

Special School Board Meeting / Work Session

Monday, September 19, 2022 5:30 PM

High School Media Center, 810 First Street North, Pine River, MN 56474

1. Call to Order & Pledge to Flag	Speaker (s) : Board Chair
2. Discussion Items	Speaker (s) : Board Chair
2.1. District 2021-2022 Audit Report	Speaker (s) : Mary Reedy, Clifton Larson Allen
2.2. Forecast Model	Speaker (s) : Business Manager
2.3. Long Term Facilities Maintenance Updates	Speaker (s) : Business Manager
2.4. Review of District Advisory Committee	Speaker (s) : Superintendent
2.5. Cheer Team Discussion	Speaker (s) : Superintendent
3. Action Items	Speaker (s) : Board Chair
3.1. Approve the District 2021-2022 Audit Report	Speaker (s) : Board Chair



Pine River-Backus Schools Independent School District No. 2174

Executive Audit Summary (EAS)
Year Ended June 30, 2022

We'll get you there.



REQUIRED COMMUNICATIONS

- **Our Responsibility Under Generally Accepted Auditing Standards, and *Government Auditing Standards***
 - Primary responsibility is to provide our opinion on the fairness of presentation of the financial statements
 - Reviewed internal accounting controls
 - Risk based audit approach
 - Based on internal controls, determined scopes and tests of transactions
 - Expressed opinion based on tests
 - Review internal controls and compliance – federal awards
- **Planned Scope and Timing of the Audit**
 - Communicated during the audit preliminary work and fieldwork
- **Significant Accounting Policies**
 - Outlined in Note 1 to the financial statements
 - Unusual transactions – None noted



REQUIRED COMMUNICATIONS (Continued)

- **Management Judgments and Accounting Estimates – Reasonable/Supported**
 - Special Education Aid from State of Minnesota
 - Allowance for doubtful accounts
 - Useful lives of capital assets
 - Other Postemployment Benefits payable
 - Pension Liability related to Governmental Accounting Standards Board 68
- **Disclosures are Adequate, Clear and Complete**
- **Other Information in Documents Containing Audited Financial Statements**
 - Required Supplementary Information - We made inquiries and evaluated the comparability – No opinion
 - Supplementary Information – We made inquiries and evaluated the content - Opinion
- **Disagreements with Management**
 - There have been no disagreements with management about matters that could be significant to the financial statements
- **Management Representations**
 - We have requested certain representations from management included in the management representation letter



REQUIRED COMMUNICATIONS (Continued)

- **Consultations with Other Accountants**
 - There were no consultations with other independent accountants
- **Major Issues Discussed With Management Prior to Retention**
 - No issues, other than normal planning issues, were discussed prior to our retention as auditors
- **Difficulties Encountered in Performing the Audit (None)**
 - Management was most cooperative and helpful
 - Personnel and records were available
- **Corrected and Uncorrected Misstatements**
 - Corrected – None noted
 - Uncorrected – unearned revenue related to prepayments on lunch accounts



SUMMARY OF AUDIT RESULTS

- **Financial Statements**
 - Unmodified (“clean”) opinion
- **Internal Control Over Financial Reporting under *Government Auditing Standards***
 - One material weakness for financial statements:
 - ◇ Segregation of duties
- **Compliance Reporting Over Financial Reporting under *Government Auditing Standards***
 - No issues noted
- **Uniform Guidance (Single Audit)**
 - Unmodified opinion
 - Major program – Education Stabilization Fund (ESF)
 - Compliance finding – No findings
- **Minnesota Legal Compliance**
 - All contracts over \$175,000 must be let through sealed bids.



General Fund

For the Year Ended June 30,	2022	2021	2020	2019	2018
Total Revenues	\$ 12,289,078	\$ 11,618,596	\$ 11,253,756	\$ 11,042,736	\$ 10,710,459
Total Expenditures	12,202,021	11,309,837	11,362,731	10,931,565	10,769,317
Other Financing Sources (Uses)	(179,201)	(88,387)	(130,178)	(123,319)	(178,318)
Net Change in Fund Balance	(92,144)	220,372	(239,153)	(12,148)	(237,176)
Change in Accounting Principle	-	-	627,934	-	-
Fund Balance - Beginning	4,536,660	4,316,288	3,927,507	3,939,655	4,176,831
Unassigned Fund Balance	3,368,127	3,502,826	3,479,642	3,603,335	3,612,636
Nonspendable Fund Balance	1,590	1,133	2,202	2,334	2,024
Restricted Fund Balance	1,074,799	1,032,701	834,444	69,926	124,669
Committed Fund Balance	-	-	-	251,912	200,326
Fund Balance - Ending	\$ 4,444,516	\$ 4,536,660	\$ 4,316,288	\$ 3,927,507	\$ 3,939,655

General Fund			
For the Year Ended June 30, 2022	Actual	Budget	Difference
Total Revenues	\$ 12,289,078	\$ 11,928,339	-
Total Expenditures	12,202,021	12,175,415	\$ 26,606
Other Financing Sources (uses)	(179,201)	(98,118)	(81,083)
Net Change in Fund Balance	(92,144)	(345,194)	253,050



Food Service Fund

For the Year Ended June 30,	2022	2021	2020	2019	2018
Total Revenues	\$ 742,788	\$ 540,972	\$ 507,018	\$ 541,033	\$ 536,944
Total Expenditures	531,284	483,283	517,424	550,093	575,567
Other Financing Sources	-	-	30,000	13,000	15,000
Net Change in Fund Balance	211,504	57,689	19,594	3,940	(23,623)
Fund Balance - Beginning	88,026	30,337	10,743	6,803	30,426
Restricted Fund Balance	15,274	72,506	6,098	116	1,160
Nonspendable Fund Balance	284,256	15,520	24,239	10,627	5,643
Fund Balance - Ending	\$ 299,530	\$ 88,026	\$ 30,337	\$ 10,743	\$ 6,803

Food Service Fund			
For the Year Ended June 30, 2022	Actual	Budget	Difference
Total Revenues	\$ 742,788	\$ 725,684	\$ 17,104
Total Expenditures	531,284	502,037	\$ 29,247
Other Financing Sources (uses)	-	-	-
Net Change in Fund Balance	211,504	223,647	(12,143)



Community Service Fund

For the Year Ended June 30,	2022	2021	2020	2019	2018
Total Revenues	\$ 240,685	\$ 228,565	\$ 241,712	\$ 261,032	\$ 273,535
Total Expenditures	401,362	280,811	340,371	354,069	331,730
Other Financing Sources	101,206	88,387	100,178	110,319	101,354
Net Change in Fund Balance	(59,471)	36,141	1,519	17,282	43,159
Fund Balance - Beginning	197,612	161,471	159,952	142,670	99,511
Unassigned Fund Balance	-	-	-	-	-
Nonspendable Fund Balance	-	-	-	-	-
Restricted Fund Balance	138,141	197,612	161,471	159,952	142,670
Fund Balance - Ending	\$ 138,141	\$ 197,612	\$ 161,471	\$ 159,952	\$ 142,670

Community Service Fund			
For the Year Ended June 30, 2022	Actual	Budget	Difference
Total Revenues	\$ 240,685	\$ 218,355	\$ 22,330
Total Expenditures	401,362	389,610	\$ 11,752
Other Financing Sources (uses)	101,206	110,000	(8,794)
Net Change in Fund Balance	(59,471)	(61,255)	1,784



Capital Projects Fund

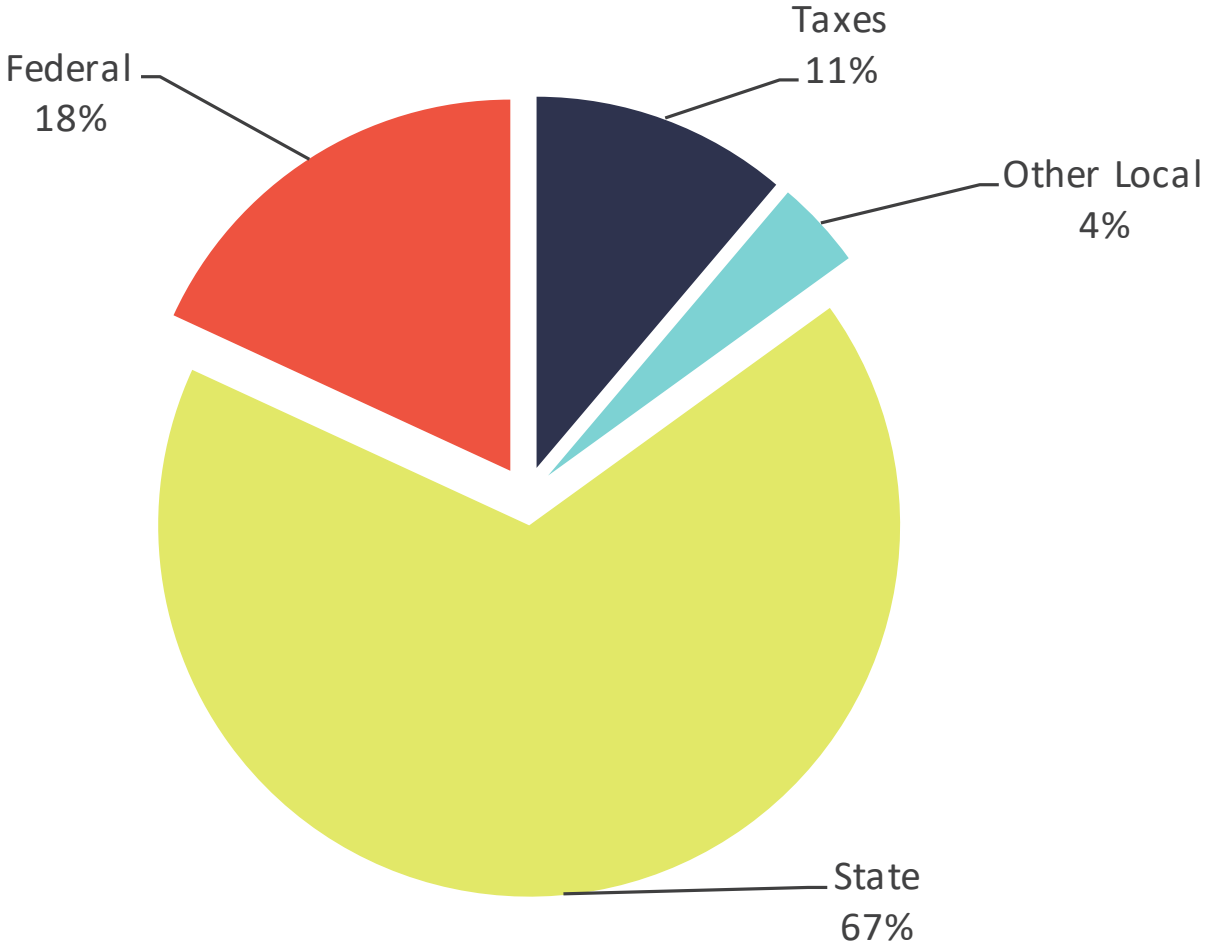
For the Year Ended June 30,	2022	2021	2020	2019	2018
Total Revenues	\$ 16	\$ 351	\$ 78	\$ -	\$ 3,152
Total Expenditures	313,220	212,610	80,123	-	1,519,619
Other Financing Sources	105,508	-	500,000	-	151,988
Net Change in Fund Balance	(207,696)	(212,259)	419,955	-	(1,364,479)
Fund Balance - Beginning	207,696	419,955	-	-	1,364,479
Unassigned Fund Balance	-	-	-	-	-
Restricted Fund Balance	-	207,696	419,955	-	-
Fund Balance - Ending	\$ -	\$ 207,696	\$ 419,955	\$ -	\$ -

Debt Service

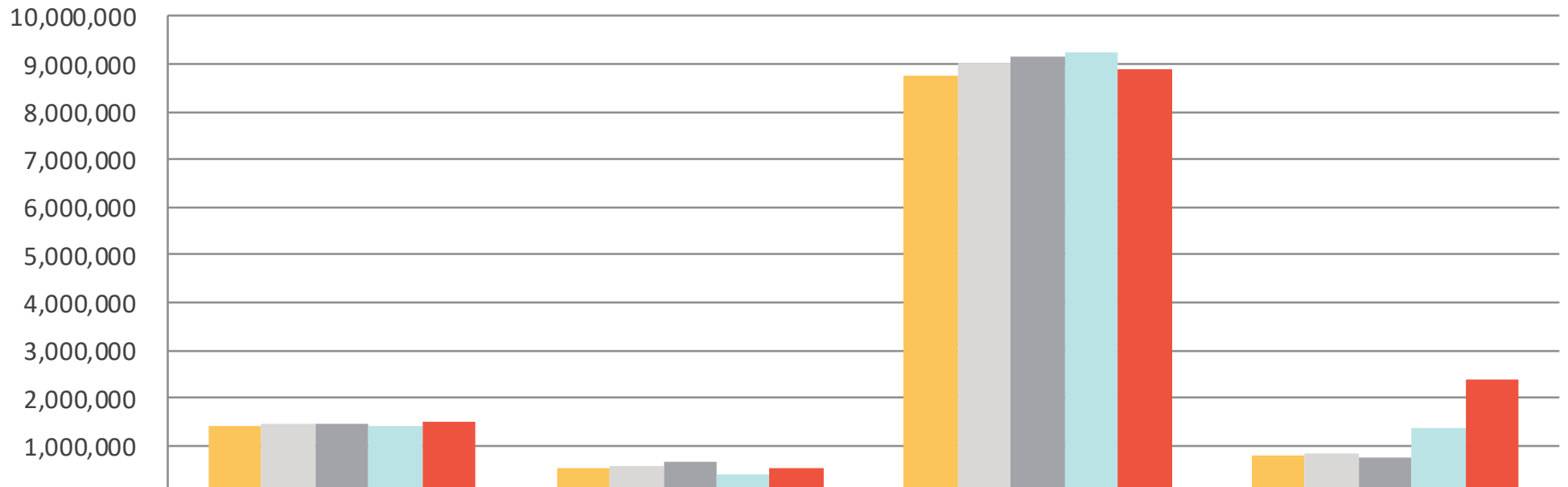
For the Year Ended June 30,	2022	2021	2020	2019	2018
Total Revenues	\$ 567,497	\$ 544,009	\$ 534,014	\$ 531,055	\$ 344,931
Total Expenditures	475,500	536,447	444,401	450,189	443,572
Other Financing Sources	-	80,467	-	-	-
Net Change in Fund Balance	91,997	88,029	89,613	80,866	(98,641)
Fund Balance - Beginning	660,576	572,547	482,934	402,068	500,709
Restricted Fund Balance - June 30	\$ 752,573	\$ 660,576	\$ 572,547	\$ 482,934	\$ 402,068



Source of Revenues for ISD No. 2174 For the Year Ended June 30, 2022



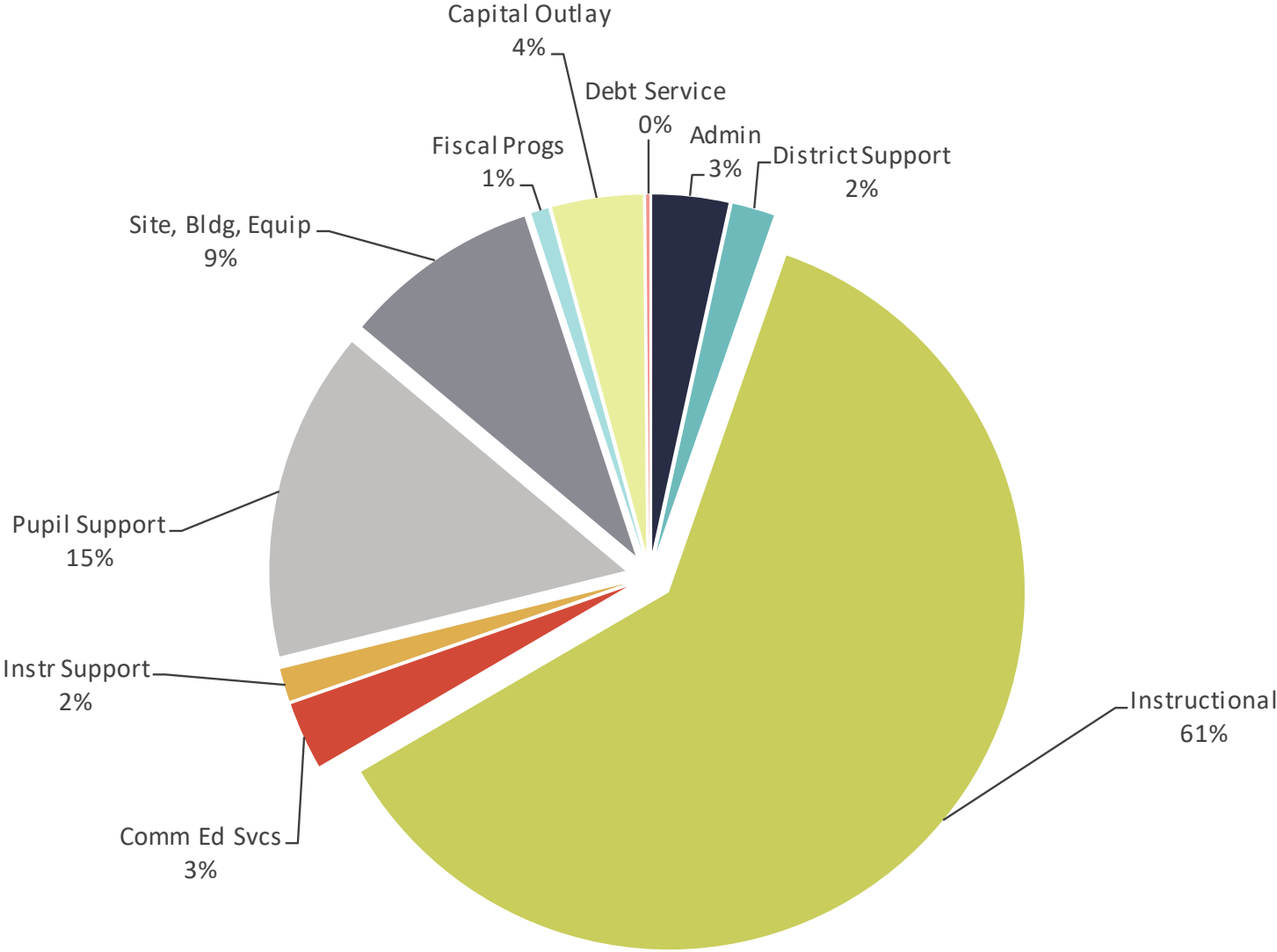
Comparative Governmental Revenues of ISD No. 2174



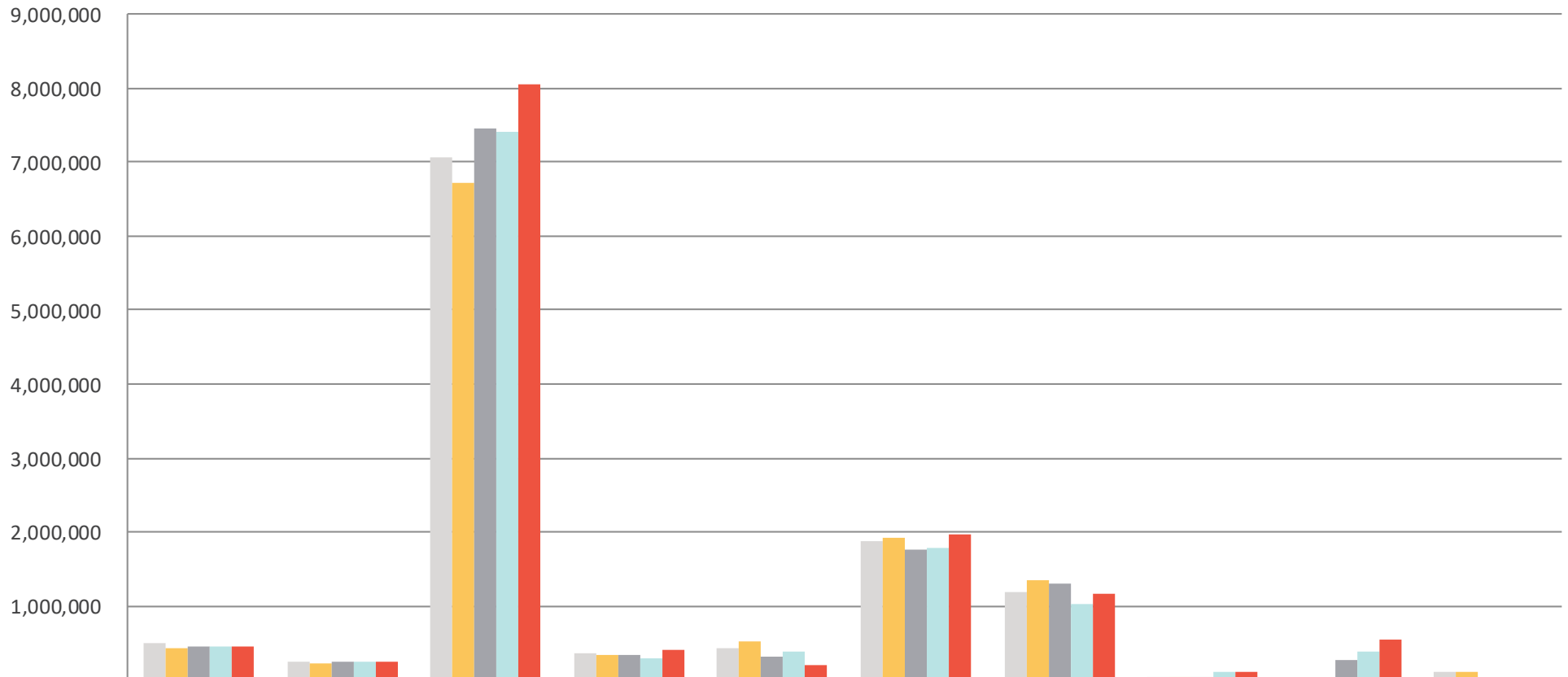
	Taxes	Other Local	State	Federal
■ 17-18	1,393,479	550,081	8,771,261	806,117
■ 18-19	1,439,349	584,223	9,001,201	820,028
■ 19-20	1,436,869	659,126	9,161,045	745,446
■ 20-21	1,402,493	376,356	9,261,723	1,347,561
■ 21-22	1,484,833	511,615	8,870,774	2,405,329



Breakdown of Expenditures for ISD No. 2174 For the Year Ended June 30, 2022



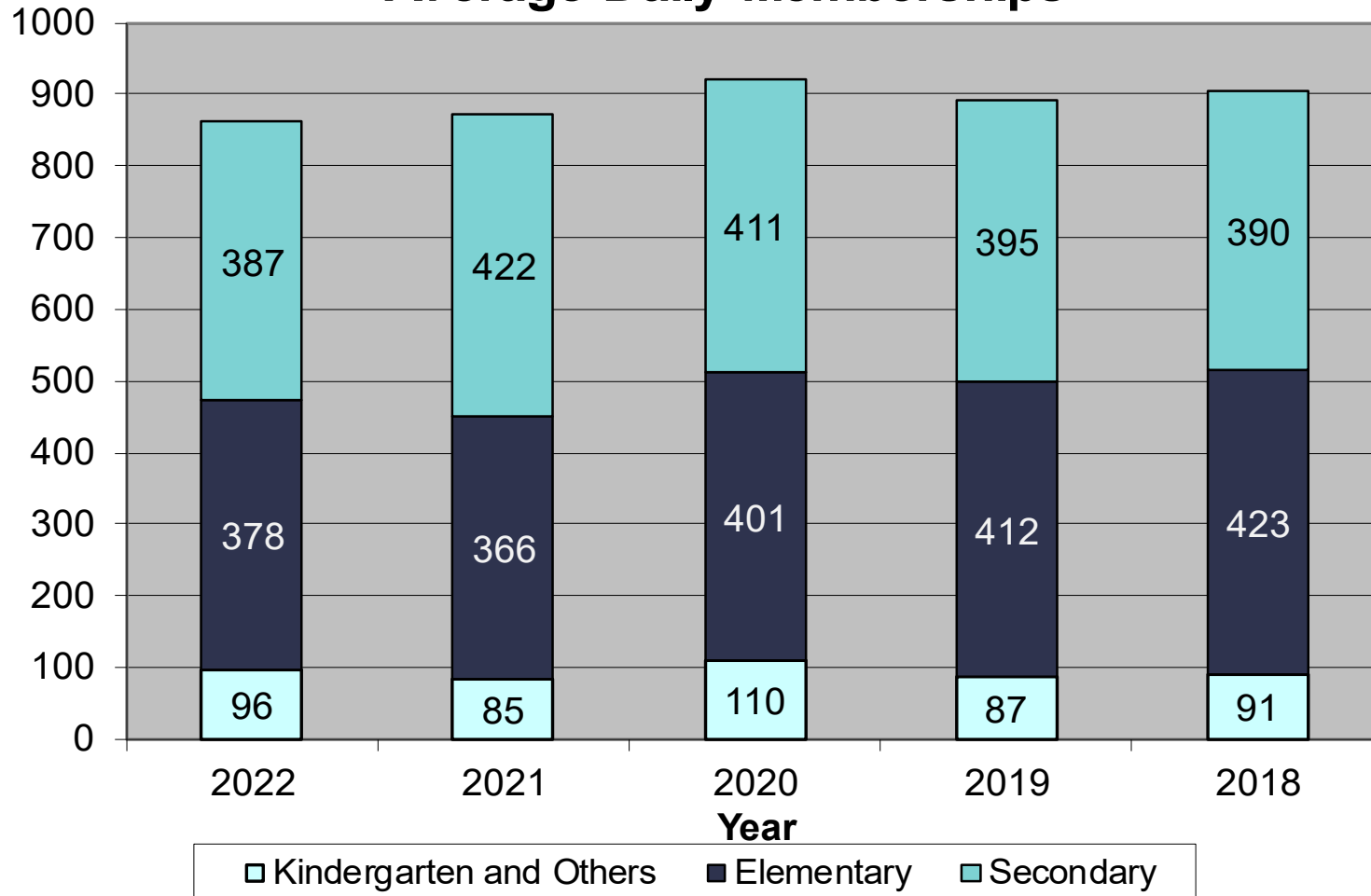
Comparative Expenditures for Governmental Funds of ISD No. 2174



	Admin	District Support	Instructional	Comm Ed Svcs	Instr Support	Pupil Support	Site, Bldg, Equip	Fiscal Progs	Capital Outlay	Debt Service
18-19	508,825	256,859	7,076,592	354,069	420,643	1,870,497	1,192,121	43,767	-	112,354
17-18	422,136	230,524	6,728,726	331,730	529,890	1,921,282	1,355,832	43,530	-	112,964
19-20	451,274	249,413	7,450,755	340,371	321,695	1,764,424	1,306,204	47,625	269,650	19,115
20-21	453,908	248,078	7,406,592	280,811	376,012	1,785,551	1,020,710	108,039	375,115	19,115
21-22	452,255	252,204	8,045,477	401,362	193,748	1,959,500	1,166,365	103,950	540,691	19,115



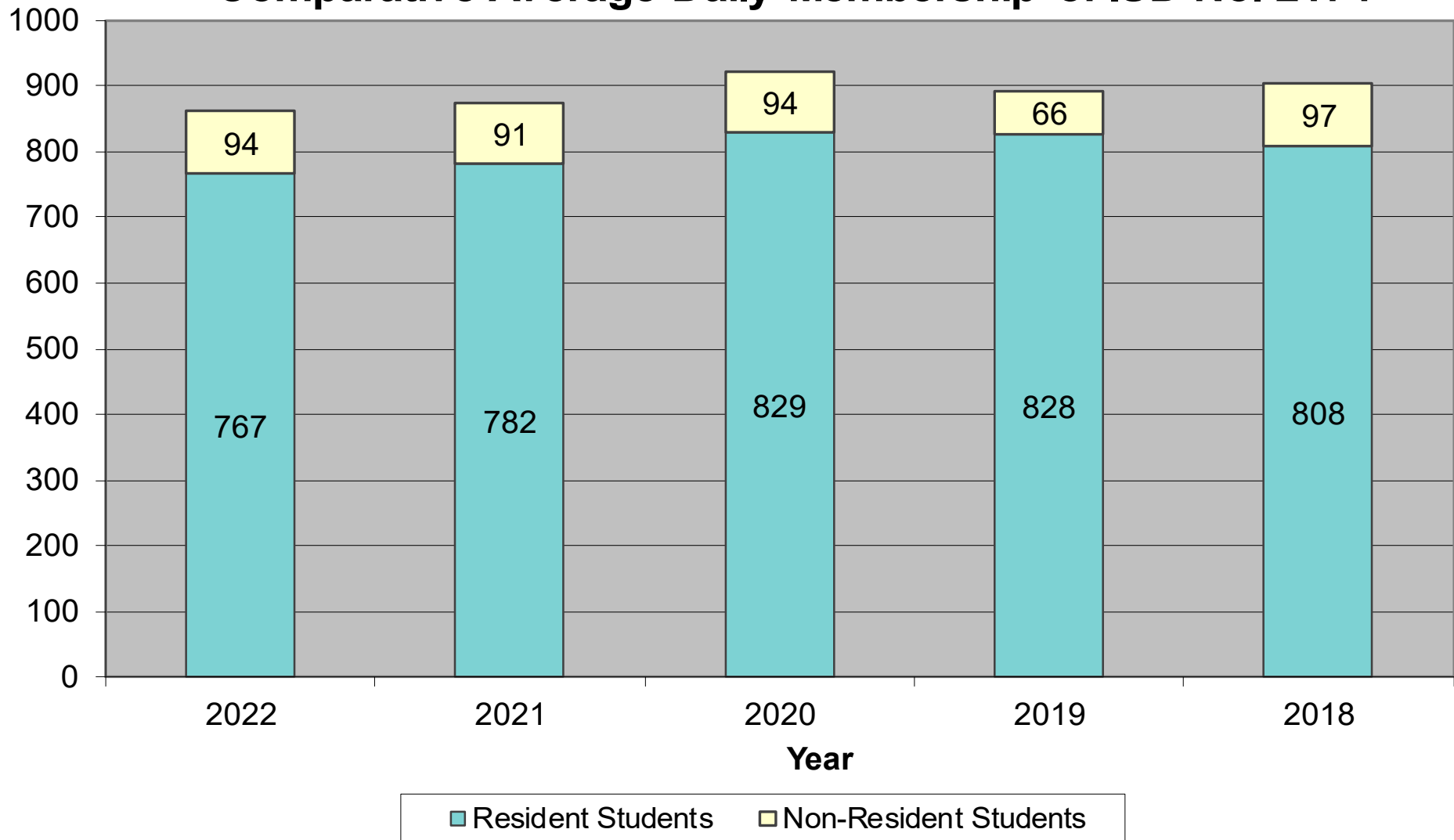
Average Daily Memberships



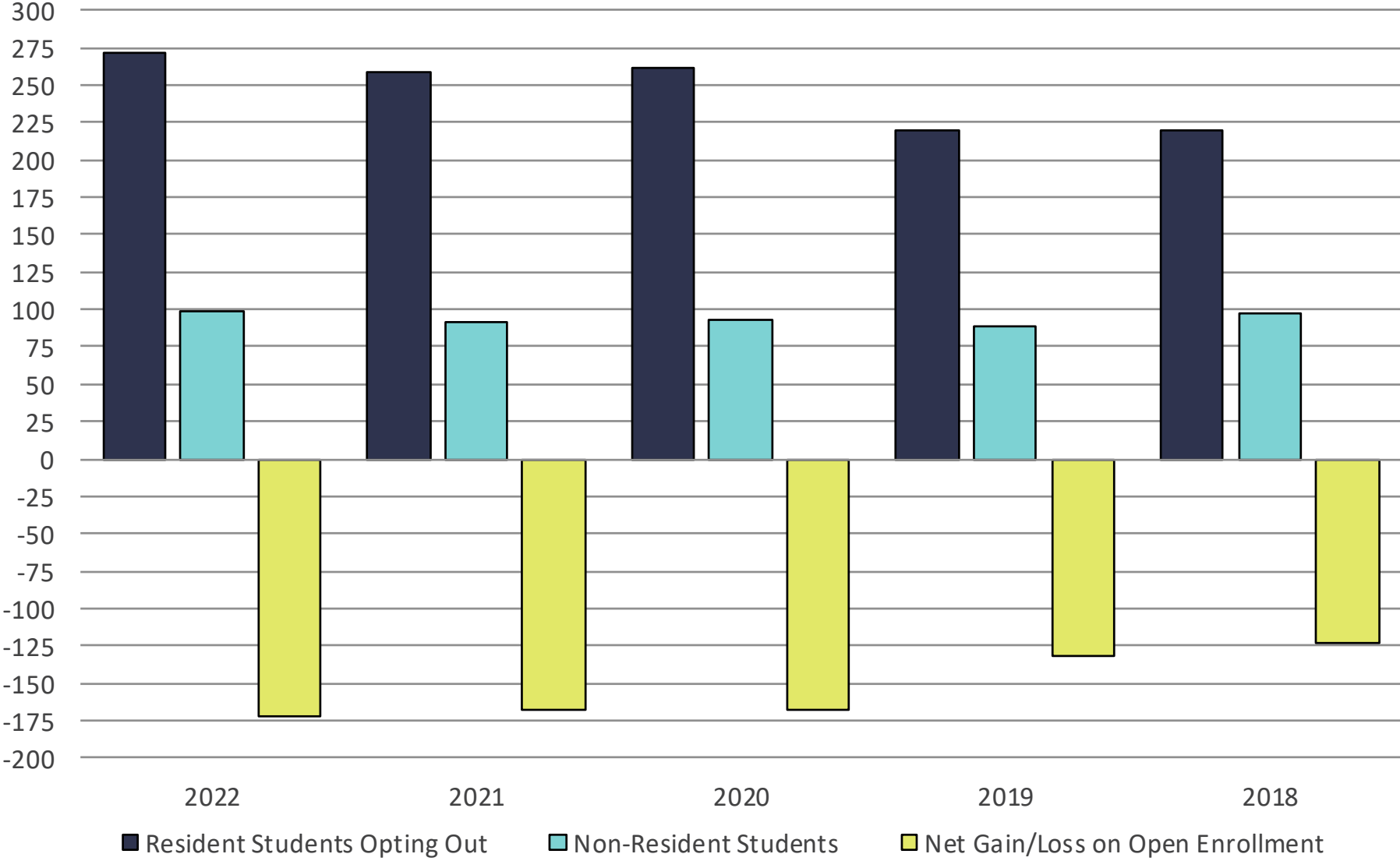
Resident Average Daily Membership (ADM)	2022	2021	2020	2019	2018
Kindergarten and Others	96	85	110	87	91
Elementary	378	366	401	412	423
Secondary	387	422	411	395	390
Total ADM	861	873	922	893	905
Total Weighted ADM (WADM)	939	958	1,005	972	983



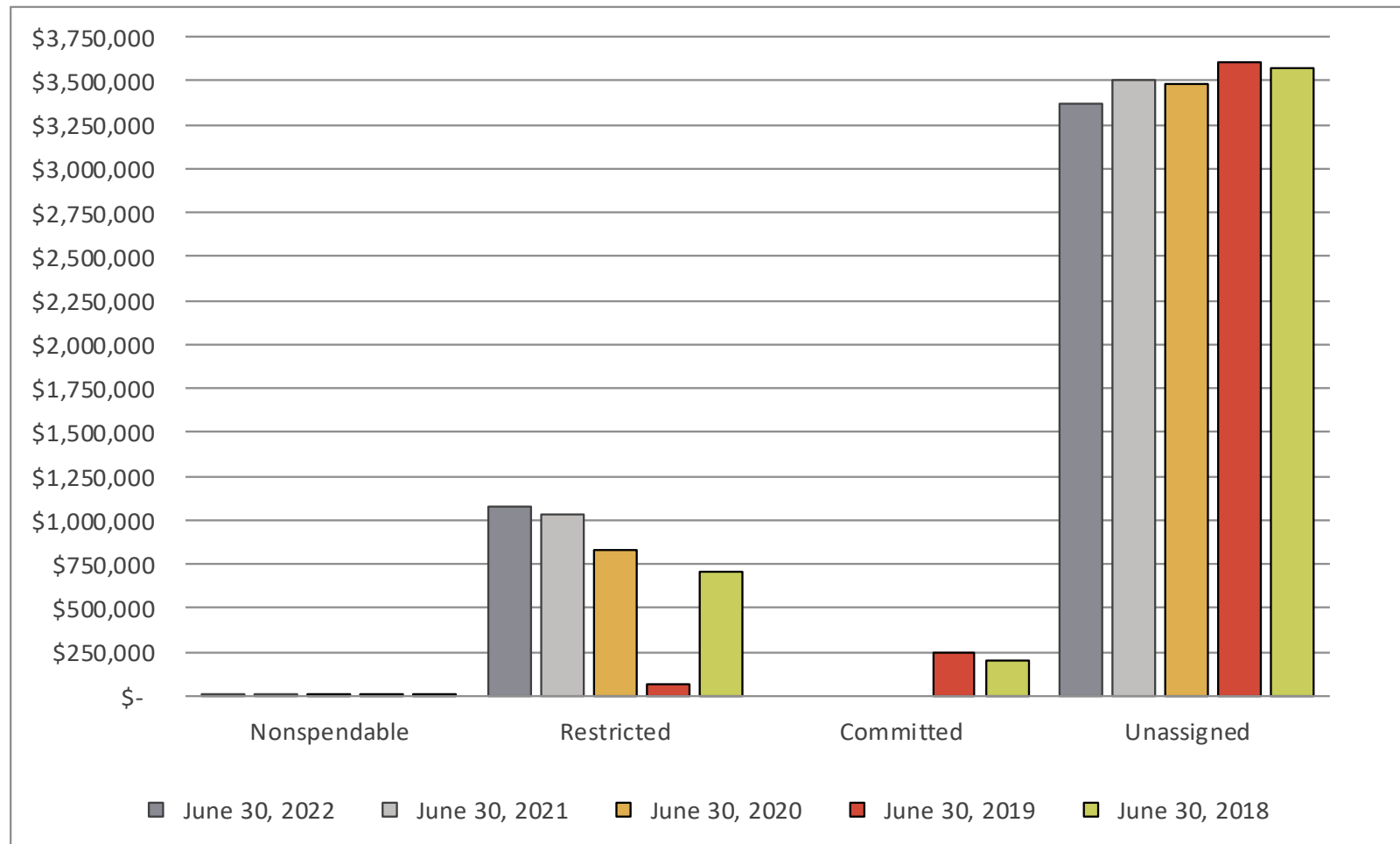
Comparative Average Daily Membership of ISD No. 2174



Open Enrollment Gain/Loss



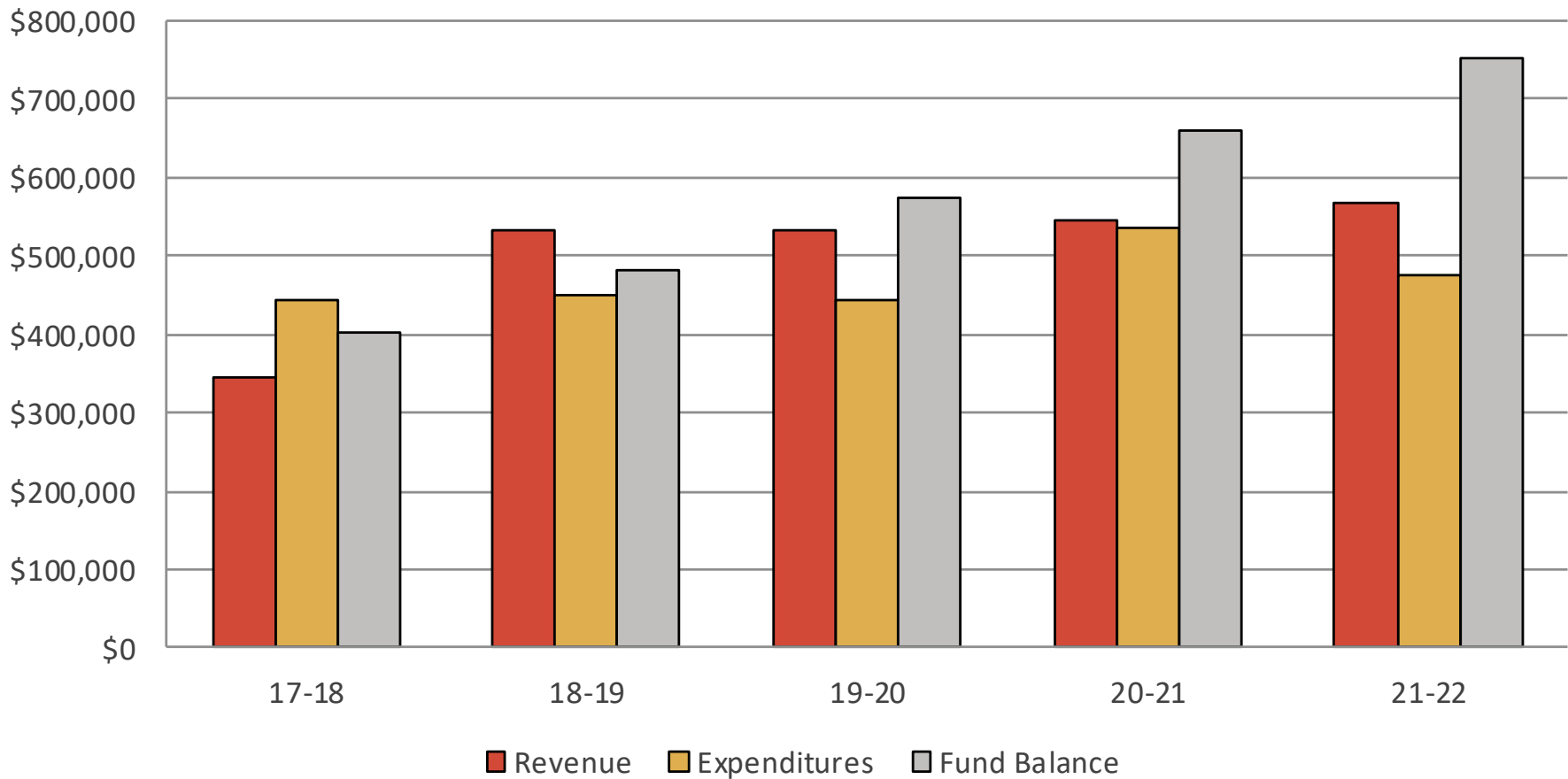
General Fund – Fund Balance by Category



	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Fund Balance	\$ 3,396,110	\$ 3,507,962	\$ 3,481,841	\$ 3,857,579	\$ 3,814,989
Expenditures	\$ 10,367,146	\$ 9,297,769	\$ 9,191,725	\$ 8,716,103	\$ 8,654,000
SOD Calculation	32.76%	37.73%	37.88%	44.26%	44.08%

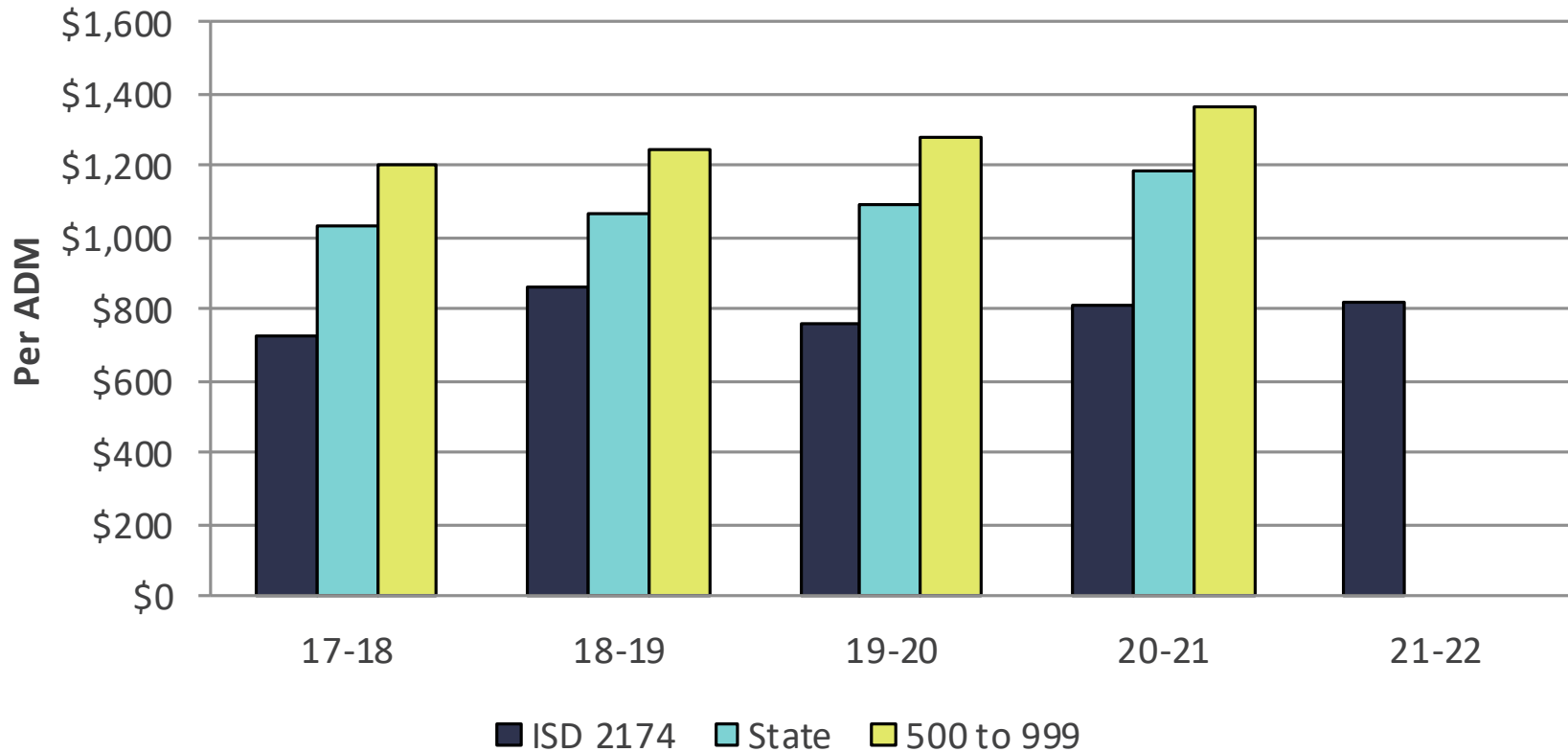


ISD #2174 Pine River-Backus Schools Debt Service Fund Total Revenues, Total Expenditures, Total Fund Balance



INDEPENDENT SCHOOL DISTRICT NO. 2174

Administration and District Support per ADM

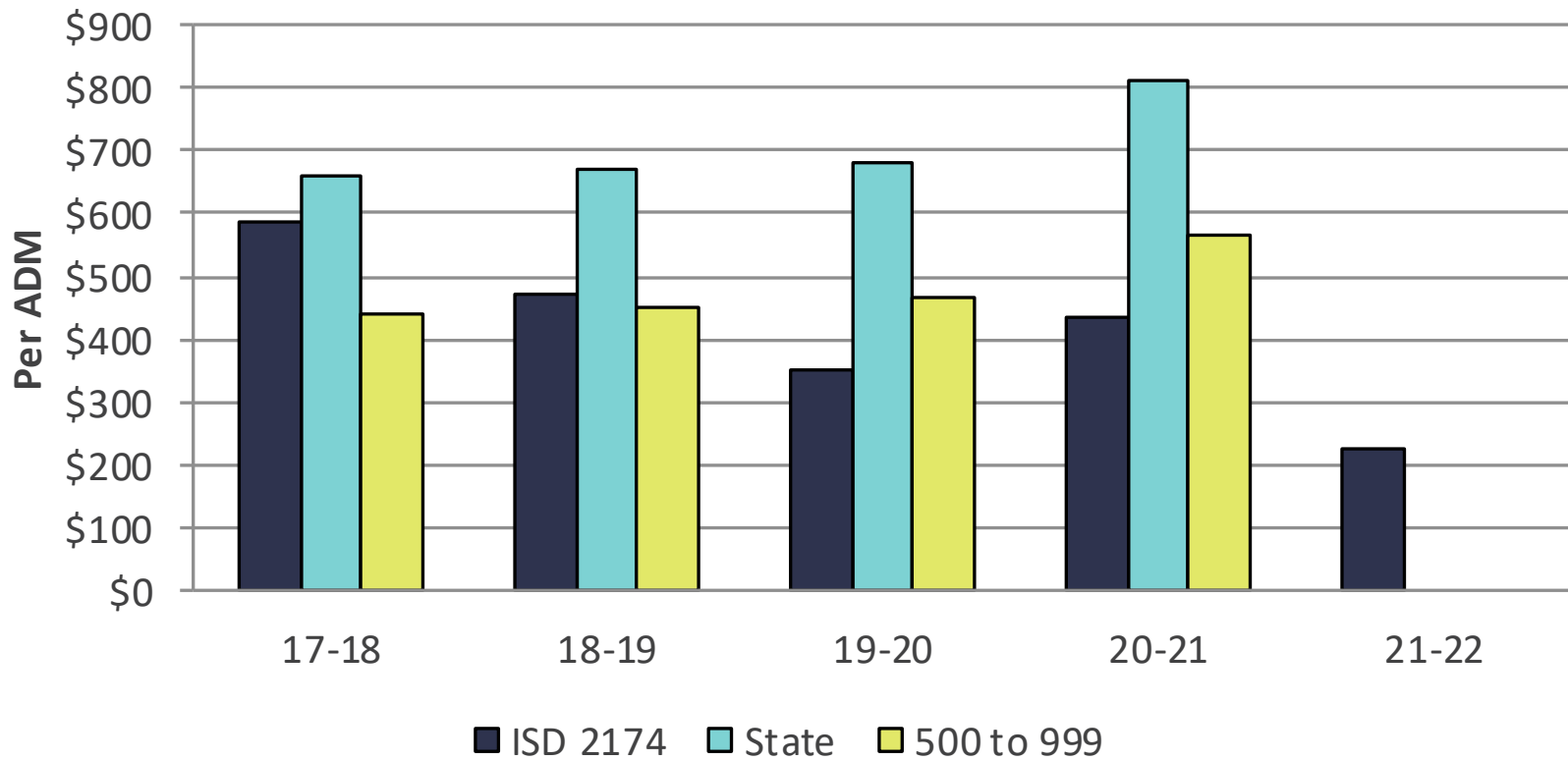


District and School Admin – all costs related to providing administration to the District (Board of Education, Superintendent, Assistant Superintendent, Principals, etc.) District Support Services – activities provided by Central Office (Business Services, Director of Building and Grounds, Legal, Data Processing, Other District-Wide support activities).



INDEPENDENT SCHOOL DISTRICT NO. 2174

Instructional Support per ADM

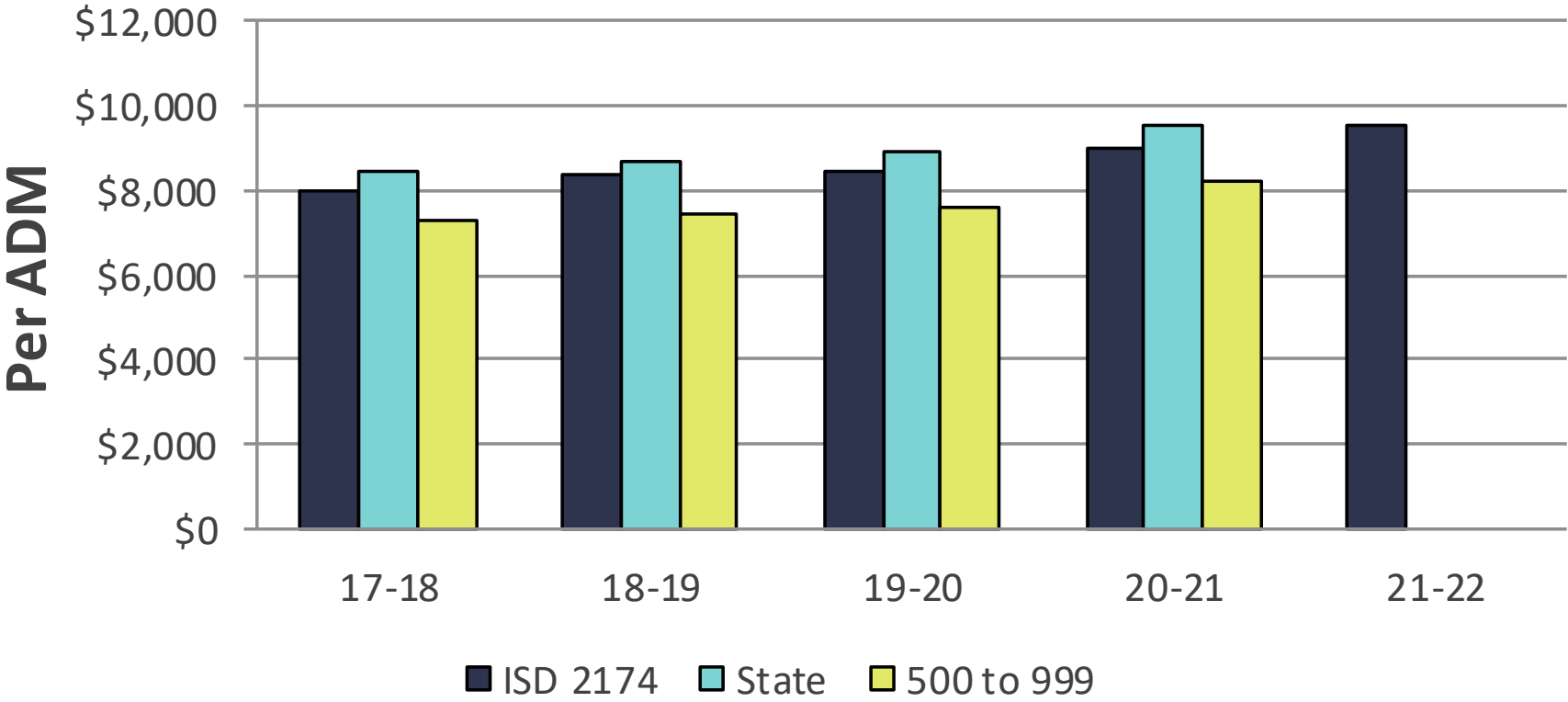


Instructional Support Services – activities to assist instructional staff with content & process of learning experiences
For pupils in K-12 (curriculum, staff development, assistant principals, etc.).



INDEPENDENT SCHOOL DISTRICT NO. 2174

Total Instruction per ADM



Total Instruction – includes vocational instruction, special education instruction, and instructional support services.



*Thank you for the opportunity to serve
the Pine River-Backus School District.*

CliftonLarsonAllen LLP
Mary Reedy, CPA, CGFM
Principal

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[CLAconnect.com](https://www.CLAconnect.com)



CPAs | CONSULTANTS | WEALTH ADVISORS

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**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

INTRODUCTORY SECTION

BOARD OF EDUCATION AND ADMINISTRATION	1
--	----------

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
-------------------------------------	----------

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS	6
---	----------

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	17
----------------------------------	-----------

STATEMENT OF ACTIVITIES	18
--------------------------------	-----------

BALANCE SHEET – GOVERNMENTAL FUNDS	19
---	-----------

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	21
--	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	22
---	-----------

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	24
--	-----------

NOTES TO FINANCIAL STATEMENTS	25
--------------------------------------	-----------

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	53
---	-----------

BUDGETARY COMPARISON SCHEDULE – FOOD SERVICE FUND	54
--	-----------

BUDGETARY COMPARISON SCHEDULE – COMMUNITY SERVICE FUND	55
---	-----------

SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS	56
--	-----------

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	57
--	-----------

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS	59
---	-----------

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	61
SUPPLEMENTARY INFORMATION	
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE	69

INTRODUCTORY SECTION

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2022**

BOARD OF EDUCATION

<u>NAME</u>	<u>TERM ON BOARD EXPIRES</u>	<u>BOARD POSITION</u>
Chris Cunningham	January 1, 2025	Chairperson
Ryan Trumble	January 1, 2023	Vice-Chairperson
Wanda Carlson	January 1, 2023	Clerk
Katy Botz	January 1, 2023	Treasurer
Leslie Bouchonville	January 1, 2023	Director
Roger Hoplin	January 1, 2025	Director
Dave Sheley	January 1, 2025	Director

ADMINISTRATION

Jon Clark	Superintendent
Jolene Bengtson	Business Manager
District Offices	Independent School District No. 2174 Pine River-Backus Public Schools 401 Murray Ave Pine River, MN 56474 218-587-8000

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Education
Pine River-Backus Public Schools
Independent School District No. 2174
Pine River, 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 Independent School District No. 2174 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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.

Report on Summarized Comparative Information

We have previously audited the financial statements of the governmental activities and each major fund of the District as of and for the year ended June 30, 2021, and we have expressed unmodified audit opinions on those audited financial statements in our report dated September 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – General Fund, budgetary comparison schedule – Food Service Fund, budgetary comparison schedule – Community Service Fund, schedule of changes in the District's OPEB liability and related ratios, 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 is presented for purposes of additional analysis and is 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 is 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 introductory section 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.

Board of Education
Pine River-Backus Public Schools
Independent School District No. 2174

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2022, 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

Brainerd, Minnesota
September 8, 2022

REQUIRED SUPPLEMENTARY INFORMATION

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

This section of Pine River-Backus Public Schools – Independent School District No. 2174's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021 – 2022 fiscal years include the following:

- District-wide accrual basis net position increased by \$1,073,067 on revenues of \$13,791,426 compared to expenses of \$12,718,359.
- Total General Fund revenues were approximately \$12,289,000 as compared to \$12,409,000 of expenditures and transfers out.
- The fund balance of the General Fund decreased from the prior year due to a large transfer out to close out the Capital Project Fund.

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

- The first 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.

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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial health of the District, you need to consider additional nonfinancial factors such as enrollment trends, 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, state aids, and federal 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).

The District has one kind of fund:

- Governmental funds – Most of 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 reconciling information within the governmental funds statements to explain the relationship (or differences) between the funds.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was \$2,853,880 on June 30, 2022.

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

	Governmental Activities as of June 30,		Percentage Change
	2022	2021	
Current and Other Assets	\$ 9,062,701	\$ 8,943,367	1.3 %
Capital and Noncurrent Assets	12,595,459	12,381,201	1.7
Total Assets	<u>21,658,160</u>	<u>21,324,568</u>	1.6
Deferred Outflows of Resources	3,093,739	3,598,713	(14.0)
Current Liabilities	2,022,509	1,953,581	3.5
Long-Term Liabilities	10,110,957	13,739,390	(26.4)
Total Liabilities	<u>12,133,466</u>	<u>15,692,971</u>	(22.7)
Deferred Inflows of Resources	<u>9,764,553</u>	<u>7,449,497</u>	31.1
Net Position			
Net Investment in Capital Assets	7,260,115	6,856,889	5.9
Restricted	2,256,811	1,942,137	16.2
Unrestricted	<u>(6,663,046)</u>	<u>(7,018,213)</u>	(5.1)
Total Net Position	<u>\$ 2,853,880</u>	<u>\$ 1,780,813</u>	60.3

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were \$13,791,426 for the year ended June 30, 2022. Property taxes and state aid formula accounted for 58% of total revenue for the year. Another 38% came from other program-specific federal and state aid.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Total Percent Change
	2022	2021	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 348,157	\$ 208,744	66.8 %
Operating Grants and Contributions	5,224,565	4,499,549	16.1
Capital Grants and Contributions	42,204	62,216	(32.2)
<u>General Revenues</u>			
Property Taxes	1,971,883	1,874,358	5.2
Unrestricted Federal and State Aid	5,992,638	6,105,487	(1.8)
Investment Earnings	41,101	38,108	7.9
Other	170,878	149,969	13.9
Total Revenues	13,791,426	12,938,431	6.6
Expenses			
Administration	430,820	495,600	(13.1)
District Support Services	239,347	239,937	(0.2)
Regular Instruction	5,408,913	5,681,901	(4.8)
Vocational Education Instruction	177,629	133,819	32.7
Special Education Instruction	2,110,836	2,139,333	(1.3)
Instructional Support Services	189,183	404,911	(53.3)
Pupil Support Services	1,377,206	1,257,678	9.5
Sites and Buildings	1,351,667	1,261,898	7.1
Fiscal and Other Fixed Cost Programs	103,950	108,039	(3.8)
Food Service	718,142	654,788	9.7
Community Service	394,177	305,887	28.9
Unallocated - Depreciation	151,347	151,434	(0.1)
Interest and Fiscal Charges on Long-Term Liabilities	65,142	196,720	(66.9)
Total Expenses	12,718,359	13,031,945	(2.4)
Increase (Decrease) in Net Position			
Net Position - Beginning of Year	1,780,813	1,874,327	
Net Position - End of Year	\$ 2,853,880	\$ 1,780,813	

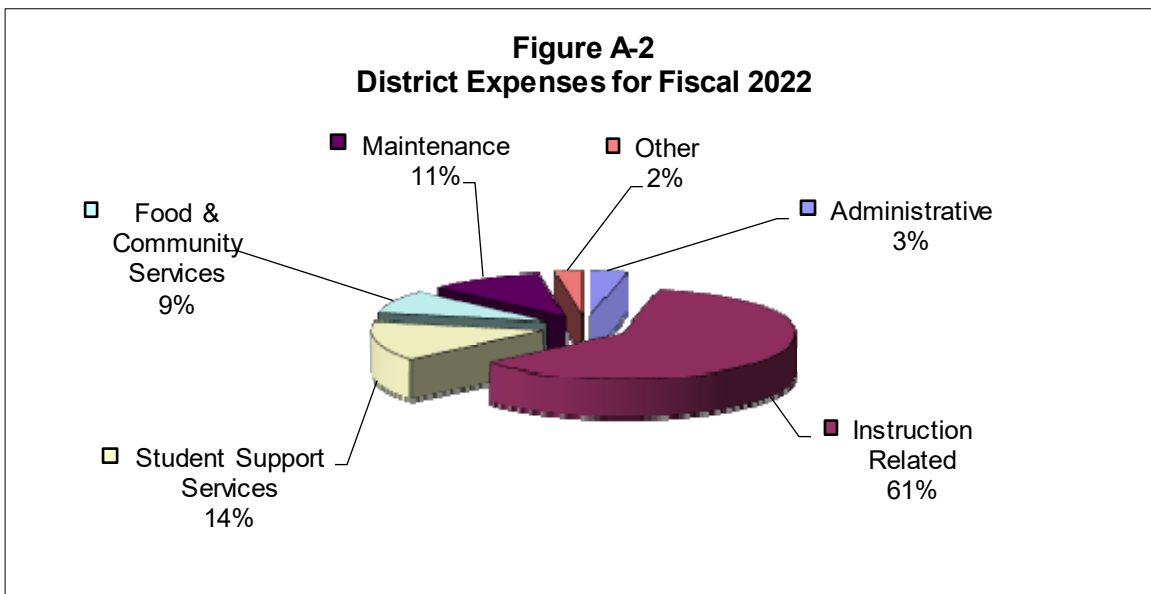
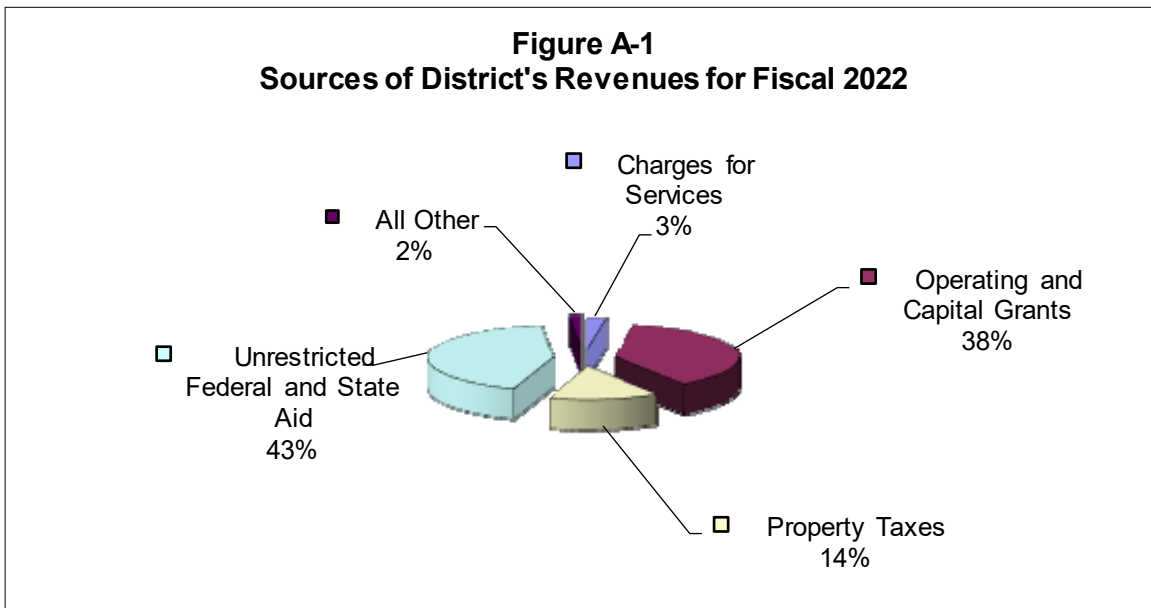
**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The cost of all governmental activities this year was \$12,718,359.

- Some of the cost was paid by the users of the District's programs (\$348,157).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions (\$5,266,769).
- The remaining District's costs were paid by District taxpayers and the taxpayers of our state through property taxes and state aid based on the statewide education aid formula.



**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

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

	Total Cost of Services			Net Cost of Services		
	2022	2021	Change	2022	2021	Change
Administration	\$ 430,820	\$ 495,600	(13.1)%	\$ 432,683	\$ 472,578	(8.4)%
District Support Services	239,347	239,937	(0.2)	239,347	239,937	(0.2)
Regular Instruction	5,408,913	5,681,901	(4.8)	2,870,821	3,985,395	(28.0)
Vocational Education Instruction	177,629	133,819	32.7	163,740	130,824	25.2
Special Education Instruction	2,110,836	2,139,333	(1.3)	790,172	837,068	(5.6)
Instructional Support Services	189,183	404,911	(53.3)	63,468	279,516	(77.3)
Pupil Support Services	1,377,206	1,257,678	9.5	653,556	334,483	95.4
Sites and Buildings	1,351,667	1,261,898	7.1	1,325,384	1,226,859	8.0
Fiscal and Other Fixed Cost Programs	103,950	108,039	(3.8)	103,950	108,039	(3.8)
Food Service	718,142	654,788	9.7	(24,253)	114,131	(121.3)
Community Service	394,177	305,887	28.9	268,076	184,452	45.3
Unallocated - Depreciation	151,347	151,434	(0.1)	151,347	151,434	(0.1)
Interest and Fiscal Charges on Long-Term Liabilities	65,142	196,720	(66.9)	65,142	196,720	(66.9)
Total	\$ 12,718,359	\$ 13,031,945	(2.4)	\$ 7,103,433	\$ 8,261,436	(14.0)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,634,760.

Revenues for the District's governmental funds were \$13,840,064, while total expenditures were \$13,923,387.

GENERAL FUND

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

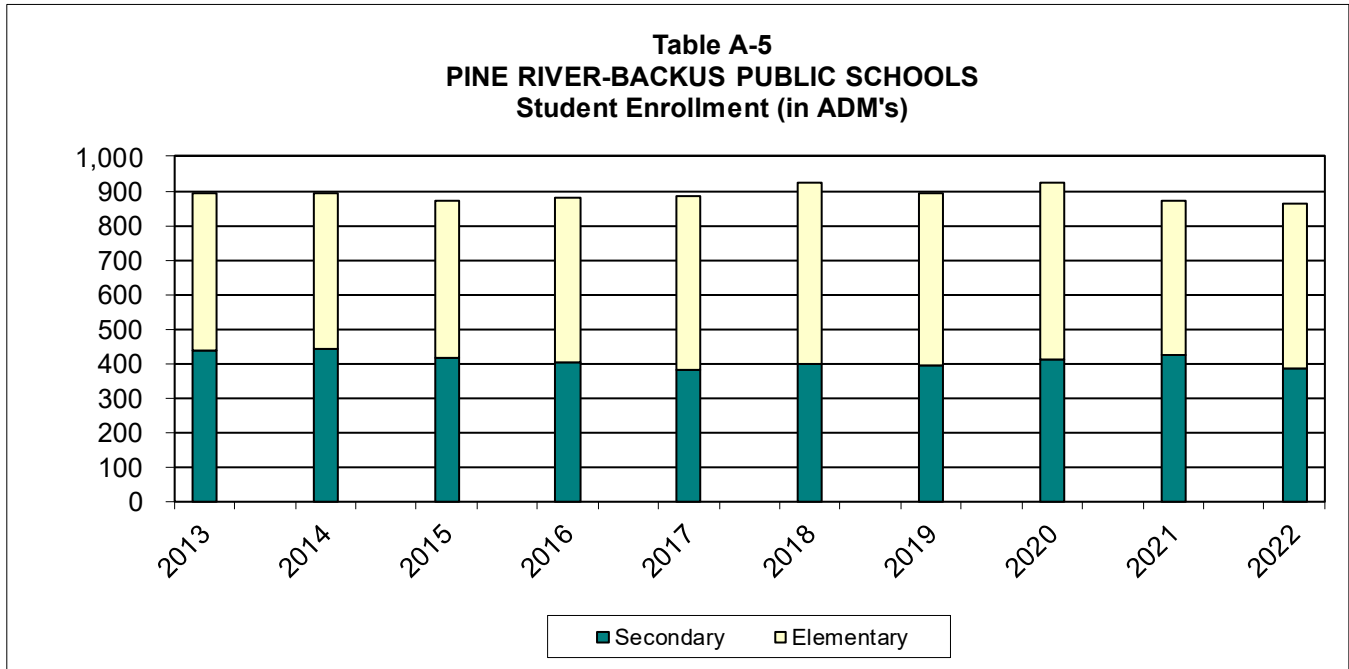
The following graph shows the trend in student counts over the past 10 years:

	Table A-4									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pre-K	14	9	8	9	11	25	33	32	27	32
HCP K	9	7	2	2	8	7	9	15	17	17
Reg K	61	65	56	61	60	63	44	63	39	48
Elementary	374	371	390	407	428	433	412	401	366	378
Secondary	437	441	414	402	379	398	396	411	423	387
Total Students for Aid	895	893	870	881	886	926	894	922	872	862
Percent Change	1.11%	-0.22%	-2.58%	1.26%	0.57%	4.51%	-3.46%	3.13%	-5.42%	-1.15%

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GENERAL FUND (CONTINUED)

Student Enrollment (Average Daily Membership)



The following schedule presents a summary of General Fund Revenues:

**Table A-6
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2022	June 30, 2021	Amount Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 1,379,153	\$ 1,296,692	\$ 82,461	6.4 %
Earnings on Investments	19,120	17,184	1,936	11.3
Other	387,004	287,710	99,294	34.5
State Sources	8,799,602	9,185,576	(385,974)	(4.2)
Federal Sources	1,704,199	831,434	872,765	105.0
Total General Fund Revenue	\$ 12,289,078	\$ 11,618,596	\$ 670,482	5.8

Total General Fund revenue increased by \$670,482 or 5.8% from the prior year as show above. The increase relates to the increase in federal funding.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

**Table A-7
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2022	June 30, 2021	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 7,240,088	\$ 6,849,495	\$ 390,593	5.7 %
Employee Benefits	1,920,091	1,824,225	95,866	5.3
Purchased Services	1,533,230	1,281,746	251,484	19.6
Supplies and Materials	884,072	889,670	(5,598)	(0.6)
Capital Expenditures	538,080	375,115	162,965	43.4
Other Expenditures	67,345	70,471	(3,126)	(4.4)
Debt Service	19,115	19,115	-	-
Total Expenditures	<u>\$ 12,202,021</u>	<u>\$ 11,309,837</u>	<u>\$ 892,184</u>	7.9

The increase in salaries and benefits is due to an increase in health premiums and due to salary adjustments and additions to staff. There was also a significant increase in purchase services due to higher special education transportation costs and an increase in capital expenditures due to a security camera project.

General Fund Budgetary Highlights

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

- Generally speaking, the first budget amendment concentrates on students and staff. Actual student counts from the beginning of the school year are tracked and matched against the student enrollment estimates used to project many of the revenue components in the preliminary budget revenue categories. Actual staffing and respective assignments are verified for accuracy against the projected staffing costs used to establish the preliminary budget expense for salaries and benefits.
- Because it occurs further into the fiscal year, the second amendment of the budget has a heavier concentration on the review and tracking of both actual revenue and expense categories toward the annual budgeted amounts.

In the case of either budget amendments, depending on how actual revenue and expense items are tracking against the preliminary budget amounts, adjustments are proposed to specific categories for review and approval by the school board.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights (Continued)

Actual results differed from budget as follows:

- While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$247,076, actual revenues exceeded actual expenditures by \$87,057.
- Overall, actual revenues were \$360,739 more than budgeted, representing more than a 3.02% variation from budget to actual. Other revenues were over budget due to student activities for the current year for \$112,727. Federal revenues were higher than anticipated by \$129,505 due to new federal funding.
- The actual expenditures for current year were \$26,606 more than budgeted, which represents about 0.22% of budgeted expenditures. Capital outlay was \$84,700 over budget due to the new security camera project.

CONSTRUCTION PROJECTS AND DEBT SERVICE

An annual levy is made to fund the bond payments of approximately \$350,000 in principal and \$125,500 of interest.

CAPITAL ASSETS

As shown in the table below, the District has invested \$25,280,778 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was \$712,124.

**Table A-8
The District's Capital Assets**

	<u>2022</u>	<u>2021</u>	<u>Percentage Change</u>
Land	\$ 7,515	\$ 7,515	-
Construction-in-Progress	210,301	82,297	155.5
Land Improvements	1,435,642	1,627,974	(11.8)
Buildings and Improvements	19,598,290	19,113,298	2.5
Equipment	4,029,030	4,506,399	(10.6)
Less: Accumulated Depreciation	<u>(12,685,319)</u>	<u>(12,956,282)</u>	(2.1)
Total	<u>\$ 12,595,459</u>	<u>\$ 12,381,201</u>	1.7

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

LONG-TERM LIABILITIES

At year-end, the District had \$5,135,000 in general obligation bonds outstanding as shown in Note 5 to the financial statements. The District also had an estimated \$45,000 in severance payable at June 30, 2022.

**Table A-9
The District's Long-Term Liabilities**

	2022	2021	Percentage Change
General Obligation Bonds	\$ 5,135,000	\$ 5,485,000	(6.4)%
Net Bond Premium and Discount	146,475	184,021	(20.4)
Obligations Under Capital Leases	-	18,564	(100.0)
Severance Payable	44,973	51,230	(12.2)
Total	\$ 5,326,448	\$ 5,738,815	(7.2)
Long-Term Liabilities			
Due Within One Year	\$ 380,000	\$ 368,564	
Due in More Than One Year	4,946,448	5,370,251	
Total	\$ 5,326,448	\$ 5,738,815	

FACTORS BEARING ON THE DISTRICT'S FUTURE

Student Enrollment

Pine-River Backus' student enrollment decreased 10 students in the 2021-2022 school year. Gains at the PreK-Elementary levels are offset by decreases at the High School. Enrollment is projected to remain relatively constant over the next 2-3 years as incoming Kindergarten students offset graduating classes with similar student counts. The District continues to respond to its changing population by accessing funding streams specific to poverty indicators and effective and planned financial management. The District is intentional in balancing staffing and facility needs with efforts to maintain a healthy and liquid fund balance. All efforts are made to secure additional funding opportunities when available.

Political Environment

Despite continuous changes in school funding, the District continues to responsibly manage its revenues and expenditures. The District strives to maintain a balanced budget on an annual basis. The District plans to continue its conservative budget approach and consider nontraditional funding opportunities when available. The District will also consider educated risks, progressive concepts, and local public support in order to meet the rigor of today's academic standards and the challenges of local economic demands.

The political environment at the state level will have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. Currently, the general education basic allowance, from which the District receives the single largest state aid, is set at \$6,728 per pupil unit. The District makes every effort to balance the need for revenue with the added impact to local taxpayers.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

Labor Force

Exclusive of construction and debt service funds, the District's salaries, wages, and benefits account for 69% of the District's overall expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager at the District's office located at 401 Murray Ave, Pine River, Minnesota 56474 or by telephone at 218-587-4720.

BASIC FINANCIAL STATEMENTS

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
STATEMENT OF NET POSITION
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	Governmental Activities	
	2022	2021
ASSETS		
Cash and Investments	\$ 6,902,624	\$ 6,443,042
Restricted Cash	701,218	632,690
Receivables:		
Property Taxes	927,124	822,382
Other Governments	509,140	1,028,600
Other	5,731	-
Inventories	16,864	16,653
Capital Assets:		
Land	7,515	7,515
Construction-in-Progress	210,301	82,297
Other Capital Assets, Net of Depreciation	12,377,643	12,291,389
Total Assets	21,658,160	21,324,568
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	2,982,088	3,482,549
OPEB Related	111,651	116,164
Total Deferred Outflows of Resources	3,093,739	3,598,713
LIABILITIES		
Salaries and Payroll Deductions Payable	1,317,449	1,206,408
Accounts and Contracts Payable	119,588	151,759
Accrued Interest	41,726	56,742
Due to Other Governmental Units	132,379	140,322
Long-Term Liabilities:		
Portion Due Within One Year	380,000	368,564
Portion Due in More Than One Year	4,946,448	5,370,251
Net Pension Liability	4,848,311	8,059,410
Other Postemployment Benefits Liability, Due Within One Year	31,367	29,786
Other Postemployment Benefits Liability, Due in More Than One Year	316,198	309,729
Total Liabilities	12,133,466	15,692,971
DEFERRED INFLOWS OF RESOURCES		
Pension Related	7,889,970	5,679,046
OPEB Related	23,557	29,048
Property Taxes Levied for Subsequent Year	1,814,750	1,697,331
Refunding Gain on Bonds	36,276	44,072
Total Deferred Inflows of Resources	9,764,553	7,449,497
NET POSITION		
Net Investment in Capital Assets	7,260,115	6,856,889
Restricted for:		
General Fund Operating Capital Purposes	81,030	65,273
General Fund State-Mandated Reserves	993,769	967,428
Food Service	299,530	88,026
Community Service	140,876	201,241
Debt Service	724,013	619,818
Capital Projects - Building Construction	17,593	351
Unrestricted	(6,663,046)	(7,018,213)
Total Net Position	\$ 2,853,880	\$ 1,780,813

See accompanying Notes to Financial Statements.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

Functions	2022				2021	
	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions		Revenue and	Revenue and
					Total	Changes in
Governmental Activities	Governmental Activities	Net Position	Net Position	Changes in Net Position	Changes in Net Position	
Governmental Activities						
Administration	\$ 430,820	\$ -	\$ (1,863)	\$ -	\$ (432,683)	\$ (472,578)
District Support Services	239,347	-	-	-	(239,347)	(239,937)
Regular Instruction	5,408,913	248,770	2,289,322	-	(2,870,821)	(3,985,395)
Vocational Education Instruction	177,629	-	13,889	-	(163,740)	(130,824)
Special Education Instruction	2,110,836	-	1,320,664	-	(790,172)	(837,068)
Instructional Support Services	189,183	-	125,715	-	(63,468)	(279,516)
Pupil Support Services	1,377,206	-	707,730	15,920	(653,556)	(334,483)
Sites and Buildings	1,351,667	-	(1)	26,284	(1,325,384)	(1,226,859)
Fiscal and Other Fixed Cost Programs	103,950	-	-	-	(103,950)	(108,039)
Food Service	718,142	28,151	714,244	-	24,253	(114,131)
Community Service	394,177	71,236	54,865	-	(268,076)	(184,452)
Interest and Fiscal Charges on Long-Term Liabilities	65,142	-	-	-	(65,142)	(196,720)
Unallocated Depreciation	151,347	-	-	-	(151,347)	(151,434)
Total School District	\$ 12,718,359	\$ 348,157	\$ 5,224,565	\$ 42,204	(7,103,433)	(8,261,436)
General Revenues						
Property Taxes Levied for:						
					1,365,951	1,286,112
					105,680	105,801
					500,252	482,445
					5,992,638	6,105,487
					41,101	38,108
					170,878	149,969
					<u>8,176,500</u>	<u>8,167,922</u>
					1,073,067	(93,514)
					<u>1,780,813</u>	<u>1,874,327</u>
					<u>\$ 2,853,880</u>	<u>\$ 1,780,813</u>

See accompanying Notes to Financial Statements.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 6,012,099	\$ 314,394	\$ 248,770
Restricted Cash	-	-	-
Receivables:			
Current Property Taxes	556,020	-	50,694
Delinquent Property Taxes	27,874	-	2,735
Accounts and Interest Receivable	5,731	-	-
Due from Other Minnesota School Districts	88,181	-	-
Due from Minnesota Department of Education	302,424	-	7,707
Due from Federal through Minnesota Department of Education	39,420	-	-
Due from Other Governmental Units	48,112	-	3,345
Inventory	1,590	15,274	-
Total Assets	\$ 7,081,451	\$ 329,668	\$ 313,251
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Salaries and Payroll Deductions Payable	\$ 1,234,159	\$ 29,727	\$ 53,563
Accounts and Contracts Payable	93,461	411	8,123
Due to Other Minnesota School Districts	110,396	-	-
Due to Other Governmental Units	21,983	-	-
Total Liabilities	1,459,999	30,138	61,686
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year	1,149,062	-	110,689
Unavailable Revenue - Delinquent Taxes	27,874	-	2,735
Total Deferred Inflows of Resources	1,176,936	-	113,424
Fund Balance			
Nonspendable:			
Inventory	1,590	15,274	-
Restricted:			
Operating Capital	81,030	-	-
Gifted and Talented	36,140	-	-
Basic Skills Programs	183,312	-	-
Safe Schools - Crime	68,170	-	-
Community Education Programs	-	-	27,122
Early Childhood and Family Educations Programs	-	-	96,924
School Readiness	-	-	14,095
QZAB and QSCB Payments	-	-	-
Long-Term Facilities Maintenance	-	-	-
Staff Development	29,859	-	-
Medical Assistance	41,770	-	-
Other Restricted	8,204	284,256	-
Student Activity Funds	183,190	-	-
Scholarship	443,124	-	-
Unassigned	3,368,127	-	-
Total Fund Balances	4,444,516	299,530	138,141
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,081,451	\$ 329,668	\$ 313,251

See accompanying Notes to Financial Statements.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

Major Funds		Total Governmental Funds	
Capital Projects	Debt Service	2022	2021
\$ 17,593	\$ 309,768	\$ 6,902,624	\$ 6,443,042
-	701,218	701,218	632,690
-	276,635	883,349	765,405
-	13,166	43,775	56,977
-	-	5,731	-
-	-	88,181	64,009
-	4,627	314,758	775,845
-	-	39,420	85,117
-	15,324	66,781	103,629
-	-	16,864	16,653
<u>\$ 17,593</u>	<u>\$ 1,320,738</u>	<u>\$ 9,062,701</u>	<u>\$ 8,943,367</u>
\$ -	\$ -	\$ 1,317,449	\$ 1,206,408
17,593	-	119,588	151,759
-	-	110,396	118,865
-	-	21,983	21,457
<u>17,593</u>	<u>-</u>	<u>1,569,416</u>	<u>1,498,489</u>
-	554,999	1,814,750	1,697,331
-	13,166	43,775	56,977
<u>-</u>	<u>568,165</u>	<u>1,858,525</u>	<u>1,754,308</u>
-	-	16,864	16,653
-	-	81,030	65,273
-	-	36,140	38,674
-	-	183,312	126,095
-	-	68,170	61,495
-	-	27,122	51,037
-	-	96,924	128,655
-	-	14,095	16,661
-	701,218	701,218	632,690
-	-	-	12,200
-	-	29,859	19,332
-	-	41,770	55,082
-	51,355	343,815	320,784
-	-	183,190	198,309
-	-	443,124	444,804
<u>-</u>	<u>-</u>	<u>3,368,127</u>	<u>3,502,826</u>
<u>-</u>	<u>752,573</u>	<u>5,634,760</u>	<u>5,690,570</u>
<u>\$ 17,593</u>	<u>\$ 1,320,738</u>	<u>\$ 9,062,701</u>	<u>\$ 8,943,367</u>

See accompanying Notes to Financial Statements.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	2022	2021
Total Fund Balance for Governmental Funds	\$ 5,634,760	\$ 5,690,570
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	7,515	7,515
Construction-in-Progress	210,301	82,297
Land Improvements, Net of Accumulated Depreciation	852,402	827,796
Buildings and Improvements, Net of Accumulated Depreciation	10,495,293	10,397,859
Equipment, Net of Accumulated Depreciation	1,029,948	1,065,734
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability	(4,848,311)	(8,059,410)
Deferred Inflows of Resources - Pension Related	(7,889,970)	(5,679,046)
Deferred Outflows of Resources - Pension Related	2,982,088	3,482,549
The District's OPEB Liability and related deferred outflows and inflows are recorded only on the Statement of Net Position. Balances at year-end are:		
OPEB Liability	(347,565)	(339,515)
Deferred Outflows of Resources - OPEB Related	111,651	116,164
Deferred Inflows of Resources - OPEB Related	(23,557)	(29,048)
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.	43,775	56,977
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(41,726)	(56,742)
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	(5,135,000)	(5,485,000)
Unamortized Premiums	(146,475)	(184,021)
Refunding Gain on Bonds	(36,276)	(44,072)
Obligations Under Capital Leases	-	(18,564)
Severance Payable	(44,973)	(51,230)
Total Net Position of Governmental Activities	\$ 2,853,880	\$ 1,780,813

See accompanying Notes to Financial Statements.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local:			
Property Taxes	\$ 1,379,153	\$ -	\$ 105,680
Earnings on Investments	19,120	383	610
Other	387,004	28,161	76,337
State Sources	8,799,602	13,114	58,058
Federal Sources	1,704,199	701,130	-
Total Revenues	<u>12,289,078</u>	<u>742,788</u>	<u>240,685</u>
EXPENDITURES			
Current:			
Administration	452,255	-	-
District Support Services	252,204	-	-
Regular Instruction	5,633,152	-	-
Vocational Education Instruction	189,915	-	-
Special Education Instruction	2,222,410	-	-
Instructional Support Services	193,748	-	-
Pupil Support Services	1,430,827	-	-
Sites and Buildings	1,166,365	-	-
Fiscal and Other Fixed Cost Programs	103,950	-	-
Food Service	-	528,673	-
Community Service	-	-	401,362
Capital Outlay	538,080	2,611	-
Debt Service:			
Principal	18,564	-	-
Interest and Fiscal Charges	551	-	-
Total Expenditures	<u>12,202,021</u>	<u>531,284</u>	<u>401,362</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	87,057	211,504	(160,677)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	101,206
Transfers Out	(206,714)	-	-
Insurance Proceeds	27,513	-	-
Refunding Bond Premium	-	-	-
Bond Refunding Payments	-	-	-
Proceeds from Sale of Bonds	-	-	-
Total Other Financing Sources (Uses)	<u>(179,201)</u>	<u>-</u>	<u>101,206</u>
NET CHANGE IN FUND BALANCE	(92,144)	211,504	(59,471)
Fund Balance - Beginning of Year	<u>4,536,660</u>	<u>88,026</u>	<u>197,612</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,444,516</u>	<u>\$ 299,530</u>	<u>\$ 138,141</u>

See accompanying Notes to Financial Statements.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

Major Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2022	2021
\$ -	\$ 500,252	\$ 1,985,085	\$ 1,884,938
16	20,972	41,101	38,108
-	-	491,502	358,661
-	46,273	8,917,047	9,303,225
-	-	2,405,329	1,347,561
<u>16</u>	<u>567,497</u>	<u>13,840,064</u>	<u>12,932,493</u>
-	-	452,255	453,908
-	-	252,204	248,078
-	-	5,633,152	5,234,685
-	-	189,915	119,945
-	-	2,222,410	2,051,962
-	-	193,748	376,012
-	-	1,430,827	1,302,268
-	-	1,166,365	1,020,710
-	-	103,950	108,039
-	-	528,673	483,283
-	-	401,362	280,811
313,220	-	853,911	587,725
-	350,000	368,564	348,035
-	125,500	126,051	207,527
<u>313,220</u>	<u>475,500</u>	<u>13,923,387</u>	<u>12,822,988</u>
(313,204)	91,997	(83,323)	109,505
105,508	-	206,714	88,387
-	-	(206,714)	(88,387)
-	-	27,513	-
-	-	-	155,467
-	-	-	(2,645,000)
-	-	-	2,570,000
<u>105,508</u>	<u>-</u>	<u>27,513</u>	<u>80,467</u>
(207,696)	91,997	(55,810)	189,972
<u>207,696</u>	<u>660,576</u>	<u>5,690,570</u>	<u>5,500,598</u>
<u>\$ -</u>	<u>\$ 752,573</u>	<u>\$ 5,634,760</u>	<u>\$ 5,690,570</u>

See accompanying Notes to Financial Statements.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

	2022	2021
Net Change in Fund Balance-Total Governmental Funds	\$ (55,810)	\$ 189,972
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays 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 expense.		
Capital Outlays	932,444	634,253
Net Depreciated Value of Assets Sold	(6,062)	(2,516)
Depreciation Expense	(712,124)	(686,985)
Some capital asset additions are financed through finance purchase agreements. In governmental funds, a finance purchase agreement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability. Repayment of finance purchase agreement principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the Statement of Net Position.		
Principal Payments - Finance Purchase Agreement	18,564	18,035
Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the OPEB liability and related deferred outflows and inflows are recognized in the Statement of Net Position.		
	(7,072)	(9,630)
Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.		
	499,714	(500,091)
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 when debt is first issued, whereas these amounts are 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:		
General Obligation Bond Proceeds	-	(2,570,000)
Net Bond (Premium) Discount Amortization	37,546	59,806
Refunding Gain on Bonds	7,796	(44,072)
Repayment of Bond Principal	350,000	330,000
Bond Refunding Payment	-	2,645,000
Change in Accrued Interest Expense - General Obligation Bonds	15,016	(6,007)
Bond Premium	-	(155,467)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.		
	(13,202)	(10,580)
In the statement of activities, severance benefits are measured on the accrual basis. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
	6,257	14,768
Change in Net Position of Governmental Activities	\$ 1,073,067	\$ (93,514)

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 2174 (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.

B. Financial Reporting Entity

The District is an instrumentality of the state of Minnesota established to function as an educational institution. The elected Board of Education (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.

GAAP require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated 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 of the District. There are no other entities for which the District is financially accountable.

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 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.

C. Basic Financial Statement Presentation

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is 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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

Separate Fund financial statements are provided for governmental. 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, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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 GAAP. 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 revenues 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 used for revenues other than property taxes.

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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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 Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state aids.

Community Service Special Revenue Fund

The Community Service 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, K-6 extended day programs, or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

Capital Projects

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. The Fund was established for construction activity authorized by debt issue or levy issue program.

Debt Service Fund

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

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General, Food Service, and Community Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the Board of Education. Legal budgetary control is at the fund level.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board of Education 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 Board of Education action. Revisions to budgeted amounts must be approved by the Board of Education.

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

Budgeted amounts include interim budget amendments that increased or decreased revenue and expenditure budgets as follows:

<u>Revenues</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$ 10,927,587	\$ 1,000,752	\$ 11,928,339
Special Revenue Funds:			
Food Service Fund	533,094	192,590	725,684
Community Service Fund	237,240	(18,885)	218,355
 <u>Expenditures</u>			
General Fund	11,577,622	597,793	12,175,415
Special Revenue Funds:			
Food Service Fund	505,675	(3,638)	502,037
Community Service Fund	362,793	26,817	389,610

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

At the end of each fiscal year, if the General Fund has a net unreserved deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the commissioner of the Department of Education.

F. Cash and Investments

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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments (Continued)

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, Bankers' acceptances, and U.S. Treasury and agency obligations.

G. Accounts Receivable

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 property taxes receivable.

H. Inventories

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

I. Property Taxes

Property tax levies are established by the Board of Education 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. The county spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid by 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 deferred inflow of resources (property taxes levied for subsequent year).

The majority of District revenue in the General and Special Revenue Funds 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."

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes (Continued)

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, 2022, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District's capital asset threshold for building improvements is \$25,000 and all other assets must have an individual cost of more than \$5,000. 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 statement, 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 generally 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 20 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 buildings or other improvable property.

K. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The District will not recognize the related outflow until a future event occurs.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

In the District-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.

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.

M. Accrued Employee Benefits

Vacation Pay

Certified staff and certain administrative employees do not receive paid vacations but are paid only for the number of days they are required to work, each in accordance with their respective contracts. Noncertified and other administrative employees are allowed vacation leave in varying amounts. In the event of termination most district employees are reimbursed for any unused accumulated vacation leave. Accrued vacation time must be taken within one year after the end of the fiscal year. Compensated absences payable for the amount representing the accumulated vacation payable at June 30, 2022 for these employees is reported in the District-wide financial statements.

Employees are allowed to accrue sick leave at varying amounts each year, and accumulate within limits. Employees are not compensated for unused sick leave upon termination of employment. Since the employees accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

In addition, Principals and all certified personnel who were employed prior to July 1, 1997, having reached the age of 52, and with 15 years of service and proper submission of resignation to the School Board may qualify for severance pay. The amount of pay is equal to 50% of outstanding sick leave up to a maximum of \$21,000 for Principals and \$21,000 for certified personnel, less the District's 403(b) matching contributions. See Note 5A for this severance liability amount.

N. 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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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.

P. 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 inventories. Restricted funds are constrained from 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 Business Manager to assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts. 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 amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance.

It is also the District's policy to strive to maintain a minimum unassigned General Fund balance of 15% of the annual budget.

Q. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance (less any unspent bond proceeds) of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The remaining net position is considered unrestricted.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceed budgeted amounts in the follow funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 12,175,415	\$ 12,202,021	\$ 26,606
Special Revenue Funds:			
Food Service Fund	502,037	531,284	29,247
Community Service Fund	389,610	401,362	11,752

All related expenditures were approved by the District’s board.

B. Transfers In/Transfers Out

The District made an operating transfer from the General Fund to the Community Service Fund in the amount of \$101,206 and to the Capital Projects Fund in the amount of \$105,508 during the year ended June 30, 2022. The transfer to the Community Service Fund to help cover the costs of a pre-kindergarten program run out of the Community Service Fund. The transfer from General Fund to the Capital Projects Fund was to cover the overage in construction costs and close out the fund.

NOTE 3 DEPOSITS AND INVESTMENTS

A. 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 School District’s Board.

Minnesota Statutes require that all 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.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all 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. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

The District's deposits in banks at June 30, 2022 was \$1,918,424. At June 30, 2022, the District's deposits were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

The District may invest idle funds as authorized by Minnesota Statutes Chapter 118A as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies;
- Shares of investment companies registered under the Investment Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less;
- General obligations rated "A" or better; revenue obligations rated "AA" or better;
- General obligations of the Minnesota Housing Finance Agency rate "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 a 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 the top two rating categories and repurchase or reverse purchase agreement and securities lending agreements 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, 2022, the District had the following investments:

Type	Amount
MSDLAF	\$ 8,893
MSDLAF Max	5,676,525
Total	\$ 5,685,418

The 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 Government Accounting Standards Board.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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’s policy is that the obligations at the time of purchase must be rated at the highest classification by at least two of the four standard rating services. The following chart summarizes year-end ratings for the District’s investments as rated by Moody’s Investors Service:

Type	Credit Quality Rating	Amount
MSDLAF+	A-1+, A-1	\$ 8,893
MSDLAF Max	A-1+, A-1	5,676,525
Total		\$ 5,685,418

The District’s deposits (\$1,918,424) and investments (\$5,685,418) are presented in the financial statements as follows:

Cash and Investments	\$ 6,902,624
Restricted Cash	701,218
Total Cash and Investments	\$ 7,603,842

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 7,515	\$ -	\$ -	\$ 7,515
Construction-in-Progress	82,297	210,301	(82,297)	210,301
Total Capital Assets, Not Being Depreciated	89,812	210,301	(82,297)	217,816
Capital Assets, Being Depreciated:				
Land Improvements	1,627,974	89,656	(281,988)	1,435,642
Buildings and Improvements	19,113,298	537,299	(52,307)	19,598,290
Equipment	4,506,399	177,485	(654,854)	4,029,030
Total Capital Assets, Being Depreciated	25,247,671	804,440	(989,149)	25,062,962
Accumulated Depreciation for:				
Land Improvements	(800,178)	(65,050)	281,988	(583,240)
Buildings and Improvements	(8,715,439)	(439,865)	52,307	(9,102,997)
Equipment	(3,440,665)	(207,209)	648,792	(2,999,082)
Total Accumulated Depreciation	(12,956,282)	(712,124)	983,087	(12,685,319)
Total Capital Assets, Being Depreciated, Net	12,291,389	92,316	(6,062)	12,377,643
Governmental Activities Capital Assets, Net	\$ 12,381,201	\$ 302,617	\$ (88,359)	\$ 12,595,459

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

Administration	\$ 1,088
District Support Services	2,018
Regular Instruction	54,875
Vocational Education Instruction	1,523
Instructional Support Services	1,093
Pupil Support Services	186,858
Sites and Buildings	309,325
Community Service	3,998
Unallocated Depreciation	151,346
Total Depreciation Expense, Governmental Activities	<u>\$ 712,124</u>

NOTE 5 LONG-TERM LIABILITIES

A. Components of General Long-Term Debt

Description of Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Outstanding
Facilities Maintenance Bonds					
Series 2017A	3/7/2017	2.44%	\$ 1,985,000	2/1/2032	\$ 1,400,000
Series 2020A	6/11/2020	2.00%	200,000	2/1/2031	180,000
Capital Facilities Bonds					
Series 2020A	6/11/2020	2.00%	300,000	2/1/2031	275,000
School Building Refunding Bonds					
Series 2020B	11/12/2020	1.05 - 3.00%	2,570,000	2/1/2032	2,385,000
Qualified Zone Academy Bonds					
Series 2009A - Direct Borrowings	9/3/2009	0%	895,000	9/3/2024	895,000
Total General Obligation Bonds					<u>5,135,000</u>
Severance Payable					<u>44,973</u>
Total Long-Term Liabilities					<u>\$ 5,179,973</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,	General Obligation Bonds Payable		Direct Borrowings - General Obligation Bonds Payable	
	Principal	Interest	Principal	Interest
2023	\$ 380,000	\$ 100,143	\$ -	\$ -
2024	390,000	90,180	-	-
2025	405,000	79,605	895,000	-
2026	420,000	68,605	-	-
2027	425,000	57,180	-	-
2028-2032	2,220,000	129,348	-	-
Total	<u>\$ 4,240,000</u>	<u>\$ 525,061</u>	<u>\$ 895,000</u>	<u>\$ -</u>

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt

1. General Obligation Bonds

On November 12, 2020, the District issued \$2,570,000 General Obligation School Building Refunding Bonds, Series 2020B to refund and defease outstanding General Obligation Alternative Facilities Bonds, Series 2012A; due in annual installments of \$185,000 to \$260,000, through February 1, 2032 with interest rate at 1.05% to 3.00%.

2. Finance Purchase Obligations

Equipment

On July 10, 2017, the District entered into a lease agreement to finance a school bus. The total lease was for \$90,024 which matured September 1, 2021.

D. Changes in Long-Term Debt

	June 30, 2021	Net Additions	Retirements	June 30, 2022	Due Within One Year
General Obligation Bonds	\$ 4,590,000	\$ -	\$ 350,000	\$ 4,240,000	\$ 380,000
General Obligation Bonds - Direct					
Borrowings	895,000	-	-	895,000	-
Net Bond Premiums (Discount)	184,021	-	37,546	146,475	-
Finance Purchase Payable	18,564	-	18,564	-	-
Subtotal	5,687,585	-	406,110	5,281,475	380,000
Severance Payable	51,230	-	6,257	44,973	-
Total	<u>\$ 5,738,815</u>	<u>\$ -</u>	<u>\$ 412,367</u>	<u>\$ 5,326,448</u>	<u>\$ 380,000</u>

NOTE 6 RESTRICTED FUND BALANCES

A. Restricted for Operating Capital

Represents tax levies and state aid in the General Fund to be used for purchase of equipment and facilities.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

B. Restricted for Gifted and Talented

Represents the part of general education aid revenue for the gifted and talented program that is unspent at year-end must be restricted in this balance sheet account.

C. Restricted for Basic Skills Program

Represents accumulated resources available to be used for the basic skills program.

D. Restricted for Safe Schools – Crime

Represents the unspent resources from the crime levy to be used for crime prevention, student and staff safety, and violence prevention measures.

E. Restricted for Community Education

Represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood family education, and extended day programs.

F. Restricted for Early Childhood and Family Education

Represents the resources available to provide for services for Early Childhood Family Education programming.

G. Restricted for School Readiness

Represents the resources available to provide for School Readiness Program.

H. Restricted for QZAB and QSCB Payments

Represents resources required by agreement to be segregated for future payments of Qualified Zone Academy Bond (QZAB) or Qualified School Construction Bonds (QSCB) debt instruments. These resources are held by the District and will pay off the debt at maturity.

I. Restricted for Staff Development

Represents available resources to be used for staff development.

J. Restricted for Medical Assistance

Represents available resources to be used for Medical Assistance expenditures.

K. Restricted for Student Activities

Represents available resources to be used for extracurricular activity funds raised by students.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

L. Restricted for Scholarship

Represents available resources to be used for scholarship funds.

M. Restricted for Other Purposes

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. See specific restrictions below:

Other Restricted:

Reserved for Summer Grant Program	\$ 8,204
Restricted for Food Service	284,256
Restricted for Debt Service	51,355
Total Other Restricted	<u>\$ 343,815</u>

NOTE 7 PENSION PLANS

A. Plan Description

1. General Employees Retirement Plan (General Employees Plan)

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

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

2. Teachers Retirement Fund (TRA)

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

Educators employed in Minnesota's public elementary and secondary 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 (DCP) administered by the state of Minnesota.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided

General Employees Plan Benefits

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

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% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% 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.

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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

TRA Benefits (Continued)

Tier 1 Benefits

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 of Service 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 Services 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

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

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

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

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

TRA Benefits (Continued)

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 provisions in effect at the time they last terminated their public service.

C. Contributions

1. General Employees Fund 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 2022 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022 were \$143,464. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 rates for the fiscal year 2022 for coordinated were 7.50% for the employee and 8.34% for the employer. Basic rates were 11.00% for the employee and 12.34% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2022 were \$461,279. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2022, the District reported a liability of \$1,084,694 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a 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 totaled \$33,155, for a total net pension liability of \$1,117,849 associated with the District. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0254% at the end of the measurement period and 0.0266% for the beginning of the period.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

For the year ended June 30, 2022, the District recognized negative pension expense of \$53,128 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$2,675 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2022, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 6,664	\$ 33,195
Changes in Actuarial Assumptions	662,292	23,994
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	939,390
Changes in Proportion	-	95,853
District Contributions Subsequent to the Measurement Date	143,464	-
Total	<u>\$ 812,420</u>	<u>\$ 1,092,432</u>

\$143,464 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	\$ (91,691)
2024	(48,869)
2025	(26,696)
2026	(256,220)

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2022 the District reported a liability of \$3,763,617 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.0860% at the end of the measurement period and 0.0875% at the beginning of the period.

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:

<u>Description</u>	<u>Amount</u>
District's Proportionate Share of the TRA Net Pension Liability	\$ 3,763,617
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	317,418
Total	<u>\$ 4,081,035</u>

For the year ended June 30, 2022, the District recognized pension expense of \$154,219. It also recognized \$(3,554) as an increase to pension expense and grant revenue for the support provided by direct aid.

At June 30, 2022, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 101,935	\$ 106,614
Changes in Actuarial Assumptions	1,379,224	3,395,563
Net Difference Between Projected and Actual Investment Earnings	-	3,155,767
Changes in Proportion	227,230	139,594
District Contributions Subsequent to the Measurement Date	461,279	-
Total	<u>\$ 2,169,668</u>	<u>\$ 6,797,538</u>

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

\$461,279 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30.</u>	<u>Pension Expense Amount</u>
2023	\$ (2,437,417)
2024	(1,843,398)
2025	(466,047)
2026	(580,968)
2027	238,681

The District's total pension expense for all plans for the year ended June 30, 2022 was \$100,212.

E. Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Totals	<u>100.0 %</u>	

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
International Equity	17.5	5.30
Fixed Income	20.0	0.75
Private Markets	25.0	5.90
Cash	2.0	-
Totals	<u>100.0 %</u>	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5% for PERA and 7.0% for TRA. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% for PERA and 7.0% for TRA was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment.

Inflation is assumed to be 2.5% for TRA. Benefit increases after retirement are assumed to be 1.0% for January 2020 through January 2023 then increasing by 0.10% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.

The following changes in actuarial assumptions for PERA occurred in 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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

The following changes in actuarial assumptions for TRA occurred in 2021:

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

G. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2021 and 2020 was 6.50%. 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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 PENSION PLANS (CONTINUED)

G. Discount Rate (Continued)

The discount rate used to measure the TRA pension liability was 7.00%. The discount rate used to measure the TPL at the prior measurement date was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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:

Description	1% Decrease	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	\$ 2,212,222	\$ 1,084,694	\$ 159,488
<u>TRA Discount Rate</u>	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 7,602,690	\$ 3,763,617	\$ 615,272

I. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. 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 #400, St. Paul, Minnesota, 55103-2088; or by calling 651-296-2409 or 1-800-657-3669.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 District contributions for the year ended June 30, 2022 were \$58,092. The related employee contributions were \$152,408 for the year ended June 30, 2022.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District administers a single employer postemployment defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the District's health insurance plan. Retiring employees are eligible to participate only if they are a participant in the District's health insurance at the time of retirement. The retiree is responsible for 100% of the premium. If a retiree chooses to drop their participation in either plan they cannot re-enroll back with the District's health plans. Upon the death of a retiree the retiree's spouse can continue participation only if the spouse was covered under the Plan at the time of the retiree's death. There are 96 active participants and 7 retired participants. The Plan does not issue a publicly available financial report.

B. Funding Policy

The District does not have assets accumulated in a trust to pay for OPEB related costs. For the fiscal year 2022, the District paid \$31,367 in OPEB benefits on a pay-as-you-go basis.

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of June 30, 2021, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to the reporting date of June 30, 2022. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Health Care Trend Rates	6.20%
	Decreasing to
	4.00%

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

Mortality Rates were based on the RP-2014 mortality tables with projected monthly improvements based on scale MP-2015, and other adjustments for teachers and the RP-2014 General mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments for non-teachers.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 to June 30, 2020.

The discount rate used to measure the total OPEB liability was 1.92%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent valuation, the following changes have been made:

- The discount rate was changed from 2.45% to 1.92%.

D. Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	\$ 339,515
Changes for the Year:	
Service Cost	19,570
Interest	8,433
Change of Assumptions	9,833
Benefit Payments	(29,786)
Net Changes	8,050
Balance at June 30, 2022	\$ 347,565

The following presents the OPEB liability of the District, as well as what the District's 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 (0.92%)	Discount Rate (1.92%)	1% Increase (2.92%)
OPEB Liability	\$ 366,378	\$ 347,565	\$ 329,123

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

The following presents the OPEB liability of the District, as well as what the District's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.2% decreasing to 3.0% over several years) or 1% higher (7.2% decreasing to 5.0% over several years) than the current healthcare cost trend rates:

	1% Decrease (5.2% Decreasing to 3.0%)	Current Trend Rates (6.2% Decreasing to 4.0%)	1% Increase (7.2% Decreasing to 5.0%)
Medical Trend Rate			
OPEB Liability	\$ 313,553	\$ 347,565	\$ 387,770

At June 30, 2022, the District reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 51,748	\$ -
Changes in Actuarial Assumptions	28,536	23,557
District Benefit Payments Made Subsequent to the Measurement Date	31,367	-
Total	\$ 111,651	\$ 23,557

\$31,367 reported as deferred outflows of resources related to OPEB resulting from District benefit payments made subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Future Recognition
2023	\$ 10,436
2024	10,436
2025	10,436
2026	10,539
2027	7,571
Thereafter	7,309
Total	\$ 56,727

For the year ended June 30, 2022, the District recognized OPEB expense of \$38,439.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 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 11 RISK MANAGEMENT

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

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

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Over (Under)
	Original	Final		Final Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 1,281,463	\$ 1,281,463	\$ 1,379,153	\$ 97,690
Earnings on Investments	16,345	14,345	19,120	4,775
Other	194,732	204,182	387,004	182,822
State Sources	8,635,196	8,853,655	8,799,602	(54,053)
Federal Sources	799,851	1,574,694	1,704,199	129,505
Total Revenues	<u>10,927,587</u>	<u>11,928,339</u>	<u>12,289,078</u>	<u>360,739</u>
EXPENDITURES				
Current:				
Administration	464,543	464,185	452,255	(11,930)
District Support Services	283,747	291,524	252,204	(39,320)
Elementary and Secondary Regular Instruction	5,482,190	5,676,589	5,633,152	(43,437)
Vocational Education Instruction	113,396	123,317	189,915	66,598
Special Education Instruction	2,190,670	2,220,925	2,222,410	1,485
Instructional Support Services	372,919	319,238	193,748	(125,490)
Pupil Support Services	1,259,586	1,362,558	1,430,827	68,269
Sites and Buildings	986,628	1,139,026	1,166,365	27,339
Fiscal and Other Fixed Cost Programs	110,406	105,558	103,950	(1,608)
Capital Outlay	294,422	453,380	538,080	84,700
Debt Service:				
Principal	18,564	18,564	18,564	-
Interest and Fiscal Charges	551	551	551	-
Total Expenditures	<u>11,577,622</u>	<u>12,175,415</u>	<u>12,202,021</u>	<u>26,606</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(650,035)	(247,076)	87,057	334,133
OTHER FINANCING SOURCES (USES)				
Transfers Out	(110,000)	(110,000)	(206,714)	96,714
Insurance Proceeds	-	11,882	27,513	15,631
Total Other Financing Sources (Uses)	<u>(110,000)</u>	<u>(98,118)</u>	<u>(179,201)</u>	<u>81,083</u>
NET CHANGE IN FUND BALANCE	<u>\$ (760,035)</u>	<u>\$ (345,194)</u>	(92,144)	<u>\$ 253,050</u>
FUND BALANCE				
Beginning of Year			<u>4,536,660</u>	
END OF YEAR			<u>\$ 4,444,516</u>	

See accompanying Notes to Required Supplementary Information.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Earnings on Investments	\$ 220	\$ 220	\$ 383	\$ 163
Other - Primarily Meal Sales	13,180	30,180	28,161	(2,019)
State Sources	10,112	13,097	13,114	17
Federal Sources	509,582	682,187	701,130	18,943
Total Revenues	<u>533,094</u>	<u>725,684</u>	<u>742,788</u>	<u>17,104</u>
EXPENDITURES				
Current:				
Food Service	500,675	497,037	528,673	31,636
Capital Outlay	5,000	5,000	2,611	(2,389)
Total Expenditures	<u>505,675</u>	<u>502,037</u>	<u>531,284</u>	<u>29,247</u>
NET CHANGE IN FUND BALANCE	<u>\$ 27,419</u>	<u>\$ 223,647</u>	211,504	<u>\$ (12,143)</u>
FUND BALANCE				
Beginning of Year			<u>88,026</u>	
END OF YEAR			<u>\$ 299,530</u>	

See accompanying Notes to Required Supplementary Information.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
BUDGETARY COMPARISON SCHEDULE
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 103,925	\$ 103,925	\$ 105,680	\$ 1,755
Earnings on Investments	3,000	3,000	610	(2,390)
Other - Primarily Tuition and Fees	74,570	55,685	76,337	20,652
State Sources	55,745	55,745	58,058	2,313
Total Revenues	<u>237,240</u>	<u>218,355</u>	<u>240,685</u>	<u>22,330</u>
EXPENDITURES				
Current:				
Community Service	<u>362,793</u>	<u>389,610</u>	<u>401,362</u>	<u>11,752</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(125,553)	(171,255)	(160,677)	10,578
OTHER FINANCING SOURCES				
Transfer In	<u>110,000</u>	<u>110,000</u>	<u>101,206</u>	<u>(8,794)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (15,553)</u>	<u>\$ (61,255)</u>	<u>(59,471)</u>	<u>\$ 1,784</u>
FUND BALANCE				
Beginning of Year			<u>197,612</u>	
END OF YEAR			<u>\$ 138,141</u>	

See accompanying Notes to Required Supplementary Information.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT PERIODS**

Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability					
Service Cost	\$ 19,570	\$ 20,162	\$ 17,802	\$ 15,631	\$ 17,186
Interest	8,433	9,997	11,317	9,075	7,385
Differences Between Expected and Actual Experience	-	6,192	-	90,000	-
Changes of Assumptions	9,833	20,042	7,235	(37,368)	(9,185)
Benefit Payments	<u>(29,786)</u>	<u>(32,228)</u>	<u>(31,657)</u>	<u>(16,249)</u>	<u>(15,542)</u>
Net Change in Total OPEB Liability	8,050	24,165	4,697	61,089	(156)
Total OPEB Liability - Beginning	<u>339,515</u>	<u>315,350</u>	<u>310,653</u>	<u>249,564</u>	<u>249,720</u>
Total OPEB Liability - Ending (a)	<u>\$ 347,565</u>	<u>\$ 339,515</u>	<u>\$ 315,350</u>	<u>\$ 310,653</u>	<u>\$ 249,564</u>
Covered-Employee Payroll	\$ 6,519,262	\$ 6,572,965	\$ 6,612,230	\$ 6,258,832	\$ 5,757,953
District's OPEB Liability as a Percentage of Covered-Employee Payroll	5.33%	5.17%	4.77%	4.96%	4.33%

Note 1: The District implemented GASB Statement No. 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS**

	Measurement Date <u>June 30, 2021</u>	Measurement Date <u>June 30, 2020</u>	Measurement Date <u>June 30, 2019</u>
PERA - General Employees Fund			
District's Proportion of the Net Pension Liability	0.0254%	0.0266%	0.0275%
District's Proportionate Share of the Net Pension Liability	\$ 1,084,694	\$ 1,594,792	\$ 1,520,413
State's Proportionate Share of the Net Pension Liability Associated with the District	33,155	49,141	47,165
Total of District's and State's Proportionate Share of the Net Pension Liability	<u>\$ 1,117,849</u>	<u>\$ 1,643,933</u>	<u>\$ 1,567,578</u>
District's Covered Payroll	\$ 1,823,760	\$ 1,878,467	\$ 1,954,307
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	59.48%	84.90%	77.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00%	79.06%	80.20%
TRA			
District's Proportion of the Net Pension Liability	0.0860%	0.0875%	0.0865%
District's Proportionate Share of the Net Pension Liability	\$ 3,763,617	\$ 6,464,618	\$ 5,513,528
State's Proportionate Share of the Net Pension Liability Associated with the District	317,418	541,567	487,931
Total of District's and State's Proportionate Share of the Net Pension Liability	<u>\$ 4,081,035</u>	<u>\$ 7,006,185</u>	<u>\$ 6,001,459</u>
District's Covered Payroll	\$ 5,203,272	\$ 5,107,462	\$ 4,949,689
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	72.33%	126.57%	111.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.63%	75.48%	78.07%

NOTE: Information is presented prospectively and an accumulation of 10 years will be provided.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (CONTINUED)
LAST TEN MEASUREMENT PERIODS**

Measurement Date <u>June 30, 2018</u>	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
0.0283%	0.0291%	0.0311%	0.0314%	0.0351%
\$ 1,569,968	\$ 1,857,725	\$ 2,525,166	\$ 1,627,311	\$ 1,648,822
51,448	23,356	33,078	-	-
<u>\$ 1,621,416</u>	<u>\$ 1,881,081</u>	<u>\$ 2,558,244</u>	<u>\$ 1,627,311</u>	<u>\$ 1,648,822</u>
\$ 1,898,480	\$ 1,872,160	\$ 1,941,757	\$ 1,842,791	\$ 1,861,892
82.70%	99.23%	130.05%	88.31%	88.56%
79.53%	75.90%	68.91%	78.20%	78.70%
0.0866%	0.0830%	0.0820%	0.0822%	0.0911%
\$ 5,441,473	\$ 16,568,306	\$ 19,558,957	\$ 5,084,883	\$ 4,197,822
511,380	1,601,194	1,962,542	623,827	295,285
<u>\$ 5,952,853</u>	<u>\$ 18,169,500</u>	<u>\$ 21,521,499</u>	<u>\$ 5,708,710</u>	<u>\$ 4,493,107</u>
\$ 4,833,147	\$ 4,536,947	\$ 4,253,305	\$ 4,183,985	\$ 4,133,126
112.59%	365.19%	459.85%	121.53%	101.57%
78.07%	51.57%	44.88%	76.80%	81.50%

See accompanying Notes to Required Supplementary Information.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
PERA - General Employees Fund			
Contractually Required Contribution	\$ 143,464	\$ 136,782	\$ 140,885
Contributions in Relation to the Contractually Required Contribution	(143,464)	(136,782)	(140,885)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's Covered Payroll	 \$ 1,912,853	 \$ 1,823,760	 \$ 1,878,467
 Contributions as a Percentage of Covered Payroll	 7.50%	 7.50%	 7.50%
TRA			
Contractually Required Contribution	\$ 461,279	\$ 423,026	\$ 404,511
Contributions in Relation to the Contractually Required Contribution	(461,279)	(423,026)	(404,511)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's Covered Payroll	 \$ 5,530,923	 \$ 5,203,272	 \$ 5,107,462
 Contributions as a Percentage of Covered Payroll	 8.34%	 8.13%	 7.92%

NOTE: Information is presented prospectively and an accumulation of 10 years will be provided.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF DISTRICT CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS**

2019	2018	2017	2016	2015	2014
\$ 146,573	\$ 142,386	\$ 140,412	\$ 145,575	\$ 136,374	\$ 134,987
(146,573)	(142,386)	(140,412)	(145,575)	(136,374)	(134,987)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,954,307	\$ 1,898,480	\$ 1,872,160	\$ 1,941,757	\$ 1,842,791	\$ 1,861,892
7.50%	7.50%	7.50%	7.50%	7.40%	7.25%
\$ 381,621	\$ 362,486	\$ 340,271	\$ 319,097	\$ 313,593	\$ 292,160
(381,621)	(362,486)	(340,271)	(319,097)	(313,593)	(292,160)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,949,689	\$ 4,833,147	\$ 4,536,947	\$ 4,253,305	\$ 4,183,985	\$ 4,133,126
7.71%	7.50%	7.50%	7.50%	7.50%	7.07%

See accompanying Notes to Required Supplementary Information.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 COMPLIANCE – BUDGETS

The budget and actual amounts are both prepared on the modified accrual basis of accounting in accordance with GAAP.

In the following funds, expenditures exceeded the appropriations during the year ended June 30, 2022:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 12,175,415	\$ 12,202,021	\$ 26,606
Special Revenue Funds:			
Food Service Fund	502,037	531,284	29,247
Community Service Fund	389,610	401,362	11,752

The overages above were considered by District management to be the result of necessary expenditures critical to operations.

NOTE 2 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 year ended June 30:

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2020 (Continued)

- 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.

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 Assumption

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

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

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.

2017

Changes in Actuarial Assumption

- 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 post-retirement 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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2016

Changes in Actuarial Assumptions

- The assumed post-retirement 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.

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

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 increase 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 September 2015.

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

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

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

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2020 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

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

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018 (Continued)

- The employer contribution rate is increased each July 1 over the next 4 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.
- Adjustments 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 non-vested 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.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

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 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2014 (Continued)

Changes in Plan Provisions

- The increase in the post-retirement 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.

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

June 30, 2022

- The discount rate was changed from 2.45% to 1.92%.

June 30, 2021

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scored published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations to the rates used in the 7/1/2019 valuations.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

June 30, 2020

- The discount rate was changed from 3.62% to 3.13%.

June 30, 2019

- The discount rate was changed from 3.53% to 3.62%.
- The health care trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.

June 30, 2017

- The discount rate was changed from 3.5% to 3.53%.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

SUPPLEMENTARY INFORMATION

**PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
UNIFORM FINANCIAL ACCOUNTING AND REPORTING
STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2022**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenues	\$ 12,289,078	\$ 12,289,076	\$ 2	Total Revenues	\$ 16	\$ 17	\$ (1)
Total Expenditures	\$ 12,202,021	\$ 12,202,024	\$ (3)	Total Expenditures	\$ 313,220	\$ 313,220	\$ -
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
460 Non Spendable Fund Balance	\$ 1,590	\$ 1,590	\$ -	460 Non Spendable Fund Balance			
<i>Restricted/Reserve:</i>				<i>Restricted/Reserve:</i>			
401 Student Activities	\$ 183,190	\$ 183,190	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
402 Scholarship	\$ 443,124	\$ 443,124	\$ -	409 Alternative Fac. Program	\$ -	\$ -	\$ -
403 Staff Development	\$ 29,859	\$ 29,859	\$ -	413 Project Funded by COP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	467 LTFM	\$ -	\$ -	\$ -
408 Cooperative Rev.	\$ -	\$ -	\$ -	<i>Restricted:</i>			
409 Deferred Maintenance	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
416 Levy Reduction	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
419 Encumbrances	\$ -	\$ -	\$ -				
423 Certain Teacher Programs	\$ -	\$ -	\$ -	07 DEBT SERVICE			
424 Operating Capital	\$ 81,030	\$ 81,031	\$ (1)	Total Revenues	\$ 567,497	\$ 567,497	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	Total Expenditures	\$ 475,500	\$ 475,501	\$ (1)
427 Disabled Accessibility	\$ -	\$ -	\$ -	<i>Non Spendable:</i>			
428 Learning & Development	\$ -	\$ -	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	<i>Restricted/Reserve:</i>			
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
436 St. Approved Alt. Prog.	\$ -	\$ -	\$ -	451 QZAB Payments	\$ 701,218	\$ 701,218	\$ -
438 Gifted & Talented	\$ 36,140	\$ 36,140	\$ -	<i>Restricted:</i>			
440 Teacher Development & Eval	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 51,355	\$ 51,355	\$ -
441 Basic Skills	\$ 183,312	\$ 183,311	\$ 1	<i>Unassigned:</i>			
443 Telecomm. Access Cost	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
446 First Grade Preparedness	\$ -	\$ -	\$ -				
449 Safe Schools Levy	\$ 68,170	\$ 68,170	\$ -	08 TRUST			
450 Pre-Kindergarten	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	422 Net Position	\$ -	\$ -	\$ -
453 Unfunded Sev & Retirement Levy	\$ -	\$ -	\$ -				
461 Long-Term Facilities Maintenance	\$ (18,189)	\$ (18,190)	\$ 1	20 INTERNAL SERVICE			
472 Medical Assistance	\$ 41,770	\$ 41,770	\$ -	Total Revenues	\$ -	\$ -	\$ -
<i>Restricted:</i>				Total Expenditures	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 8,204	\$ 8,204	\$ -	422 Net Position	\$ -	\$ -	\$ -
<i>Assigned:</i>							
462 Assigned Fund Balance	\$ -	\$ -	\$ -	25 OPEB REVOCABLE TRUST			
<i>Committed:</i>				Total Revenues	\$ -	\$ -	\$ -
461 Committed Fund Balance	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Unassigned:</i>				422 Net Position	\$ -	\$ -	\$ -
422 Unassigned Fund Balance	\$ 3,386,316	\$ 3,386,316	\$ -				
02 FOOD SERVICE				45 OPEB IRREVOCABLE TRUST			
Total Revenues	\$ 742,788	\$ 742,788	\$ -	Total Revenues	\$ -	\$ -	\$ -
Total Expenditures	\$ 531,284	\$ 531,284	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Non Spendable:</i>				422 Net Position	\$ -	\$ -	\$ -
460 Non Spendable Fund Balance	\$ 15,274	\$ 15,274	\$ -				
<i>Restricted:</i>				47 OPEB DEBT SERVICE			
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 284,256	\$ 284,256	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Unassigned:</i>				<i>Non Spendable:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	460 Non Spendable Fund Balance			
04 COMMUNITY SERVICE				<i>Restricted:</i>			
Total Revenues	\$ 240,685	\$ 240,686	\$ (1)	425 Bond Refundings	\$ -	\$ -	\$ -
Total Expenditures	\$ 401,362	\$ 401,360	\$ 2	464 Restricted Fund Balance	\$ -	\$ -	\$ -
<i>Non Spendable:</i>				<i>Unassigned:</i>			
460 Non Spendable Fund Balance	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserve:</i>							
426 \$25 Taconite	\$ -	\$ -	\$ -				
431 Community Education	\$ 27,122	\$ 27,125	\$ (3)				
432 E.C.F.E.	\$ 96,924	\$ 96,924	\$ -				
444 School Readiness	\$ 14,095	\$ 14,095	\$ -				
447 Adult Basic Education	\$ -	\$ -	\$ -				
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -				
<i>Restricted:</i>							
464 Restricted Fund Balance	\$ -	\$ -	\$ -				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	\$ -	\$ -	\$ -				

* Amounts differ from those reported on the fund level balance sheet due to the need to reclassify negative restricted fund balance to unassigned fund balance.



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**PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174**

**SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND OTHER REQUIRED REPORTS**

JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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**PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
TABLE OF CONTENTS
JUNE 30, 2022**

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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 <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	8
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	10

SINGLE AUDIT AND OTHER REQUIRED REPORTS



**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
Pine River Backus Public Schools
Independent School District No. 2174
Pine River-Backus, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Independent School District No. 2174 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 8, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 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*.

The District’s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District’s response to the findings 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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 8, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Pine River Backus Public Schools
Independent School District No. 2174
Pine River-Backus, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 2174'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, 2022. 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of the District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 8, 2022, which contained unmodified opinions of those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 8, 2022

**PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Pass-Through Minnesota Department of Education				
Noncash Assistance (Commodities):				
National School Lunch Program	10.555	# 1-2174-000	\$ 47,047	
Total Noncash Assistance			\$ 47,047	\$ -
Cash Assistance:				
National School Lunch Program	10.555	# 1-2174-000	467,152	
COVID-19 - National School Lunch Program	10.555C	# 1-2174-000	19,996	
School Breakfast Program	10.553	# 1-2174-000	148,084	
COVID-19 - Supply Chain Assistance Funding	10.555C	# 1-2174-000	18,851	
Total Cash Assistance			654,083	-
Total Child Nutrition Cluster/U.S. Department of Agriculture			701,130	-
U.S. Department of Treasury				
Pass-Through Minnesota Department of Education				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	64,487	-
U.S. Department of Education				
Pass-Through Minnesota Department of Education				
Title I - Grants to Local Education Agencies	84.010	S010A210023A	303,011	-
Title IV, Part A - Student Support and Academic Enrichment	84.424	S424A210024	16,515	-
Title II, Part A - Supporting Effective Instruction State Grants	84.367	S367A210022	36,355	-
COVID-19 - 90% Elementary and Secondary School Emergency Relief Fund II (ESSER II)	84.425D	* S425D210045	769,937	-
COVID-19 - 90% Elementary and Secondary School Emergency Relief Fund III (ESSER III)	84.425U	* S425C210015	401,577	-
Total Education Stabilization Fund			1,171,514	-
Pass-Through Paul Bunyan Education Cooperative				
Special Education Grants to States	84.027	@ 1-6050-061	56,499	-
Pass-Through Freshwater Education District				
Carl Perkins Vocational Education	84.048	N/A	14,388	-
Total U.S. Department of Education			1,598,282	-
U.S. Department of Health and Human Services				
Pass-Through Minnesota Department of Education				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	N/A	37,226	-
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDED			\$ 2,401,125	\$ -

- Child Nutrition Cluster
@ - Special Education Cluster
* - Education Stabilization Fund

The total of Assistance Listing 10.555 is \$553,046

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal financial assistance programs of Independent School District No. 2174 for the year ended June 30, 2022. The reporting entity is defined in Note 1 to the District's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance pass through other government agencies is included on the schedule. The information in this schedule is presented in accordance with the 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 select portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The District has not elected to use the 10% de minimis in direct costs rate as allowed under Uniform Guidance.



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Pine River Backus Public Schools
Independent School District No. 2174
Pine River-Backus, 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. 2171 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 8, 2022.

In connection with our audit, we noted that the District failed to comply with provisions of the contracting – bid laws section of *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the schedule of findings and questioned costs as item 2022-002. Also, 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 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 District's written response to the legal compliance findings identified in our audit are described in the schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 8, 2022

**PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

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 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

Assistance Listing Number

84.425

Name of Federal Program or Cluster

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

**PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022-001 Limited Segregation of Duties

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: Due to the limited size of the District’s business office staff, the District has limited segregation of duties.

Criteria or specific Requirement: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Effect: The District is unable to maintain segregation of incompatible duties.

Cause: There is a limited number of staff in the business office.

Repeat Finding: Yes – Finding 2021-001

Recommendation: While we recognize that the District staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management of the District.

Views of Responsible Officials: There is no disagreement with the audit finding.

Section III – Findings and Questioned Costs – Major Federal Programs

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

**PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section IV – Findings and Questioned Costs – Minnesota Legal Compliance

Finding: 2022-002 Contract and Bidding

Type of Finding: Minnesota Legal Compliance

Condition: The District entered into a construction project contract that exceeded \$175,000 but was not let on sealed bids.

Criteria: Minnesota State Statutes §471.345 sub 3 states that all contracts over \$175,000 have to be let through sealed bids.

Effect: The District is not compliant with Minnesota State Statute regarding contracting and bidding.

Cause: Unknown.

Repeat Finding: No

Recommendation: We recommend that District management develop a process to ensure all bids and quotes follow state statutes.

Views of Responsible Officials: There is no disagreement with the audit finding.



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FORECAST MODEL

Item Description	Fd Balance Increase/ (Decrease)	General (01)	Food Service (02)	Transport (03)	CommEd (04)	Capital (05)	Others (06,07,08)	NOTES
AUDITED Fund Balance June 30, 2022	5,451,570	3,755,358	299,530	0	138,143	62,841	1,195,697	
+ 2022-23 Preliminary Budget Revenue	13,084,742	10,058,073	723,833	881,753	331,808	431,093	658,182	
- 2022-23 Preliminary Budget Expense	(13,627,175)	(10,607,631)	(512,313)	(885,422)	(414,748)	(573,100)	(633,961)	Fd05 Capital - dedicated Federal ESSER expenses with matching revenue to Fd01 Genera
Budgeted Fund Balance June 30, 2023	4,909,137	3,205,800	511,050	(3,669)	55,203	(79,166)	1,219,918	
1) July 11, 2022 Board Meeting								
Hire Coaches/Advisors	0	0						All in budget
Hire D. John, School Nurse	0	0						Hired at budgeted amount
Hire O. Becker, YFS Worker	0	0						Hired at budgeted amount
Hire D. Gottsch, HS Special Education Teacher	0	0						Budget assumed BS+0/1
Hire A. Moore, HS Special Education Teacher	0	0						Budget assumed BS+0/1
Hire N. Travis, HS Ind Tech Teacher	0	0						Budget assumed BS+0/1
Hire G. Gentry, HS English Teacher	0	0						Budget assumed BS+0/1
A Resignation D. Schlueter, Science Teacher	80,299	80,299						
C Resignation L. Nelson, Elem Special Educ Teacher	49,653	49,653						No replacement hired - Parry will sub teach to allow paperwork days for sped teachers
Hire A. Schendel, Interventionist	0	0						Budget assumed BS+0/1
TOTAL \$129,952 Increase								
2) August 1, 2022 Board Meeting								
Hire J. Weaver, Van Driver	0			0				Position in budget
Hire Coaches/Advisors	0	0						All in budget
Approve Class Overload B. Kinser, HS Band	(12,793)	(12,793)						
Approve MOU Local 284 Earned Vacation	(6,299)	(6,299)						
B Resignation A. Schlapkohl, Cook	13,161		13,161					
A Hire C. Benson, Elem STEAM Teacher	(59,873)	(59,873)						
TOTAL (\$65,804) Decrease								
3) September 12, 2022 Board Meeting								
Resignation A. Olivier, Van Driver	15,138			15,138				
Resignation T. DeGrote, Bus Driver (to part time)	0			0				Will need to be covered by sub drivers until replacement occurs
Hire K. Ludeman, HS METIER/Sci/Ag Teacher	(8,788)	(8,788)						Hired at MA+0/1 budget at BS+0/1
Hire E. Vetsch, HS Social Studies Teacher	0	0						Budget assumed BS+0/1
Hire R. Hoplin, Paraprofessional	(17,209)	(17,209)						
Hire C. Meis, Paraprofessional	(17,209)	(17,209)						
B Hire S. Snavely, Cook	(13,161)		(13,161)					
C Hire J. Parry, Float Sub Teacher	(20,972)	(20,972)						Sub for sped teachers so they can complete paperwork
Approve Add'l Time L. Kish, Paraprofessional	(2,672)	(2,672)						
Hire Coaches	3,261	3,261						A Loge hired as assistant at .5 fte - budget at varsity at 1.0 fte
Approve MOU PRBEM Alt Career Pathways	0	0						
TOTAL (\$61,612) Decrease								
NET ADJUSTMENTS		2,536	(12,602)	0	15,138	0	0	0
FORECASTED FUND BALANCE JUNE 30, 2022		4,911,673	3,193,198	511,050	11,469	55,203	(79,166)	1,219,918

NOTE: Any changes linked to changes in other months have been marked (i.e. A, B, C) in Column 1

**Capital Plan - Current Projected
Updated Annually**

UPDATED 9/12/2022

2022-23 PROJECTS

	Budget	Spent	Remain	
Fire Alarm System - districtwide	204,000	0	204,000	denied LTFM funding - phased project?
Campus Branding	50,000	2,240	47,760	
Maintenance/Bus Garage Truck	0	0	0	
Shot Clocks - Basketball ATHLETICS	0	6,388	-6,388	
Equipment - replace 2016 scrubber	17,000	22,650	-5,650	
Classroom Furniture (annual)	15,000	13,274	1,726	
Technology	79,100	21,310	57,790	
Camera Upgrades - districtwide, initial install 1993	60,000	43,723	16,277	ESSER III Funds
Fields 1 & 4 - new aglime, straighten boundaries	27,000	30,662	-3,662	384
Track Crack Repair / Paint	15,000	14,161	839	384
Ceiling Tile - West Hall Elementary	20,000		20,000	379
H&S Projects - Annual	15,000		15,000	384
DefMaint Proj - Annual	15,000		15,000	384
2022-23 TOTAL	313,100	154,408	158,692	

	60,000	43,723	16,277	ESSER III Funds
(113,604)	365,100	0	299,238	budget is \$251,496 operating capital
87,262	92,000	154,408	362,692	budget is \$179,262 LTFM

2023-24 PROJECTS

	Budget	Spent	Remain
Campus Branding - Phase II	50,000		
JH Hallway Lockers	85,000		
Technology	79,100		
Loading Dock Concrete	60,000		
H&S Projects - Annual	15,000		384
DefMaint Proj - Annual	15,000		384
2023-24 TOTAL	304,100	0	0

9,150	214,100	0	0	budget is \$223,250 operating capital
49,565	90,000	0	0	budget is \$139,565 LTFM