

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

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INDEPENDENT SCHOOL DISTRICT NO. 857
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INTRODUCTORY SECTION

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
BOARD OF EDUCATION AND ADMINISTRATION
YEAR ENDED JUNE 30, 2023**

BOARD OF EDUCATION

Term Expires

Brein Maki	Chairperson	January 1, 2026
Sarah Sommer	Vice Chairperson	January 1, 2025
David Baer	Treasurer	January 1, 2026
David Pringle	Clerk	January 1, 2026
Sara Daley	Director	January 1, 2025
Jenny K. Koverman	Director	January 1, 2025
Daniel Kreidermacher	Director	January 1, 2025

* * * * *

ADMINISTRATION

Gwen Carman	Superintendent
Dr. Cory Hanson	High School Principal
Dave Riebel	Elementary Principal
Sheala Hall	Business Manager

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 857
Lewiston, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lewiston-Altura Public Schools Independent School District No. 857 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2023, 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the Schedule of Changes in the District's Total OPEB Liability and Related Ratios, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Pension Contributions 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 GAAS. In our opinion, 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

Management is responsible for the other information included in the annual report. The other information comprises the listing of the Board of Education and administration but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated 11/10/2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Rochester, Minnesota
11/10/2023

REQUIRED SUPPLEMENTARY INFORMATION

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

This section of Lewiston-Altura Public Schools – Independent School District No. 857's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2022-2023 fiscal year include the following:

- Overall General Fund revenues were \$8,756,939 with \$9,070,008 of expenditures.
- The General Fund fund balance decreased \$313,069 from the prior year with revenues decreasing 6% and expenditures staying consistent. The Unassigned Fund Balance decreased by \$400,109 to \$279,925.
- The district's business office continued to contract with Bergankdv for assistance with federal grant management and support with the audit process. An internal staff person has been working in the finance office part time since June 2023 after the Finance Assistant left the position. A full time Finance Assistant began in the office October 30, 2023.
- The district continued to rely on revenues from funds received because of the pandemic to cover some general operating expenses. These will mostly be used by end of FY24.
- The closing of the Altura building (sale closed in July 2023) resulted in additional expenses for legal fees, moving expenses, auction preparation.
- The district transitioned to contracting for Facilities and Grounds Management services after the retirement of the Facilities and Grounds Director. This change integrates building maintenance, custodial services, grounds management and project management. This also provides the district cost savings through bulk purchasing of supplies, staffing consistencies, high expectations for quality services, safety trainings, shared expertise from their staff on best practices, guidance on options to address facility needs and expertise in understanding the legal requirements the district must adhere to. The annual contract includes the employment of on site staff, in addition to our continued employment of one full-time custodian.
- The district is holding a referendum on November 7, 2023 that asks voters to increase the Operating Levy to \$760/student and two building bond questions regarding facility renovations and improvements at the elementary and high school. The results of the election will have a significant impact on the district's financial and operating future.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first of the two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. 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 district-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and 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 an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider 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 district-wide financial statements the District's activities are shown in one category:

Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, 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 – not the District as a whole. 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 by 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).

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 fewer 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 at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was (\$976,799) on June 30, 2023.

**Table A-1
The District's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2023	2022	
Current and Other Assets	\$ 4,340,178	\$ 4,885,197	(11.16)%
Capital and Noncurrent Assets	7,865,881	8,167,491	(3.69)
Total Assets	<u>12,206,059</u>	<u>13,052,688</u>	(6.49)
Deferred Outflows of Resources	2,281,909	2,474,088	(7.77)
Current Liabilities	1,455,776	1,679,421	(13.32)
Long-Term Liabilities	11,280,781	8,420,690	33.97
Total Liabilities	<u>12,736,557</u>	<u>10,100,111</u>	26.10
Deferred Inflows of Resources	<u>2,734,668</u>	<u>7,741,448</u>	(64.67)
Net Position:			
Net Investment in Capital Assets	3,830,952	3,741,600	2.39
Restricted	1,706,325	1,522,491	12.07
Unrestricted	(6,520,534)	(7,578,874)	(13.96)
Total Net Position	<u>\$ (983,257)</u>	<u>\$ (2,314,783)</u>	(57.52)

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total 2022-2023 revenues were \$10,156,714 for the year ended June 30, 2023. Property taxes and state formula aid accounted for 63% of total revenue for the year (see Figure A-1).

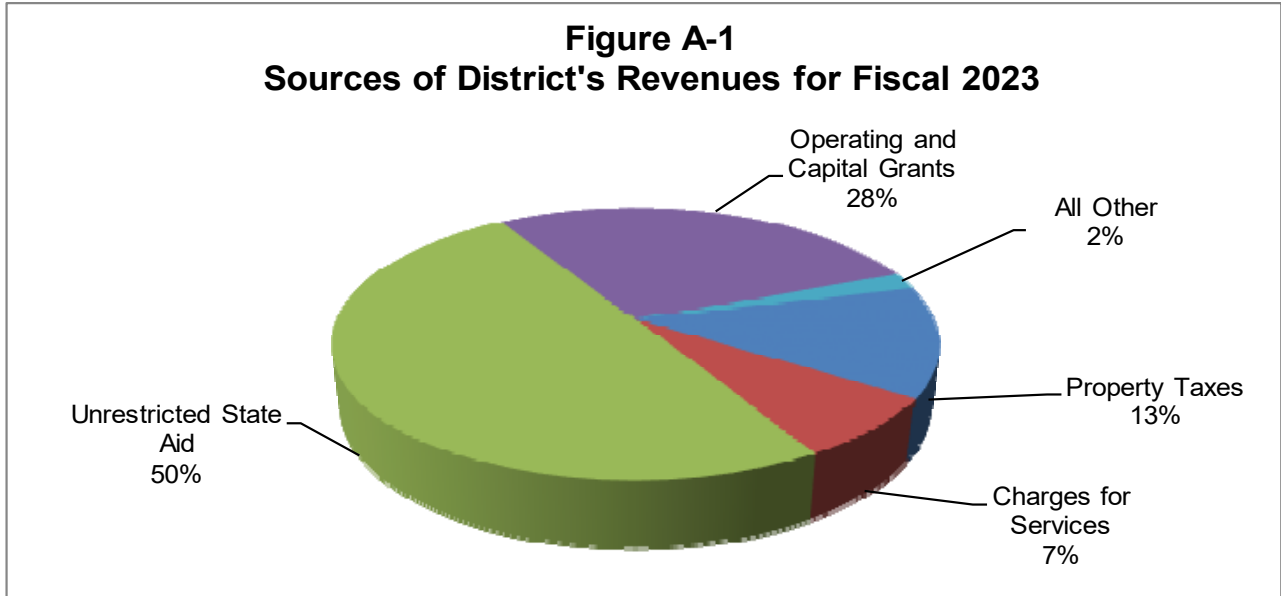
**Table A-2
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2023	2022	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 746,590	\$ 626,038	19.26 %
Operating Grants and Contributions	2,747,330	3,292,759	(16.56)
Capital Grants and Contributions	89,612	103,995	(13.83)
<u>General Revenues</u>			
Property Taxes	1,320,851	1,322,619	(0.13)
Unrestricted State Aid	5,058,813	5,432,243	(6.87)
Investment Earnings	62,462	(20,037)	(411.73)
Other	131,056	125,711	4.25
Total Revenues	<u>10,156,714</u>	<u>10,883,328</u>	(6.68)
Expenses			
Administration	472,504	541,660	(12.77)
District Support Services	314,133	359,372	(12.59)
Regular Instruction	3,272,842	3,831,303	(14.58)
Vocational Education Instruction	139,525	225,092	(38.01)
Special Education Instruction	1,209,449	1,461,125	(17.22)
Instructional Support Services	319,723	455,993	(29.88)
Pupil Support Services	865,944	946,475	(8.51)
Sites and Buildings	1,099,403	1,225,398	(10.28)
Fiscal and Other Fixed Cost Programs	99,729	86,225	15.66
Food Service	580,484	632,571	(8.23)
Community Service	350,589	462,104	(24.13)
Interest and Fiscal Charges on Long-Term Liabilities	100,863	105,683	(4.56)
Total Expenses	<u>8,825,188</u>	<u>10,333,001</u>	(14.59)
Increase (Decrease) in Net Position	1,331,526	550,327	
Net Position - Beginning	(2,314,783)	(2,865,110)	
Net Position - Ending	<u>\$ (983,257)</u>	<u>\$ (2,314,783)</u>	

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

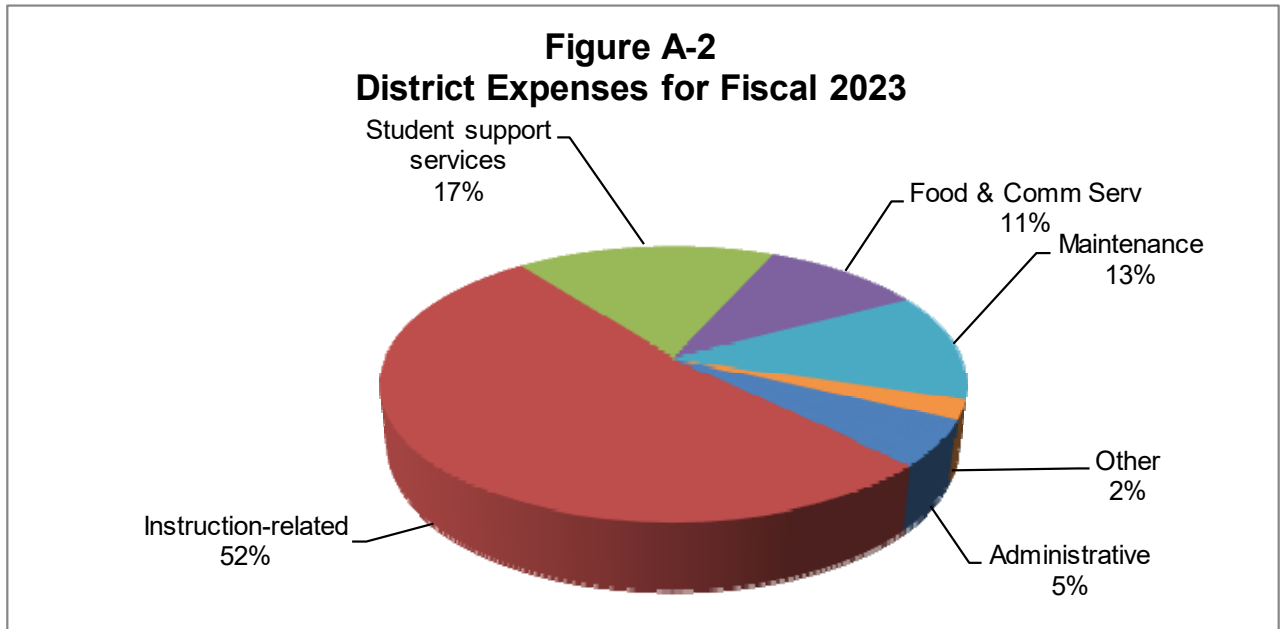
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Local property taxes accounted for 13% of the total revenue for the year; 50% of the District's revenues were in the form of unrestricted state aid, and 28% were operating and capital grants. The remaining revenue came in the form of charges for services and miscellaneous revenue 9%.



Typically, the District does not include an analysis of all governmental funds in a breakout of expenditures as depicted in Figure A-2. This may distort the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the District, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources.

LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023



**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

**Table A-3
Program Expenses and Net Cost of Services**

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Administration	\$ 472,504	\$ 541,660	(12.77)%	\$ 472,504	\$ 541,660	(12.77)%
District Support Services	314,133	359,372	(12.59)	310,858	359,372	(13.50)
Regular Instruction	3,272,842	3,831,303	(14.58)	818,751	1,128,493	(27.45)
Vocational Education Instruction	139,525	225,092	(38.01)	139,525	219,380	(36.40)
Special Education Instruction	1,209,449	1,461,125	(17.22)	1,199,677	1,459,144	(17.78)
Instructional Support Services	319,723	455,993	(29.88)	201,750	332,598	(39.34)
Pupil Support Services	865,944	946,475	(8.51)	865,944	946,475	(8.51)
Sites and Buildings	1,099,403	1,225,398	(10.28)	1,033,740	1,136,366	(9.03)
Fiscal and Other Fixed Cost Programs	99,729	86,225	15.66	99,729	86,225	15.66
Food Service	580,484	632,571	(8.23)	31,330	(91,661)	(134.18)
Community Service	350,589	462,104	(24.13)	(33,015)	86,474	(138.18)
Interest and Fiscal Charges on Long-Term Liabilities	100,863	105,683	(4.56)	100,863	105,683	(4.56)
Total	<u>\$ 8,825,188</u>	<u>\$ 10,333,001</u>	(14.59)	<u>\$ 5,241,656</u>	<u>\$ 6,310,209</u>	(16.93)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

GENERAL FUND

The General Fund includes the primary operations of the District in providing educational services to students from pre-school to kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

Approximately 83% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local School Board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 68% of salaries for special education personnel expenditures. This amount is often pro-rated and does not include benefits such as FICA, TRA, or insurance.

ENROLLMENT

Enrollment is a critical factor in determining revenue. Approximately 90% of General Fund revenue is determined by enrollment. The following chart shows that the average daily membership of students has decreased by 62 students in fiscal year 2023 from the prior year.

**Table A-4
Five-Year Enrollment Trend
Average Daily Membership (ADM)**

Grade	2019	2020	2021	2022	2023
Pre - Kdgt. & Kdgt.	52	49	41	48	50
1-3	121	119	117	108	102
4-6	161	163	143	122	109
7-12	394	377	391	379	334
Total K-12 ADM	728	708	692	657	595
ADM Change	(15)	(20)	(16)	(35)	(62)
Percent Change	-2.0%	-2.7%	-2.3%	-5.1%	-9.4%

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

GENERAL FUND (CONTINUED)

ENROLLMENT (CONTINUED)

District enrollment has consistently declined for the past few years, particularly at the elementary and intermediate levels. Kindergarten enrollment numbers are significantly fewer than the number of students graduating each spring. Enrollment drops have been happening in the Elementary School initially, and now have made their way through the Intermediate School. In the next few years, these smaller class sizes will be progressing through the High School.

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2023	June 30, 2022	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 1,021,279	\$ 1,029,158	\$ (7,879)	(0.8)%
Earnings on Investments	40,658	(20,037)	60,695	(302.9)
Other	273,062	296,309	(23,247)	(7.8)
State Sources	6,605,145	7,090,499	(485,354)	(6.8)
Federal Sources	690,330	703,383	(13,053)	(1.9)
Total General Fund Revenue	<u>\$ 8,630,474</u>	<u>\$ 9,099,312</u>	<u>\$ (468,838)</u>	<u>(5.2)</u>

Total General Fund Revenue decreased by \$468,838 in fiscal year 2023. Basic general education revenue is determined by multiple state formulas that are largely enrollment driven. The revenue consists of a mix of property tax and state aid. The ratio of the local valuation per student to a state determined equalizing number determines what portion of the revenue comes in the form of local levy and what portion comes in the form of state aid. That mix of levy and aid can change each year without affecting total revenue.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2023	June 30, 2022		
Salaries	\$ 4,988,048	\$ 5,438,689	\$ (450,641)	(8.3)%
Employee Benefits	1,334,946	1,356,447	(21,501)	(1.6)
Purchased Services	1,770,666	1,442,798	327,868	22.7
Supplies and Materials	517,413	565,993	(48,580)	(8.6)
Capital Expenditures	378,420	174,300	204,120	117.1
Other Expenditures	86,973	83,950	3,023	3.6
Total Expenditures	<u>\$ 9,076,466</u>	<u>\$ 9,062,177</u>	<u>\$ 14,289</u>	<u>0.2</u>

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

GENERAL FUND (CONTINUED)

Total General Fund Expenditures increased by \$7,831 from the previous year. State funding per ADM has increased each year but at a much lower rate than the rising costs of wages, transportation and equipment/supplies.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. These budget amendments fall into three categories:

- Implementing budgets for specially funded projects which include both federal and state grants as well as local projects for which the amount was not known at the time of budget adoption.
- Legislation passed for which the impact was not known at the time of budget adoption, changes necessitated by collective bargaining agreements, and increases or decreases in appropriations for significant costs.
- Due to the COVID-19 pandemic and Governor's Orders, the District's finances were impacted significantly, requiring increases and decreases in appropriations for a variety of fund areas. In FY22, the district received \$580,561 in pandemic related funding which was reimbursement of expenses via grant applications.

FOOD SERVICE FUND

The Food Service Fund saw a decrease in fund balance in the amount of \$27,568. The Food Service program was in its second year of providing free meals to all students, without a requirement for qualifying for free meals through an application process. The meal costs were reimbursed through state and federal funds. The program also experienced some higher food prices and inconsistencies in availability of products.

COMMUNITY SERVICE FUND

The Community Service Fund experienced an increase of \$14,712 during the year. The deficit in the Community Education Fund is primarily due to a deficit in the School Readiness program which had a program deficit of \$47,087.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had invested \$7.9 million in a broad range of capital assets, including school buildings, athletic facilities, computer, technology, maintenance equipment and additions to the elementary and high school. (Table A-7).

**Table A-7
Capital Assets**

	2023	2022	Percentage Change
Land	\$ 13,089	\$ 13,089	0.0 %
Construction in Progress	-	10,999	(100.0)
Land Improvements	1,085,804	1,054,641	3.0
Buildings and Improvements	13,415,212	13,403,597	0.1
Equipment	3,677,786	3,378,833	8.8
Less: Accumulated Depreciation	(10,326,010)	(9,693,668)	6.5
Total	<u>\$ 7,865,881</u>	<u>\$ 8,167,491</u>	(3.7)

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year-end, the District had \$3,915,000 in general obligation bonds. Compensated absences payable are based on future payments into health care savings plans and post retirement insurance benefits.

**Table A-8
The District's Long-Term Liabilities**

	2023	2022	Percentage Change
General Obligation Bonds	\$ 3,915,000	\$ 4,260,000	(8.1)%
Bond Premiums	119,929	165,891	(27.7)
Compensated Absences Payable	152,791	164,826	(7.3)
Total Long-Term Liabilities	<u>\$ 4,187,720</u>	<u>\$ 4,590,717</u>	(8.8)
Long-Term Liabilities:			
Due Within One Year	\$ 404,437	\$ 390,962	
Due in More Than One Year	3,783,283	4,199,755	
Total	<u>\$ 4,187,720</u>	<u>\$ 4,590,717</u>	

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved excess operating referendum, the District is dependent on the state of Minnesota for its revenue authority. The District has a voter-approved operating referendum in place through Fiscal Year 2026 that provides authority of \$51.92 per adjusted pupil unit.

The most significant factors influencing the financial position of the District are declining enrollment and the significant facility needs for repairs, and modifications to meet the educational and security needs of the 21st Century schools. The School Board is considering closing the Altura Intermediate School which would result in a significant decrease in annual operating expenses but additional expenditure reductions will likely continue to be necessary in future years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 857, 100 County Road 25, Lewiston, Minnesota 55952.

BASIC FINANCIAL STATEMENTS

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 2,429,954
Receivables:	
Property Taxes	736,756
Other Governments	1,085,564
Other	41,586
Prepaid Items	35,583
Inventory	10,735
Capital Assets:	
Land and Construction in Progress	13,089
Other Capital Assets, Net of Depreciation	7,852,792
Total Assets	12,206,059
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	2,216,901
Other Postemployment Benefit Related	65,008
Total Deferred Outflows of Resources	2,281,909
LIABILITIES	
Salaries and Payroll Deductions Payable	872,292
Accounts and Contracts Payable	114,195
Accrued Interest Payable	56,510
Due to Other Governmental Units	8,342
Long-Term Liabilities:	
Portion Due Within One Year	404,437
Portion Due in More Than One Year	3,783,283
Net Pension Liability	7,165,826
Other Postemployment Benefit Liability - Due Within One Year	45,735
Other Postemployment Benefit Liability - Due in More Than One Year	285,937
Total Liabilities	12,736,557
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Year	1,302,139
Pension Related	1,365,034
Other Postemployment Benefit Related	67,495
Total Deferred Inflows of Resources	2,734,668
NET POSITION	
Net Investment in Capital Assets	3,830,952
Restricted for:	
Operating Capital Purposes	91,299
State-Mandated Reserves	909,847
Food Service	192,007
Community Service	142,999
Capital Projects	370,173
Unrestricted	(6,520,534)
Total Net Position	\$ (983,257)

See accompanying Notes to Basic Financial Statements.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
Administration	\$ 472,504	\$ -	\$ -	\$ -	\$ (472,504)
District Support Services	314,133	-	3,275	-	(310,858)
Regular Instruction	3,272,842	267,080	2,178,447	8,564	(818,751)
Vocational Education Instruction	139,525	-	-	-	(139,525)
Special Education Instruction	1,209,449	3,064	6,708	-	(1,199,677)
Instructional Support Services	319,723	-	102,304	15,669	(201,750)
Pupil Support Services	865,944	-	-	-	(865,944)
Sites and Buildings	1,099,403	284	-	65,379	(1,033,740)
Fiscal and Other Fixed Cost Programs	99,729	-	-	-	(99,729)
Food Service	580,484	241,081	308,073	-	(31,330)
Community Service	350,589	235,081	148,523	-	33,015
Interest and Fiscal Charges on Long-Term Liabilities	100,863	-	-	-	(100,863)
Total School District	<u>\$ 8,825,188</u>	<u>\$ 746,590</u>	<u>\$ 2,747,330</u>	<u>\$ 89,612</u>	<u>(5,241,656)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purposes					
					1,018,675
Community Service					
					53,930
Debt Service					
					248,246
State Aid Not Restricted to Specific Purposes					
					5,058,813
Earnings on Investments					
					62,462
Miscellaneous					
					131,056
Total General Revenues					<u>6,573,182</u>
CHANGE IN NET POSITION					1,331,526
Net Position - Beginning					<u>(2,314,783)</u>
NET POSITION - ENDING					<u>\$ (983,257)</u>

See accompanying Notes to Basic Financial Statements.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 1,538,966	\$ 195,670	\$ 182,722
Receivables:			
Current Property Taxes	413,070	-	24,538
Delinquent Property Taxes	2,704	-	190
Due from Other Minnesota School Districts	13,135	-	-
Due from Minnesota Department of Education	702,694	658	8,828
Due from Federal through Minnesota Department of Education	321,652	7,911	-
Due from Other Governmental Units	5,078	-	-
Other Receivables	34,233	4,460	2,893
Prepaid Items	35,583	-	-
Inventory	-	10,735	-
Total Assets	<u>\$ 3,067,115</u>	<u>\$ 219,434</u>	<u>\$ 219,171</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Salaries and Payroll Deductions Payable	\$ 823,191	\$ 25,407	\$ 23,694
Accounts and Contracts Payable	110,303	2,020	1,872
Due to Other Governmental Units	8,342	-	-
Total Liabilities	<u>941,836</u>	<u>27,427</u>	<u>25,566</u>
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	814,331	-	50,606
Unavailable Revenue - Delinquent Property Taxes	2,704	-	190
Total Deferred Inflows of Resources	<u>817,035</u>	<u>-</u>	<u>50,796</u>
Fund Balances:			
Nonspendable:			
Prepaid Items	35,583	-	-
Inventory	-	10,735	-
Restricted for:			
Student Activities	167,360	-	-
Scholarships	88,588	-	-
Staff Development	181,724	-	-
Operating Capital	91,299	-	-
Safe School Crime - Crime Levy	33,098	-	-
LTFM	363,384	-	-
Medical Assistance	61,707	-	-
Community Education Programs	-	-	27,430
Early Childhood and Family Education Programs	-	-	15,277
Gifted and Talented	1,030	-	-
Basic Skills Extended Time	11,004	-	-
Restricted for Other Purposes	-	181,272	102,957
Unassigned	271,515	-	(2,855)
Total Fund Balances	<u>1,308,244</u>	<u>192,007</u>	<u>142,809</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,067,115</u>	<u>\$ 219,434</u>	<u>\$ 219,171</u>

See accompanying Notes to Basic Financial Statements.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Major Funds		Total Governmental Funds
	Capital Projects	Debt Service	
ASSETS			
Cash and Investments	\$ 370,173	\$ 142,423	\$ 2,429,954
Receivables:			
Current Property Taxes	-	295,489	733,097
Delinquent Property Taxes	-	765	3,659
Due from Other Minnesota School Districts	-	-	13,135
Due from Minnesota Department of Education	-	25,608	737,788
Due from Federal through Minnesota Department of Education	-	-	329,563
Due from Other Governmental Units	-	-	5,078
Other Receivables	-	-	41,586
Prepaid Items	-	-	35,583
Inventory	-	-	10,735
Total Assets	<u>\$ 370,173</u>	<u>\$ 464,285</u>	<u>\$ 4,340,178</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Salaries and Payroll Deductions Payable	\$ -	\$ -	\$ 872,292
Accounts and Contracts Payable	-	-	114,195
Due to Other Governmental Units	-	-	8,342
Total Liabilities	<u>-</u>	<u>-</u>	<u>994,829</u>
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	-	437,202	1,302,139
Unavailable Revenue - Delinquent Property Taxes	-	765	3,659
Total Deferred Inflows of Resources	<u>-</u>	<u>437,967</u>	<u>1,305,798</u>
Fund Balances:			
Nonspendable:			
Prepaid Items	-	-	35,583
Inventory	-	-	10,735
Restricted for:			
Student Activities	-	-	167,360
Scholarships	-	-	88,588
Staff Development	-	-	181,724
Operating Capital	-	-	91,299
Safe School Crime - Crime Levy	-	-	33,098
LTFM	357,001	-	720,385
Medical Assistance	-	-	61,707
Community Education Programs	-	-	27,430
Early Childhood and Family Education Programs	-	-	15,277
Gifted and Talented	-	-	1,030
Basic Skills Extended Time	-	-	11,004
Restricted for Other Purposes	13,172	26,318	323,719
Unassigned	-	-	268,660
Total Fund Balances	<u>370,173</u>	<u>26,318</u>	<u>2,039,551</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 370,173</u>	<u>\$ 464,285</u>	<u>\$ 4,340,178</u>

See accompanying Notes to Basic Financial Statements.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balances for Governmental Funds	\$	2,039,551
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land		13,089
Land Improvements, Net of Accumulated Depreciation		727,191
Buildings and Improvements, Net of Accumulated Depreciation		6,011,881
Equipment, Net of Accumulated Depreciation		1,113,720
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore are reported as Deferred Inflows of Resources in the funds.		
		3,659
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		(56,510)
The District's Net Pension Liability and related Deferred Outflows and Inflows of Resources are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability		(7,165,826)
Deferred Outflows of Resources - Pension Related		2,216,901
Deferred Inflows of Resources - Pension Related		(1,365,034)
The District's Other Postemployment Benefit Liability and related Deferred Outflows and Inflows of Resources are recorded only on the Statement of Net Position. Balances at year-end are:		
Other Postemployment Benefit Liability		(331,672)
Deferred Inflows of Resources - Other Postemployment Benefit		(67,495)
Deferred Outflows of Resources - Other Postemployment Benefit Liability		65,008
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position. Balances at year-end are:		
Bonds Payable		(3,915,000)
Unamortized Premiums		(119,929)
Compensated Absences Payable		(152,791)
Total Net Position of Governmental Activities	\$	<u>(983,257)</u>

See accompanying Notes to Basic Financial Statements.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local Sources:			
Property Taxes	\$ 1,021,279	\$ -	\$ 54,145
Investment Income	40,658	3,115	4,361
Other	273,062	244,913	239,106
State Sources	6,605,145	18,306	126,514
Federal Sources	690,330	286,582	23,885
Total Revenues	<u>8,630,474</u>	<u>552,916</u>	<u>448,011</u>
EXPENDITURES			
Current:			
Administration	604,674	-	-
District Support Services	307,439	-	-
Elementary and Secondary Regular Instruction	3,837,156	-	-
Vocational Education Instruction	202,037	-	-
Special Education Instruction	1,443,178	-	-
Instructional Support Services	347,159	-	-
Pupil Support Services	876,252	-	-
Sites and Buildings	980,422	-	-
Fiscal and Other Fixed Cost Programs	99,729	-	-
Food Service	-	576,275	-
Community Service	-	-	433,300
Capital Outlay	378,420	4,209	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>9,076,466</u>	<u>580,484</u>	<u>433,300</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(445,992)	(27,568)	14,711
OTHER FINANCING SOURCES			
Sale of Real Property	27,597	-	-
Proceeds from Sales of Capital Assets	250	-	-
Proceeds from Insurance Recoveries	98,618	-	-
Total Other Financing Sources	<u>126,465</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(319,527)	(27,568)	14,711
Fund Balances - Beginning	<u>1,627,771</u>	<u>219,575</u>	<u>128,098</u>
FUND BALANCES - ENDING	<u>\$ 1,308,244</u>	<u>\$ 192,007</u>	<u>\$ 142,809</u>

See accompanying Notes to Basic Financial Statements.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Major Funds		Total Governmental Funds
	Capital Projects	Debt Service	
REVENUES			
Local Sources:			
Property Taxes	\$ -	\$ 249,024	\$ 1,324,448
Investment Income	13,082	1,246	62,462
Other	-	-	757,081
State Sources	-	250,920	7,000,885
Federal Sources	-	-	1,000,797
Total Revenues	<u>13,082</u>	<u>501,190</u>	<u>10,145,673</u>
EXPENDITURES			
Current:			
Administration	-	-	604,674
District Support Services	-	-	307,439
Elementary and Secondary Regular Instruction	-	-	3,837,156
Vocational Education Instruction	-	-	202,037
Special Education Instruction	-	-	1,443,178
Instructional Support Services	-	-	347,159
Pupil Support Services	-	-	876,252
Sites and Buildings	-	-	980,422
Fiscal and Other Fixed Cost Programs	-	-	99,729
Food Service	-	-	576,275
Community Service	-	-	433,300
Capital Outlay	-	-	382,629
Debt Service:			
Principal	-	345,000	345,000
Interest and Fiscal Charges	-	153,575	153,575
Total Expenditures	<u>-</u>	<u>498,575</u>	<u>10,588,825</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,082	2,615	(443,152)
OTHER FINANCING SOURCES			
Sale of Real Property	-	-	27,597
Proceeds from Sales of Capital Assets	-	-	250
Proceeds from Insurance Recoveries	-	-	98,618
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>126,465</u>
NET CHANGE IN FUND BALANCES	13,082	2,615	(316,687)
Fund Balances - Beginning	<u>357,091</u>	<u>23,703</u>	<u>2,356,238</u>
FUND BALANCES - ENDING	<u>\$ 370,173</u>	<u>\$ 26,318</u>	<u>\$ 2,039,551</u>

See accompanying Notes to Basic Financial Statements.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (316,687)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays and acquisition of right-to-use assets as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation or amortization expense.

Capital Outlays	358,453
Gain (Loss) on Disposal of Capital Assets	27,847
Proceeds from the Sales of Capital Assets	(27,847)
Depreciation Expense	(660,063)

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the in the governmental funds. (3,597)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses in the Statement of Activities are measured by the change in Net Pension Liability and the related Deferred Outflows and Inflows of Resources. 1,512,862

In the Statement of Activities, certain operating expenses - compensated absences payable - by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid). 12,035

Other postemployment benefit expenditures in the governmental funds are measured by current year benefit payments. Other postemployment benefit expense on the statement of activities is measured by the change in the total OPEB liability and the related deferred inflows and outflows of resources. 30,811

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Bond Principal	345,000
Change in Accrued Interest Liability	6,750
Amortization of Bond Premium	45,962

Change in Net Position of Governmental Activities \$ 1,331,526

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 857 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

The District is an instrumentality of the state of Minnesota established to function as an education institution. The elected School Board (the Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds and account groups of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The Board establishes broad policies and ensures that appropriate financial records are maintained for student activities, as well as controls and is financially accountable for these activities. Accordingly, the accounts and transactions for the student activities are included in the financial statements of the General Fund.

C. Basic Financial Statement Presentation

The District-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 of the financial activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Depreciation expenses that can be specifically identified by function are included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-Wide Financial Statements.

Separate fund financial statements are provided for governmental funds. Major individual Governmental Funds are reported as separate columns in the Fund Financial Statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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 the 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. Grant and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Special Revenue Fund are composed of user fees and reimbursements from the federal and state governments. These revenues are restricted for the Food Service Special Revenue Fund.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, state tax credits, and aid from the state government. These revenues are restricted for the Community Service Special Revenue Fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for and the payment of general long-term obligation bond principal, interest, and related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 or within one week of the acceptance of the final audit by the School Board each year. Reported budgeted amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

F. Cash and Investments

Cash and investments consist of demand deposit accounts, time/savings accounts, and deposits in the Minnesota School District Liquid Asset Fund (MSDLAF). Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

G. Receivables

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Inventory

Inventory is recorded using the consumption method of accounting and consists of food and other supplies on hand at year end 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, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

J. Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15, and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund and Debt Service Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's combined 2000 Pay 2001 operating referendum levy (frozen at zero) for the District. Certain other portions of the District's 2022 Pay 2023 levy, normally revenue for the 2023–2024 fiscal year, are also advance recognized at June 30, 2023, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2023, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets are capitalized as historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of \$5,000 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 District-Wide Financial Statements but are not reported in the Fund Financial Statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since 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 include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of building or other improvable property.

L. Long-Term Liabilities

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts 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.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Accrued Employee Benefits

Compensated Absences Payable

The District has employee and union contracts with several different employee groups. Employee benefits under the contracts are different, but generally include provisions for sick leave and vacation leave. The District accounts for the employee benefits as follows:

Vacation leave vests and may be carried forward for up to two years, depending on the contract. A liability is recorded for earned but unpaid vacation leave.

Sick leave does not vest and is accounted for as an expenditure when paid. Employees may accrue an unlimited amount of sick days to be paid upon termination. All Certified employees receive a severance payment at a rate of \$30 per day of unused sick leave. In addition, certified employees hired before the 1980–1981 school year, may convert unused sick days into paid group health insurance at the rate of 20 days for each one year of premiums. Also, certified employees hired after the 1980–1981 school year and before the 2001–2002 school year, may convert unused sick days into paid group health insurance at the rate of 30 days for each one year of premiums. Certified employees hired after the 2001–2002 school year cannot convert unused sick days into paid group health insurance. Noncertified employees receive a payment at the rate of \$25 per day of unused sick leave upon reaching age 55 and having completed 15 years of service to the District. In addition, noncertified employees may convert unused sick days into paid group health insurance at the rate of 25 days for each one year of premiums. At June 30, 2023, compensated absences payable totaling \$152,791 is recorded in the District-Wide Financial Statements.

Other Postemployment Benefits

Under the provisions of the various employee and union contracts, the District provides health care benefits if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis.

N. 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 the benefit terms. Investments are reported at fair value.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions (Continued)

TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Minnesota 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.

PERA has a special funding situation created by direct aid contributions made by the state of Minnesota for the merger of Minneapolis Employees Retirement Fund into GERF in fiscal year 2015.

O. Deferred Outflows of Resources

In addition to assets, the financial statements reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until that time. The District has only two types of items. The first type, *pension related*, is related to differences in actual and projected earnings on plan investments, changes in assumptions, differences in expected and actual economic experience, changes in proportionate share and contributions subsequent to the measurement date. The second type, *other postemployment benefit related*, is related to contributions subsequent to the measurement date.

P. Deferred Inflows of Resources

In addition to liabilities, the financial statements reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four types of items. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflows of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type, *pension related*, is related to changes in assumptions, differences in actual and projected earnings on plan investments, differences in expected and actual economic experience and changes in proportionate share. The fourth type, *other postemployment benefit related*, is related to changes in assumptions and differences in expected and actual economic experience.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balance

In the Fund Financial Statements, Governmental Funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to prepaid items and inventory. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent, the Business Manager, and the Assistant Finance Clerk the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum Unassigned General Fund balance of 10% of the annual budgeted expenditures.

The District's liabilities for compensated absences, pension and OPEB are generally liquidated by the General Fund.

R. Net Position

Net position represents the difference between Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources in the District-Wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt or other borrowings used to build or acquire the capital assets. Net position is reported as restricted in the District-Wide Financial Statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

S. 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 deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could vary from those estimates.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This standard requires the recognition of certain subscription assets and liabilities for agreements that previously were classified as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for subscription accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. Under this standard, a subscriber is required to recognize a subscription liability and an intangible right-to-use subscription asset.

The implementation of GASB Statement No. 96 did not affect the District's financial statements.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds at June 30, 2023:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Food Service Fund	\$ 445,145	\$ 580,484	\$ 135,339

The excess expenditures were covered by existing fund balance and revenues, which also exceeded budget.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position and Balance Sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the District's School Board.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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 corporate surety bonds.

The District's deposits in financial institutions at June 30, 2023 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government Agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. It is required that the District sign authorizations releasing collateral once it is pledged.

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, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better; Revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.
- Guaranteed Investment Contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2023, the District had the following investments:

<u>Investments Measured at Fair Value</u>	
Negotiable Certificates of Deposit	\$ 128,583
U.S. Treasury Securities	150,910
Municipal Bonds	253,678
Total Investments Measured at Fair Value	<u>\$ 533,171</u>
<u>External Investment Pools</u>	<u>Measured at</u>
Minnesota School District Liquid Asset Fund	<u>Amortized Cost</u>
Plus (MSDLAF+)	\$ 1,356,275

The Minnesota School District Liquid Asset Fund Plus (MSDLAF+) is an external investment pool (Pool) that is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Governmental Accounting Standards Board.

The Liquid Class has no redemption requirements. The MAX Class may not be redeemed for at least 14 days, and a 24-hour hold is placed on redemption requests. Redemptions prior to 14 days may be subject to penalty.

The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of investments.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a formal policy relating to this risk.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Investment Maturities in Years			Credit Rating
	12 Months or Less	1 to 3 Years	Total	
MSDLAF+ (Liquid Class)	\$ 722,275	\$ -	\$ 722,275	Not Rated
MSDLAF+ (MAX Class)	634,000	-	634,000	Not Rated
Negotiable Certificates of Deposit	128,583	-	128,583	Not Rated
US Treasury Securities	150,910	-	150,910	Not Required
Municipal Bonds	-	253,678	253,678	Aa1 to AAA
Total	<u>\$ 1,635,768</u>	<u>\$ 253,678</u>	<u>\$ 1,889,446</u>	

Concentration of Credit Risk

Except for amounts invested with Trustees, the District limits the amount of its total deposits and investments portfolio that may be invested with any one depository to 75% of the total portfolio.

The following investments individually comprise more than 5% of the District's total investments.

Concentration of Credit Risk		
Goldman Sachs Bk USA New York - negotiable CD	\$ 128,583	6.81%
Houghton Portage Twp Sc Dist Mich GO Bonds	123,855	6.56%
New York NY City Transitional Fin Auth Rev Bonds	129,823	6.87%

The deposits and investments are presented in the financial statements as follows:

Deposits	\$ 540,508
Negotiable Certificates of Deposit	128,583
US Treasury Securities	150,910
Municipal Bonds	253,678
Minnesota School District Liquid Asset Fund	
Plus (MSDLAF+)	<u>1,356,275</u>
Total Cash and Investments	<u>\$ 2,429,954</u>

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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). If the inputs used to measure the financial instruments 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 valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Investment Type	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit	\$ -	\$ 128,583	\$ -	\$ 128,583
US Treasury Securities	150,910	-	-	150,910
Municipal Bonds	-	253,678	-	253,678
Total	<u>\$ 150,910</u>	<u>\$ 382,261</u>	<u>\$ -</u>	<u>\$ 533,171</u>

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 13,089	\$ -	\$ -	\$ -	\$ 13,089
Construction in Progress	10,999	-	-	(10,999)	-
Total Capital Assets, Not Being Depreciated	<u>24,088</u>	<u>-</u>	<u>-</u>	<u>(10,999)</u>	<u>13,089</u>
Capital Assets, Being Depreciated:					
Land Improvements	1,054,641	31,163	-	-	1,085,804
Buildings and Improvements	13,403,597	11,615	-	-	13,415,212
Equipment	3,378,833	315,675	(27,721)	10,999	3,677,786
Total Capital Assets, Being Depreciated	<u>17,837,071</u>	<u>358,453</u>	<u>(27,721)</u>	<u>10,999</u>	<u>18,178,802</u>
Accumulated Depreciation for:					
Land Improvements	(309,664)	(48,949)	-	-	(358,613)
Buildings and Improvements	(6,968,241)	(435,090)	-	-	(7,403,331)
Equipment	(2,415,763)	(176,024)	27,721	-	(2,564,066)
Total Accumulated Depreciation	<u>(9,693,668)</u>	<u>(660,063)</u>	<u>27,721</u>	<u>-</u>	<u>(10,326,010)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,143,403</u>	<u>(301,610)</u>	<u>-</u>	<u>10,999</u>	<u>7,852,792</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,167,491</u>	<u>\$ (301,610)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,865,881</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities:	
Administration	\$ 668
District Support Services	45
Regular Instruction	451,633
Vocational Education Instruction	2,405
Special Education Instruction	4,445
Instructional Support Services	8,531
Pupil Support Services	87,455
Sites and Buildings	97,143
Food Service	7,738
Total Depreciation Expense, Governmental Activities	<u>\$ 660,063</u>

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitation imposed by Minnesota law.

Issue Date	Interest Rate	Original Issue	Maturities	Principal Outstanding	
				Due Within One Year	Total
2/22/2017	2.00%-3.50%	\$ 3,380,000	2/1/2038	\$ 335,000	\$ 695,000
12/19/2019	5.00%	1,560,000	2/1/2025	35,000	3,220,000
Total General Obligation Bonds				370,000	3,915,000
Bond Premiums				34,437	119,929
Compensated Absences Payable				-	152,791
Total				<u>\$ 404,437</u>	<u>\$ 4,187,720</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

Year Ending June 30,	Alternative Facilities		Facilities Maintenance	
	Principal	Interest	Principal	Interest
2024	\$ 335,000	\$ 34,750	\$ 35,000	\$ 100,875
2025	360,000	18,000	35,000	100,175
2026	-	-	215,000	99,475
2027	-	-	220,000	93,025
2028	-	-	230,000	86,425
2029-2033	-	-	1,260,000	324,125
2034-2038	-	-	1,225,000	130,275
Total	<u>\$ 695,000</u>	<u>\$ 52,750</u>	<u>\$ 3,220,000</u>	<u>\$ 934,375</u>

C. Description of Long-Term Liabilities

General Obligation Facilities Maintenance Bonds, Series 2017A

On February 22, 2017, the District issued \$3,380,000 of General Obligation Facilities Maintenance Bonds, Series 2017A at interest rates of 2.00% to 3.50%. The bonds are due in varying annual installments each February 1 through February 1, 2038 with interest due semi-annually on February 1 and August 1.

The proceeds of this issue were used to finance the betterment of school facilities in the District. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

**LEWISTON-ALTURA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities (Continued)

General Obligation Facilities Refunding Maintenance Bonds, Series 2019A

On December 19, 2019, the District issued \$1,560,000 of General Obligation Facilities Refunding Maintenance Bonds, Series 2019A at interest rates of 5.00%. The bonds are due in varying annual installments each February 1 through February 1, 2025 with interest due semi-annually on February 1 and August 1.

Compensated Absences Payable

The amount of the estimated obligation at June 30, 2023 is \$152,791. The District's General Fund finances compensated absences on a pay-as-you-go basis.

D. Changes in Long-Term Liabilities

	June 30, 2022	Additions	Retirements	June 30, 2023
General Obligation Bonds	\$ 4,260,000	-	\$ 345,000	\$ 3,915,000
Bond Premium	165,891	-	45,962	119,929
Compensated Absences Payable	164,826	2,320	14,355	152,791
Total	<u>\$ 4,590,717</u>	<u>\$ 2,320</u>	<u>\$ 405,317</u>	<u>\$ 4,187,720</u>

NOTE 6 RESTRICTED FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds.

A. Restricted for Student Activities

In accordance with state statute, restricted for student activities represents available resources dedicated exclusively for student activities.

B. Restricted for Scholarships

In accordance with state statute, restricted for scholarships represents available resources dedicated exclusively for scholarships.

C. Restricted for Staff Development

In accordance with state statute, restricted for staff development represents available resources dedicated exclusively for staff development.

D. Restricted for Operating Capital

This restricted fund balance represents accumulated resources available through a portion of the District's general education aid for operating capital expenditures.

**LEWISTON-ALTURA PUBLIC SCHOOLS
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NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

E. Restricted for Safe Schools Crime - Crime Levy

The District levies taxes to be used for the costs as allowed by State Statute for crime prevention, drug abuse, student and staff safety, and violence prevention measures taken by the District. The cumulative excess of such revenues over expenditures is reported as a restriction of fund balance in the General Fund.

F. Restricted for Long-Term Facilities Maintenance (LTFM)

This restricted fund balance represents accumulated resources available to support long-term facilities maintenance projects.

G. Restricted for Medical Assistance

This restricted fund balance represents accumulated resources available to provide medical assistance.

H. Restricted for Community Education Programs

This restricted fund balance represents accumulated resources available to provide general community education programming.

I. Restricted for Early Childhood and Family Education Programs

This restricted fund balance represents accumulated resources available to provide services for early childhood and family education programming.

J. Restricted for Basic Skills Extended Time

This restricted fund balance represents accumulated resources available through a portion of the District's general education aid for basic skills extended time programs.

K. Restricted for Gifted and Talented

This restricted fund balance represents accumulated resources available through a portion of the District's general education aid for gifted and talented programs.

L. Restricted for Other Purposes

Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation and includes amounts for food service of \$181,272 community action of \$102,956 capital projects of \$13,172, and debt service of \$26,318.

**LEWISTON-ALTURA PUBLIC SCHOOLS
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NOTE 7 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA and TRA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

GERF covers certain full-time and certain part-time employees of the District, other than teachers. General Employees Retirement Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Fund (TRA)

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

B. Benefits Provided

PERA and TRA 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.

1. GERF 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% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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.

**LEWISTON-ALTURA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. GERS Benefits (Continued)

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

2. TRA Benefits

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

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

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years are up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years are up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years are July 1, 2006 or After	1.9% 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) 3.0% 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

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier II Benefits

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

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

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

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

C. Contributions

1. General Employees Plan Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Retirement Fund for the year ended June 30, 2023 were \$99,093. The District's contributions were equal to the required contributions for each year as set by state statute.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 contribution rates for the fiscal year for the coordinated plan were 7.5% for the employee and 8.55% for the employer. Basic plan rates were 11.00% for the employee and 12.55% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2023 were \$341,630. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2023, the District reported a liability of \$1,528,566 for its proportionate share of the General Employees Plan'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 nonemployer 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 was \$44,890. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District proportionate share was .0193% at the end of the measurement period and .0188% for the beginning of the period.

District's Proportionate Share of the	
Net Pension Liability	\$ 1,528,566
State of Minnesota's Proportionate Share of the	
Net Liability Associated with the District	44,890
Total	\$ 1,573,456

For the year ended June 30, 2023, the District recognized pension expense of \$166,319 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$6,708 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Plan.

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INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERP Pension Costs (Continued)

At June 30, 2023, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 12,768	\$ 16,328
Changes in Actuarial Assumptions	345,943	6,217
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	26,514	-
Changes in Proportion	60,384	43,002
District Contributions Subsequent to the Measurement Date	99,093	-
Total	<u>\$ 544,702</u>	<u>\$ 65,547</u>

The \$99,093 related to the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amounts
2024	\$ 117,315
2025	166,273
2026	(41,762)
2027	138,236

2. TRA Pension Costs

At June 30, 2023, the District reported a liability of \$5,637,260 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2022, 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. The District's proportionate share was .0704% at the end of the measurement period and .0699% for the beginning of the measurement period.

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JUNE 30, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 5,637,260
State's Proportionate Share of the Net Pension Liability Associated with the District	418,053
Total	<u>\$ 6,055,313</u>

For the year ended June 30, 2023, the District recognized pension expense of \$(1,239,690). It also recognized a \$118,535 decrease to pension expense and grant revenue for the support provided by direct aid.

At June 30, 2023, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 82,457	\$ 49,516
Changes in Actuarial Assumptions	903,076	1,192,943
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	157,491	-
Changes in Proportion	187,545	57,028
District Contributions Subsequent to the Measurement Date	341,630	-
Total	<u>\$ 1,672,199</u>	<u>\$ 1,299,487</u>

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

\$341,630 reported as deferred outflows related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amounts</u>
2024	\$ (1,038,040)
2025	186,839
2026	100,872
2027	768,785
2028	12,626

3. Aggregate Pension Costs

At June 30, 2023, the District reported the following aggregate amounts related to pensions for all plans to which it contributes.

	<u>GERF</u>	<u>TRA</u>	<u>Total</u>
Net Pension Liability	\$ 1,528,566	\$ 5,637,260	\$ 7,165,826
Deferred Outflows of Resources	544,702	1,672,199	2,216,901
Deferred Inflows of Resources	65,547	1,299,487	1,365,034
Pension Expense (Revenue)	173,027	(1,358,225)	(1,185,198)

E. Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation:	2.25% per Year	2.50%
Active Member Payroll Growth:	10.25% after one year of service to 3.00% after 27 years of service	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25%, after June 30, 2028
Investment Rate of Return:	6.50% per Year	7.00%

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

PERA salary growth assumptions were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality table. The tables are adjusted slightly to fit PERA's experience. PERA benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan. The assumption for long-term rate of return on pension plan investments 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% was deemed to be within that range of reasonableness for financial reporting purposes.

TRA pre-retirement mortality rates were based on the 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 mortality rates were based on the 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 mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the PERA General Employees Plan was completed in 2019. The assumption changes were adopted and became effective with July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions for PERA occurred in 2022:

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

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA and TRA, 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 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	PERA Target Allocation	TRA Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	33.5 %	5.10 %
International Equity	16.5	16.5	5.30
Private Markets	25.0	25.0	5.90
Fixed Income	25.0	25.0	0.75
Totals	<u>100.0 %</u>	<u>100.0 %</u>	

G. Discount Rate

The discount rate used to measure the total GERP pension liability in 2022 was 6.50%. There was no change since the prior measurement date. 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.

The discount rate used to measure the total TRA pension liability was 7.00%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 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).

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>General Employees Plan Discount Rate</u>	5.50%	6.50%	7.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 2,414,451	\$ 1,528,566	\$ 802,005
<u>TRA Discount Rate</u>	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 8,886,833	\$ 5,637,260	\$ 2,973,623

I. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Plan's fiduciary's 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.

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can 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 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The amount of pension expense recognized by the employer in the reporting period ended June 30, 2023 and 2022 was \$50,163 and \$54,181, respectively.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses. There are 96 active participants and four retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52, *Postemployment Benefits Other than Pensions—Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*. Therefore, the District reports a “total OPEB liability” in accordance with GASB Statement No. 75.

B. Benefits Provided

Teachers who are at least 55 years of age upon retirement and have been employed by the District for a minimum of three years and retire prior July 1, 2017 are eligible to remain on the District’s health insurance until reaching age 65. The District will pay the health insurance premiums up to a maximum of \$3,600 per year.

C. Actuarial Methods and Assumptions

The District’s total OPEB liability was measured as of July 1, 2022, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless specified otherwise:

Inflation:	2.50% (2.00% at the prior measurement date)
Salary Increases:	4.00%
Healthcare Cost Trend Rates:	6.25% decreasing to 5.00% over five years and then to 4.00% over the next 48 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.80% (2.10% at the previous measurement date). The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at July 1, 2022	\$ 359,058
Changes for the Year:	
Service Cost	26,270
Interest	7,735
Assumption Changes	(27,186)
Benefit Payments	(34,205)
Net Changes	(27,386)
 Balances at June 30, 2023	 \$ 331,672

E. Total OPEB Liability Sensitivity

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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% Decrease 2.80%	Selected Discount Rate 3.80%	1% Increase 4.80%
Total OPEB Liability	\$ 351,824	\$ 331,672	\$ 312,156

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rate that is one percentage lower or one percentage higher than the current healthcare cost trend rate:

	1% Decrease (5.25% Decreasing to 4.0% Over 5 Years)	Selected Healthcare Trend Rate (6.25% Decreasing to 5.0% Over 5 Years)	1% Increase (7.25% Decreasing 6.0% Over 5 Years)
Total OPEB Liability	\$ 295,636	\$ 331,672	\$ 374,246

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

F. OPEB Expense

For the year ended June 30, 2023, the District recognized OPEB expense of \$18,524. At June 30, 2023, the District reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 5,773	\$ 41,397
Changes in Assumptions	13,500	26,098
District Payment of Benefits Subsequent to the Measurement Date	45,735	-
Total	\$ 65,008	\$ 67,495

The District payment of benefits subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense Amounts
2024	\$ (15,481)
2025	(15,481)
2026	(5,474)
2027	(7,251)
2028	(4,535)

NOTE 10 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan that is classified as a “cafeteria plan” under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is from October 1 to September 30, 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 for the health care portion of the plan, whether or not such contributions have been made.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 FLEXIBLE BENEFIT PLAN (CONTINUED)

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

NOTE 11 JOINTLY GOVERNED ORGANIZATION

The Hiawatha Valley Education District No. 61-6013 was established by an act of the 1987 Legislature of the state of Minnesota. The primary objective of the District is to provide, by a cooperative effort, comprehensive educational programs and other related services as can be effectively operated by its 13 member districts and four-member charter schools. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its programs through the previously mentioned revenue sources. The jointly governed organization's financial statements are audited and available for inspection.

NOTE 12 COMMITMENTS AND CONTINGENCIES

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. The financial assistance received is subject to audits by the grantor agency.

NOTE 13 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

The District continues to carry commercial insurance for all other risks of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 1,036,485	\$ 1,014,521	\$ 1,021,279	\$ 6,758
Investment Income	1,950	35,100	40,658	5,558
Other	202,283	252,777	273,062	20,285
State Sources	7,217,639	6,848,261	6,605,145	(243,116)
Federal Sources	754,280	808,409	690,330	(118,079)
Total Revenues	<u>9,212,637</u>	<u>8,959,068</u>	<u>8,630,474</u>	<u>(328,594)</u>
EXPENDITURES				
Current:				
Administration	627,838	631,979	604,674	(27,305)
District Support Services	287,069	300,243	307,439	7,196
Elementary and Secondary				
Regular Instruction	3,995,923	3,914,553	3,837,156	(77,397)
Vocational Education Instruction	217,598	212,532	202,037	(10,495)
Special Education Instruction	1,413,531	1,390,934	1,443,178	52,244
Instructional Support Services	377,892	401,568	347,159	(54,409)
Pupil Support Services	925,017	931,302	876,252	(55,050)
Sites and Buildings	768,174	858,524	980,422	121,898
Fiscal and Other Fixed Cost Programs	-	89,850	99,729	9,879
Capital Outlay	447,555	376,982	378,420	1,438
Total Expenditures	<u>9,060,597</u>	<u>9,108,467</u>	<u>9,076,466</u>	<u>(32,001)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	152,040	(149,399)	(445,992)	(296,593)
OTHER FINANCING SOURCES				
Sale of Real Property	-	-	27,597	27,597
Proceeds from Sales of Capital Assets	1,000	250	250	-
Insurance Recovery	-	98,618	98,618	-
Total Other Financing Sources	<u>1,000</u>	<u>98,868</u>	<u>126,465</u>	<u>27,597</u>
NET CHANGES IN FUND BALANCE	<u>\$ 153,040</u>	<u>\$ (50,531)</u>	(319,527)	<u>\$ (268,996)</u>
FUND BALANCE:				
Beginning of Year			<u>1,627,771</u>	
End of Year			<u>\$ 1,308,244</u>	

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Investment Income	\$ 50	\$ 50	\$ 3,115	\$ 3,065
Other - Primarily Meal Sales	170,550	202,250	244,913	42,663
State Sources	9,850	16,231	18,306	2,075
Federal Sources	410,250	256,189	286,582	30,393
Total Revenues	<u>590,700</u>	<u>474,720</u>	<u>552,916</u>	<u>78,196</u>
EXPENDITURES				
Current:				
Food Service	538,469	440,845	576,275	135,430
Capital Outlay	5,000	4,300	4,209	(91)
Total Expenditures	<u>543,469</u>	<u>445,145</u>	<u>580,484</u>	<u>135,339</u>
NET CHANGES IN FUND BALANCE	<u>\$ 47,231</u>	<u>\$ 29,575</u>	(27,568)	<u>\$ (57,143)</u>
FUND BALANCE:				
Beginning of Year			<u>219,575</u>	
End of Year			<u>\$ 192,007</u>	

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Property Taxes	\$ 53,832	\$ 53,946	\$ 54,145	\$ 199
Investment Income	250	200	4,361	4,161
Other - Primarily Tuition and Fees	208,650	270,857	239,106	(31,751)
State Sources	114,041	87,964	126,514	38,550
Federal Sources	-	40,434	23,885	(16,549)
Total Revenues	<u>376,773</u>	<u>453,401</u>	<u>448,011</u>	<u>(5,390)</u>
EXPENDITURES				
Current:				
Community Service	<u>438,182</u>	<u>446,546</u>	<u>433,300</u>	<u>(13,246)</u>
Total Expenditures	<u>438,182</u>	<u>446,546</u>	<u>433,300</u>	<u>(13,246)</u>
NET CHANGES IN FUND BALANCE	<u>\$ (61,409)</u>	<u>\$ 6,855</u>	14,711	<u>\$ 7,856</u>
FUND BALANCE:				
Beginning of Year			<u>128,098</u>	
End of Year			<u>\$ 142,809</u>	

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB
LIABILITY AND RELATED RATIOS
LAST SIX MEASUREMENT PERIODS**

Measurement Date	<u>2023</u> July 01, 2022	<u>2022</u> July 01, 2021	<u>2021</u> July 01, 2020	<u>2020</u> July 01, 2019	<u>2019</u> July 01, 2018	<u>2018</u> July 01, 2017
Total OPEB Liability						
Service Cost	\$ 26,270	\$ 32,479	\$ 28,187	\$ 24,880	\$ 27,310	\$ 25,919
Interest	7,735	9,225	11,470	15,237	14,602	14,810
Assumption Changes	(27,186)	12,254	10,661	(10,330)	-	-
Difference Between Expected and Actual Experience	-	(28,572)	-	(67,046)	-	-
Net Investment Return	-	-	-	-	20,218	-
Benefit Payments	(34,205)	(36,233)	(44,096)	(44,295)	(37,789)	(58,521)
Net Change in Total OPEB Liability	(27,386)	(10,847)	6,222	(81,554)	24,341	(17,792)
Total OPEB Liability - Beginning of Year	<u>359,058</u>	<u>369,905</u>	<u>363,683</u>	<u>445,237</u>	<u>420,896</u>	<u>438,688</u>
Total OPEB Liability - End of Year	<u>\$ 331,672</u>	<u>\$ 359,058</u>	<u>\$ 369,905</u>	<u>\$ 363,683</u>	<u>\$ 445,237</u>	<u>\$ 420,896</u>
District's Covered-Employee Payroll	\$ 5,135,763	\$ 4,986,178	\$ 4,713,207	\$ 4,575,929	\$ 4,762,932	\$ 4,624,206
District's Total OPEB Liability as a Percentage of the Covered-Employee Payroll	6.46%	7.20%	7.85%	7.95%	9.35%	9.10%

The District implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

No assets are accumulated in a trust.

See accompanying Notes to Required Supplementary Information.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST NINE MEASUREMENT PERIODS**

Fiscal Year	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
General Employees Plan									
District's Proportion of the Net Pension Liability	0.0193%	0.0188%	0.0175%	0.0202%	0.0214%	0.0218%	0.0225%	0.0231%	0.0246%
District's Proportionate Share of the Net Pension Liability	\$ 1,528,566	\$ 802,844	\$ 1,049,205	\$ 1,116,812	\$ 1,187,184	\$ 1,391,698	\$ 1,826,888	\$ 1,197,162	\$ 1,155,585
State's Proportionate Share of the Net Pension Liability Associated with the District	44,890	24,550	32,283	34,665	38,938	17,518	23,866	-	-
Total	<u>\$ 1,573,456</u>	<u>\$ 827,394</u>	<u>\$ 1,081,488</u>	<u>\$ 1,151,477</u>	<u>\$ 1,226,122</u>	<u>\$ 1,409,216</u>	<u>\$ 1,850,754</u>	<u>\$ 1,197,162</u>	<u>\$ 1,155,585</u>
District's Covered Payroll	\$ 1,446,722	\$ 1,251,487	\$ 1,205,519	\$ 1,426,648	\$ 1,435,466	\$ 1,363,945	\$ 1,363,945	\$ 1,363,945	\$ 1,363,945
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	105.66%	64.15%	87.03%	78.28%	85.42%	103.32%	135.69%	87.77%	84.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.67%	87.00%	79.06%	80.23%	79.53%	75.90%	68.90%	78.20%	78.70%
TRA									
District's Proportion of the Net Pension Liability	0.0704%	0.0699%	0.0686%	0.0676%	0.0682%	0.0701%	0.0717%	0.0712%	0.0736%
District's Proportionate Share of the Net Pension Liability	\$ 5,637,260	\$ 3,059,033	\$ 5,068,260	\$ 4,308,838	\$ 4,285,835	\$ 13,993,232	\$ 17,102,161	\$ 4,404,424	\$ 3,391,435
State's Proportionate Share of the Net Pension Liability Associated with the District	418,053	257,997	424,734	381,410	402,415	1,353,097	1,716,680	540,019	238,651
Total	<u>\$ 6,055,313</u>	<u>\$ 3,317,030</u>	<u>\$ 5,492,994</u>	<u>\$ 4,690,248</u>	<u>\$ 4,688,250</u>	<u>\$ 15,346,329</u>	<u>\$ 18,818,841</u>	<u>\$ 4,944,443</u>	<u>\$ 3,630,086</u>
District's Covered Payroll	\$ 4,373,949	\$ 4,222,245	\$ 3,987,520	\$ 3,845,966	\$ 3,781,245	\$ 3,611,733	\$ 3,611,733	\$ 3,611,733	\$ 3,611,733
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	128.88%	72.45%	127.10%	112.04%	113.34%	387.44%	473.52%	121.95%	93.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.17%	86.63%	75.48%	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See accompanying Notes to Required Supplementary Information.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Employees Plan										
Contractually Required Contribution	\$ 99,093	\$ 108,505	\$ 97,396	\$ 93,654	\$ 107,000	\$ 107,558	\$ 104,672	\$ 104,617	\$ 101,056	\$ 101,056
Contributions in Relation to the Contractually Required Contribution	<u>(99,093)</u>	<u>(108,505)</u>	<u>(97,396)</u>	<u>(93,654)</u>	<u>(107,000)</u>	<u>(107,558)</u>	<u>(104,672)</u>	<u>(104,617)</u>	<u>(101,056)</u>	<u>(101,056)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,321,235	\$ 1,446,722	\$ 1,251,487	\$ 1,205,519	\$ 1,426,648	\$ 1,435,466	\$ 1,397,786	\$ 1,397,274	\$ 1,363,945	\$ 1,363,945
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.78%	7.77%	7.50%	7.49%	7.49%	7.49%	7.41%	7.41%
TRA										
Contractually Required Contribution	\$ 341,630	\$ 366,108	\$ 344,712	\$ 318,042	\$ 297,669	\$ 284,260	\$ 281,805	\$ 281,792	\$ 272,132	\$ 272,132
Contributions in Relation to the Contractually Required Contribution	<u>(341,630)</u>	<u>(366,108)</u>	<u>(344,712)</u>	<u>(318,042)</u>	<u>(297,669)</u>	<u>(284,260)</u>	<u>(281,805)</u>	<u>(281,792)</u>	<u>(272,132)</u>	<u>(272,132)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 3,982,152	\$ 4,373,949	\$ 4,222,245	\$ 3,987,520	\$ 3,845,966	\$ 3,781,245	\$ 3,755,424	\$ 3,730,368	\$ 3,611,733	\$ 3,611,733
Contributions as a Percentage of Covered Payroll	8.58%	8.37%	8.16%	7.98%	7.74%	7.52%	7.50%	7.55%	7.53%	7.53%

See accompanying Notes to Required Supplementary Information.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the years ended June 30:

2022

Changes in Actuarial Assumptions

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

2021

Changes in Actuarial Assumptions

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

2020

Changes in Actuarial Assumptions

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

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2020 (Continued)

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreased from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

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

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised, the state's contribution of \$6.0 million, which meets the special funding situation definition, was due on September 2015.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the years ended June 30:

2022

Changes in Actuarial Assumptions

There were no changes in actuarial assumptions for financial reporting purposes.

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 7.00%, for financial reporting purposes.

2020

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January to 1.0%, effective January 2019. Beginning January 1, 2024, the COLA will increase .01% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for first COLA changes to normal retirement age (age 65 to 66, age 62 with 30 years of service credit are exempt).
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next two years (8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.5% to 7.75% on July 1, 2023. The state provides funding for the contribution rate through an adjustment in the school aid formula.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018

Changes in Actuarial Assumptions

- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next four years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the 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.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

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

2014

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2014 (Continued)

Changes in Plan Provisions

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

The following changes were reflected in the valuation performed on behalf of the District's other postemployment benefits plan for the years ended June 30:

2022

Changes in Actuarial Assumptions

- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.10% to 3.80%.

2021

Changes in Actuarial Assumptions

- The mortality tables were updated from Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The inflation rate was changed from 2.5% to 2.00%.
- The discount rate was changed from 2.40% to 2.10%.

2020

Changes in Actuarial Assumptions

- The discount rate was changed from 3.10% to 2.40%.

2019

Changes in Actuarial Assumptions

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.40% to 3.10%.

2018

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions.

SINGLE AUDIT AND OTHER REQUIRED REPORTS

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amount	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture					
Pass-Through Minnesota Department of Education					
Child Nutrition Cluster:					
Noncash Assistance (Commodities):					
National School Lunch Program	10.555	1-857-0000	\$ 43,894		\$ -
Cash Assistance:					
National School Lunch Program	10.555	1-857-0000	187,300		-
Supply Chain Assistance	10.555	1-857-0000	<u>27,806</u>		-
Subtotal Assistance Listing No. 10.555			259,000		-
School Breakfast Program	10.553	1-857-0000	<u>26,953</u>		-
Total Child Nutrition Cluster				\$ 285,953	
School Breakfast Program	10.553	1-857-0000			-
COVID-19 - Pandemic EBT	10.649	1-857-0000		<u>628</u>	-
Total U.S. Department of Agriculture				<u>286,581</u>	
U.S. Department of Education					
Pass-Through Minnesota Department of Education					
Cash Assistance:					
Special Education Cluster:					
Special Education - Preschool Grants	84.173	H173A180086	6,000		-
Special Education - Grants to States	84.027	H027A190087	<u>5,631</u>		-
Total Special Education Cluster				11,631	
Title I, Part A - Grants to Local Educational Agencies	84.010	S010A220023A		156,964	-
Title II, Part A - Supporting Effective Instruction State Grant	84.367	S367A220022		24,793	-
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.424	S424A220024		6,046	-
COVID-19 - Governors Emergency Relief Fund	84.425C	S425C200015	1,740		-
COVID-19 - Elementary and Secondary School Emergency Relief Fund II	84.425D	S425D210045	8,509		-
COVID-19 - Elementary and Secondary School Emergency Relief Fund III	84.425U	S425D210045	377,086		-
COVID-19 - Elementary and Secondary School Emergency Relief Fund II Summer Learning	84.425D	S425D210045	<u>18,723</u>		-
Total Assistance Listing No. 84.425				406,058	
U.S. Department of Treasury					
Pass-Through Minnesota Department of Education					
Cash Assistance:					
COVID-19 - Pandemic Enrollment Loss	21.027	**	15,207		-
COVID-19 - Summer Academic Enrichment	21.027	**	<u>23,434</u>		-
Total Assistance Listing No. 21.027				38,641	
U.S. Department of Health and Human Services					
Pass-Through Minnesota Department of Education					
Cash Assistance:					
COVID-19 - Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases	93.323	**		15,115	-
Pass-Through Minnesota Department of Human Services					
Cash Assistance:					
CCDF Cluster:					
COVID-19 - Child Care Stabilization Grant	93.575	**		23,885	
Federal Communications Commission					
Direct Award:					
Emergency Connectivity Fund	32.009	not applicable		<u>29,852</u>	-
Total Expenditures of Federal Awards				<u>\$ 999,566</u>	<u>\$ -</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lewiston-Altura Public Schools (the District) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with requirements of 2 CFR 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 or changes in net position of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' 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**

Board of Education
Independent School District No. 857
Lewiston, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Independent School District No. 857 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated 11/10/2023.

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 were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

Lewiston-Altura Public Schools Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

CliftonLarsonAllen LLP

Rochester, Minnesota
11/10/2023

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

Board of Education
Independent School District No. 857
Lewiston, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lewiston-Altura Public Schools Independent School District No. 857's (the District) 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 District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2023.

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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District 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 District'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 District's federal programs.

Auditors' 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 District'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 GAAS, *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 District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 District'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 District'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 District'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 Auditors' 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.

CliftonLarsonAllen LLP

Rochester, Minnesota
11/10/2023

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 857
Lewiston, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Independent School District No. 857 (the District) as of June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated 11/10/2023.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting-bid laws, depositories of public funds and public 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 relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Rochester, Minnesota
11/10/2023

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? yes X none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? yes X no

Identification of Major Federal Programs

**Federal Assistance
Listing Number(s)**

84.425C, 84.425D, 84.425U

Name of Federal Program or Cluster

COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee

 yes X no

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2023**

Section II – Financial Statement Findings

2023-001

ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition:

The District engages the audit firm to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, the audit firm cannot be considered part of the District's internal control system. As part of its internal control over preparation of its financial statements, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Criteria or Specific Requirement:

The District and management share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

Effect:

The potential exists that a material disclosure could be omitted from the financial statements and not be prevented, or detected and corrected by the District's internal controls.

Cause:

The District's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the District's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Repeat Finding:

The finding is a repeat finding in the immediately prior year. Prior year finding number was 2022-001.

Recommendation:

We recommend that the District continue to evaluate their internal staff and expertise to determine if further controls over annual financial reporting are beneficial.

Views of Responsible Officials and Planned Corrective Actions:

There is no disagreement with the finding. Management has determined that they will continue to engage the audit firm to prepare the financial statements and related footnote disclosures, and will review and approve these prior to the issuance of the financial statements.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with the 2 CFR 200.516(a).

Section IV – Findings and Questioned Costs – Minnesota Legal Compliance

Our audit did not disclose any matters required to be reported in accordance with the *Minnesota Legal Compliance Audit Guide for School Districts*.

**LEWISTON-ALTURA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 857
UNIFORM FINANCIAL ACCOUNTING AND REPORTING
STANDARDS COMPLIANCE TABLE
JUNE 30, 2023**

	AUDIT	UFARS	DIFFERENCE		AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 8,630,474	\$ 8,630,460	\$ 14	Total Revenue	\$ 13,082	\$ 13,082	\$ -
Total Expenditures	\$ 9,076,466	\$ 9,069,997	\$ 6,469	Total Expenditures	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 35,583	\$ 35,582	\$ 1	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	\$ 167,360	\$ 167,360	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
402 Scholarships	\$ 88,588	\$ 88,589	\$ (1)	413 Project Funded by COP	\$ -	\$ -	\$ -
403 Staff Development	\$ 181,724	\$ 181,724	\$ -	467 LTFM	\$ 357,001	\$ 357,001	\$ -
406 Health and Safety	\$ -	\$ -	\$ -	<i>Restricted:</i>			
407 Capital Projects Levy	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 13,172	\$ 13,172	\$ -
408 Cooperative Revenue	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
413 Project Funded by COP	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	07 DEBT SERVICE			
417 Taconite Building Maint	\$ -	\$ -	\$ -	Total Revenue	\$ 501,190	\$ 501,190	\$ -
424 Operating Capital	\$ 91,299	\$ 91,299	\$ -	Total Expenditures	\$ 498,575	\$ 498,575	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	<i>Nonspendable:</i>			
427 Disabled Accessibility	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
428 Learning & Development	\$ -	\$ -	\$ -	<i>Restricted/Reserved:</i>			
434 Area Learning Center	\$ -	\$ -	\$ -	425 Bond Refunding	\$ -	\$ -	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	433 Maximum Effort Loan Aid	\$ -	\$ -	\$ -
436 State Approved Alt. Programs	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
438 Gifted & Talented	\$ 1,030	\$ 1,030	\$ -	<i>Restricted:</i>			
440 Teacher Development and Evaluation	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 26,318	\$ 26,318	\$ -
441 Basic Skills Programs	\$ 1,952	\$ -	\$ 1,952	<i>Unassigned:</i>			
445 Career Tech Programs	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
448 Achievement and Integration	\$ -	\$ -	\$ -				
449 Safe School Crime - Crime Levy	\$ 33,098	\$ 33,098	\$ -	18 Custodial			
450 Pre-Kindergarten	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
452 OPEB Liab Not in Trust	\$ -	\$ -	\$ -	422 Unassigned Fund Balance (Net Assets)	\$ -	\$ -	\$ -
453 Unfunded Sev & Retirement Levy	\$ -	\$ -	\$ -				
459 Basic Skills Extended Time	\$ 11,004	\$ 11,004	\$ -	20 INTERNAL SERVICE			
467 LTFM	\$ 363,384	\$ 363,384	\$ -	Total Revenue	\$ -	\$ -	\$ -
472 Medical Assistance	\$ 61,707	\$ 61,707	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Restricted:</i>				422 Unassigned Fund Balance (Net Assets)	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ -	\$ -	\$ -				
475 Title VII Impact Aid	\$ -	\$ -	\$ -	25 OPEB REVOCABLE TRUST			
476 Payments in Lieu of Taxes	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
<i>Committed:</i>				Total Expenditures	\$ -	\$ -	\$ -
418 Committed for Separation	\$ -	\$ -	\$ -	422 Unassigned Fund Balance (Net Assets)	\$ -	\$ -	\$ -
461 Committed Fund Balance	\$ -	\$ -	\$ -				
<i>Assigned:</i>				45 OPEB IRREVOCABLE TRUST			
462 Assigned Fund Balance	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total Expenditures	\$ -	\$ -	\$ -
422 Unassigned Fund Balance	\$ 271,515	\$ 279,922	\$ (8,407)	422 Unassigned Fund Balance (Net Assets)	\$ -	\$ -	\$ -
02 FOOD SERVICES				47 OPEB DEBT SERVICE			
Total Revenue	\$ 552,916	\$ 552,915	\$ 1	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 580,484	\$ 580,483	\$ 1	Total Expenditures	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 10,735	\$ 10,735	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				<i>Restricted:</i>			
452 OPEB Liab Not in Trust	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
<i>Restricted:</i>				464 Restricted Fund Balance	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 181,272	\$ 181,272	\$ -	<i>Unassigned:</i>			
<i>Unassigned:</i>				463 Unassigned Fund Balance	\$ -	\$ -	\$ -
463 Unassigned Fund Balance	\$ -	\$ -	\$ -				
				04 COMMUNITY SERVICE			
Total Revenue	\$ 448,011	\$ 448,009	\$ 2	Total Revenue	\$ 448,011	\$ 448,009	\$ 2
Total Expenditures	\$ 433,300	\$ 433,297	\$ 3	Total Expenditures	\$ 433,300	\$ 433,297	\$ 3
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	426 \$25 Taconite	\$ -	\$ -	\$ -
431 Community Education	\$ 27,430	\$ 27,430	\$ -	431 Community Education	\$ 27,430	\$ 27,430	\$ -
432 E.C.F.E.	\$ 15,277	\$ 15,277	\$ -	432 E.C.F.E.	\$ 15,277	\$ 15,277	\$ -
440 Teacher Development and Evaluation	\$ -	\$ -	\$ -	440 Teacher Development and Evaluation	\$ -	\$ -	\$ -
444 School Readiness	\$ (2,855)	\$ (2,855)	\$ -	444 School Readiness	\$ (2,855)	\$ (2,855)	\$ -
447 Adult Basic Education	\$ -	\$ -	\$ -	447 Adult Basic Education	\$ -	\$ -	\$ -
452 OPEB Liab Not in Trust	\$ -	\$ -	\$ -	452 OPEB Liab Not in Trust	\$ -	\$ -	\$ -
<i>Restricted:</i>				<i>Restricted:</i>			
464 Restricted Fund Balance	\$ 102,957	\$ 102,956	\$ 1	464 Restricted Fund Balance	\$ 102,957	\$ 102,956	\$ 1
<i>Unassigned:</i>				<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -