Revenue from state sources	1,171,253	1,171,113	(140)	701,454
Federal aid received directly from federal sources	254,387	254,657	270	254,387
Total Revenues	<u>3,884,714</u>	<u>3,942,713</u>	<u>57,999</u>	<u>1,630,365</u>
Expenditures				
Principal	2,655,110	2,655,110	-	1,181,929
Interest and fiscal charges	892,220	896,075	3,855	914,687
Total Expenditures	<u>3,547,330</u>	<u>3,551,185</u>	<u>3,855</u>	<u>2,096,616</u>
Excess of revenues over (under) expenditures	337,384	391,528	54,144	(466,251)
Other Financing Sources (Uses)				
Transfer In From OPEB Debt Service Fund	-	-	-	347,535
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,535</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ 337,384</u>	<u>\$ 391,528</u>	<u>\$ 54,144</u>	<u>\$ (118,716)</u>
Changes in Fund Balance				
Fund balance, beginning of year		\$ 976,651		\$ 1,095,367
Excess of revenues and other financing sources over (under) expenditures and other uses		<u>391,528</u>		<u>(118,716)</u>
Fund balance, end of year		<u>\$ 1,368,179</u>		<u>\$ 976,651</u>

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, 2022

(with Comparative Information for Year Ended June 30, 2021)

	2022		2021	
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Investment earnings and other local revenue	\$ -	\$ 1,408	\$ 1,408	\$ 7,442
Revenue from state sources	112,644	48,111	(64,533)	27,767
Federal aids received through Minnesota				
Department of Education and other agencies	2,034,500	2,359,905	325,405	1,804,485
Local sales and other revenue	176,500	136,964	(39,536)	52,961
Total Revenues	2,323,644	2,546,388	222,744	1,892,655
Expenditures				
Pupil support services	2,354,804	2,357,799	2,995	1,711,729
Total Expenditures	2,354,804	2,357,799	2,995	1,711,729
Excess of revenues over (under) expenditures	(31,160)	188,589	219,749	180,926
Other Financing Sources (Uses)				
Transfer from General Fund	20,000	18,372	(1,628)	22,001
Total Other Financing Sources (Uses)	20,000	18,372	(1,628)	22,001
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ (11,160)</u>	<u>\$ 206,961</u>	<u>\$ 218,121</u>	<u>\$ 202,927</u>
Changes in Fund Balance				
Fund balance, beginning of year		\$ 487,383		\$ 284,456
Excess of revenues and other financing sources over (under) expenditures and other uses		<u>206,961</u>		<u>202,927</u>
Fund balance, end of year		<u>\$ 694,344</u>		<u>\$ 487,383</u>

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, 2022

(with Comparative Information for Year Ended June 30, 2021)

	2022		2021	
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Property taxes	\$ 231,991	\$ 235,945	\$ 3,954	\$ 234,446
Tuition, fees, and admissions	774,702	792,641	17,939	593,325
Investment earnings and other local revenue	42,366	17,588	(24,778)	70,817
Revenue from state sources	356,303	346,923	(9,380)	381,005
Federal aids received through Minnesota Department of Education and other agencies	145,587	121,440	(24,147)	17,852
Total Revenues	1,550,949	1,514,537	(36,412)	1,297,445
Expenditures				
Community education and services	1,735,459	1,634,084	(101,375)	1,115,332
Total Expenditures	1,735,459	1,634,084	(101,375)	1,115,332
Excess of revenues over (under) expenditures	<u>\$ (184,510)</u>	<u>\$ (119,547)</u>	<u>\$ 64,963</u>	<u>\$ 182,113</u>
Changes in Fund Balance:				
Fund balance, beginning of year		\$ 533,730		\$ 351,617
Excess of revenues over (under) expenditures		(119,547)		182,113
Fund balance, end of year		<u>\$ 414,183</u>		<u>\$ 533,730</u>

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, 2022

<u>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal ALN Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Pass-Through Independent School District No. 761			
Adult Education - Basic Grant	84.002	Not available	\$ 12,311
Pass-Through Minnesota Department of Education			
<u>Special Education Cluster</u>			
Individuals with Disabilities Education Act (IDEA)			
Part B Section 611	84.027	01-0241-000-000	803,790
Pandemic Enrollment Loss	84.027	01-0241-000-000	61,784
Individuals with Disabilities Education Act (IDEA)			
Part B Section 619	84.173	01-0241-000-000	25,066
American Rescue Plan	84.173	01-0241-000-000	450
Total Special Education Cluster			891,090
Pass-Through Minnesota Department of Education			
Title I, Parts A & D	84.010	01-0241-000-000	549,520
Infant and Toddler	84.181	01-0241-000-000	23,322
Javits Gifted and Talented Students Education	84.206	01-0241-000-000	123,351
Title III, Part A	84.365	01-0241-000-000	32,830
Title II, Part A	84.367	01-0241-000-000	143,980
COVID-19 Education Stabilization Fund, Under The	84.425D	01-0241-000-000	1,292,417
Coronavirus Aid, Relief, and Economic Security Act			
COVID-19 Education Stabilization Fund, Under The	84.425U	01-0241-000-000	1,791,822
Coronavirus Aid, Relief, and Economic Security Act			3,084,239
Pass-Through Independent School District No. 492			
Vocational Education-Carl Perkins	84.048A	Not available	8,143
Total U.S. Department of Education			4,868,786
<u>U.S. Department of Health and Human Services</u>			
Pass-Through Minnesota Department of Education			
Epidemiology and Laboratory Capacity for Infectious	93.323	01-0241-000-000	110,420
Diseases			
<u>U.S. Department of Agriculture</u>			
Pass-Through Minnesota Department of Education			
School Breakfast Program	10.553	01-0241-000-000	443,476
Child and Adult Care Food Program	10.558	01-0241-000-000	15,975
<u>Child Nutrition Cluster</u>			
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	01-0241-000-000	152,230
Cash Assistance			
National School Lunch Program	10.555	01-0241-000-000	1,608,633
Supply Chain Assistance	10.555	01-0241-000-000	58,154
Needy Child	10.555	01-0241-000-000	3,425
Summer Food Service Program	10.559	01-0241-000-000	84,109
Total Child Nutrition Cluster			1,906,551
Total U.S. Department of Agriculture			2,366,002
<u>U.S. Department of the Treasury</u>			
Pass-Through Minnesota Department of Education			
Coronavirus State and Local Fiscal Recovery Funds	21.027	01-0241-000-000	156,726
Pass-Through Independent School District No. 761			
Coronavirus State and Local Fiscal Recovery Funds	21.027	01-0241-000-000	71,514
Total Department of the Treasury			228,240
Total Expenditures of Federal Awards			<u>\$ 7,573,448</u>

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, 2022

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, 2022. 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 2021-2022 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, 2022, is \$152,230.

NOTE E – SUBRECIPIENTS

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

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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, 2022, 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 9, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 2022-001.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Feldmann & Company, CPAs P.C.
Feldmann & Company, CPAs P.C.
Austin, Minnesota

December 9, 2022

FELDMANN & COMPANY, CPAs, P.C.

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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

Opinion on Each Major Federal Program

We have audited the Independent School District No. 241's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Independent School District No. 241's major federal programs for the year ended June 30, 2022. The 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.

In our opinion, the 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Independent School District No. 241 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Independent School District No. 241's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Independent School District No. 241's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Independent School District No. 241's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Independent School District No. 241's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Independent School District No. 241's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Independent School District No. 241's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Independent School District No. 241's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.


Feldmann & Company, CPAs, P.C.
Austin, Minnesota

December 9, 2022

FELDMANN & COMPANY, CPAs, P.C.

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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, 2022, 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 9, 2022.

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.

Feldmann & Company, CPAs, P.C.
Feldmann & Company, CPAs P.C.

December 9, 2022

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

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)? yes X 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? yes X no

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
84.425D	Education Stabilization Fund
84.425U	Education Stabilization Fund
84.010	Title I, Parts A & D

- 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.

INDEPENDENT SCHOOL DISTRICT NO. 241
Albert Lea, Minnesota

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022 (continued)

Section II – Financial Statement Findings

2022-001 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

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Schedule of Findings and Responses

For the Year Ended June 30, 2022

Finding

2022 -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.



ALBERT LEA

SCHOOL DISTRICT 241
211 WEST RICHWAY DRIVE
ALBERT LEA, MINNESOTA 56007

Finding 2022-001: 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.


Superintendent

12-9-22
Date

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

Comments on Prior Year Audit Findings

For the Year Ended June 30, 2022

The District had two reportable conditions in the June 30, 2021 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) unallowable costs for Special Education Cluster. The District set up a payable for some expenses that were for 2020-2021. The invoice also included services for 2021-2022 which should not have been set up as a payable. The District's expenditures were recorded in the correct period for the 2021-2022 fiscal year.

SECTION VII – OTHER INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

June 30, 2022

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$54,857,014	<u>\$54,857,014</u>	\$0	Total Revenue	\$3,422	<u>\$3,422</u>	\$0
Total Expenditures	\$53,330,783	<u>\$53,330,783</u>	\$0	Total Expenditures	\$81,874	<u>\$81,874</u>	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$162,481	<u>\$162,481</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				Restricted / Reserved:			
4.01 Student Activities	\$296,013	<u>\$296,013</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$209,097	<u>\$209,097</u>	\$0	4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0
4.03 Staff Development	\$42,011	<u>\$42,011</u>	\$1	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$401	<u>\$401</u>	\$0
4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0	Unassigned:			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.24 Operating Capital	\$106,797	<u>\$106,797</u>	\$0	Total Revenue	\$3,942,713	<u>\$3,942,713</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Total Expenditures	\$3,551,185	<u>\$3,551,185</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	Non Spendable:			
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.34 Area Learning Center	\$45,242	<u>\$45,242</u>	\$0	Restricted / Reserved:			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$438,055	<u>\$438,055</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.41 Basic Skills Programs	\$0	<u>\$0</u>	\$0	Restricted:			
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$930,124	<u>\$930,124</u>	\$0
4.49 Safe School Crime - Crime Levy	\$51,896	<u>\$51,896</u>	\$0	Unassigned:			
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	08 TRUST			
4.59 Basic Skills Extended Time	\$38,731	<u>\$38,731</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.67 LTFM	(\$250,614)	<u>(\$250,614)</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$550,189	<u>\$550,189</u>	\$0	Restricted / Reserved:			
4.73 PPP Loan	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
Restricted:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0				
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	18 CUSTODIAL			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0	Total Revenue	\$6	<u>\$6</u>	\$0
Committed:				Total Expenditures	\$1,000	<u>\$1,000</u>	\$0
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0	Restricted / Reserved:			
4.61 Committed Fund Balance	\$169,450	<u>\$169,450</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
Assigned:				4.02 Scholarships	\$1,167	<u>\$1,167</u>	\$0
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	\$0	4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
Unassigned:				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.22 Unassigned Fund Balance	\$6,653,094	<u>\$6,653,094</u>	\$0				
02 FOOD SERVICES				20 INTERNAL SERVICE			
Total Revenue	\$2,546,388	<u>\$2,546,389</u>	(\$1)	Total Revenue	\$8,203,915	<u>\$8,203,915</u>	\$0
Total Expenditures	\$2,357,799	<u>\$2,357,799</u>	\$0	Total Expenditures	\$7,382,423	<u>\$7,382,423</u>	\$0
Non Spendable:				4.22 Unassigned Fund Balance (Net Assets)	\$3,723,842	<u>\$3,723,842</u>	\$0
4.60 Non Spendable Fund Balance	\$54,179	<u>\$54,179</u>	\$0				
Restricted / Reserved:				25 OPEB REVOCABLE TRUST			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Revenue	(\$42,577)	<u>(\$42,577)</u>	\$0
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	Total Expenditures	\$693,476	<u>\$693,476</u>	\$0
Restricted:				4.22 Unassigned Fund Balance (Net Assets)	(\$5,053,009)	<u>(\$5,053,009)</u>	\$0
4.64 Restricted Fund Balance	\$640,166	<u>\$640,166</u>	\$0				
Unassigned:				45 OPEB IRREVOCABLE TRUST			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
				Total Expenditures	\$0	<u>\$0</u>	\$0
04 COMMUNITY SERVICE				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
Total Revenue	\$1,514,537	<u>\$1,514,537</u>	\$0				
Total Expenditures	\$1,634,084	<u>\$1,634,084</u>	\$0	47 OPEB DEBT SERVICE			
Non Spendable:				Total Revenue	\$0	<u>\$0</u>	\$0
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				Non Spendable:			
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
				Restricted:			

INDEPENDENT SCHOOL DISTRICT NO. 241

Albert Lea, Minnesota

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

June 30, 2022

4.31 Community Education	\$137,220	<u>\$137,220</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.32 E.C.F.E	\$110,129	<u>\$110,129</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	Unassigned:			
4.44 School Readiness	\$51,033	<u>\$51,033</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.47 Adult Basic Education	\$108,199	<u>\$108,199</u>	<u>\$0</u>				
4.52 OPEB Liab Not in Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>				
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>				
Restricted:							
4.64 Restricted Fund Balance	\$7,602	<u>\$7,602</u>	<u>\$0</u>				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				