

# Special Meeting

Monday, September 18, 2023 5:30 PM

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

1. **Call to Order and Pledge to the Flag**

**Speaker(s):** Board  
Chair

**Members:** Leslie Bouchonville, Wanda Carlson,  
Chris Cunningham, Roger D. Hoplin, Nicki Linsten-  
Lodge, David Sheley, Ryan Trumble and  
Superintendent Jonathan Clark

2. **Welcome to Visitors**

**Speaker(s):** Board  
Chair

2.1. Public Comments and Time for Interaction with  
the Board on Agenda Items

**Speaker(s):** Board  
Chair

3. **Approve Agenda (and addendum, if included)**

4. **Discussion Items**

4.1. Fiscal Year 2023 Audit Report

4.2. 2023 Pay 2024 Levy

5. **Action Items**

5.1. Approve the Fiscal Year 2023 Audit Report

5.2. Certify the Preliminary 2023 Pay 2024 Levy

6. **Open Forum**

7. **Closed Session: Motion per Minnesota State Law  
13D.03 Subd. 3 to Close the Meeting in Order to  
Consider Strategy for Labor Negotiations with  
Pine River-Backus Education Minnesota**

8. **Reopen Meeting**

9. **Adjourn**

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2023**



CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT SCHOOL DISTRICT NO. 2174  
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## **INTRODUCTORY SECTION**

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
BOARD OF EDUCATION AND ADMINISTRATION  
JUNE 30, 2023**

**BOARD OF EDUCATION**

<b><u>NAME</u></b>	<b><u>TERM ON BOARD EXPIRES</u></b>	<b><u>BOARD POSITION</u></b>
Chris Cunningham	January 1, 2025	Chairperson
Ryan Trumble	January 1, 2027	Vice-Chairperson
Wanda Carlson	January 1, 2027	Clerk
Roger Hoplin	January 1, 2027	Treasurer
Leslie Bouchonville	January 1, 2027	Director
Nicki Linsten-Lodge	January 1, 2027	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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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.

***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, 2022, and we have expressed unmodified audit opinions on those audited financial statements in our report dated September 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
September 5, 2023

**REQUIRED SUPPLEMENTARY INFORMATION**

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

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, 2023.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2022 – 2023 fiscal years include the following:

- District-wide accrual basis net position increased by \$1,680,924 on revenues of \$13,439,095 compared to expenses of \$11,758,171.
- Total General Fund revenues were approximately \$12,120,000 as compared to \$12,658,000 of expenditures and transfers out.

**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, 2023**

**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, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's combined net position was \$4,534,804 on June 30, 2023.

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

	Governmental Activities as of June 30,		Percentage Change
	2023	2022	
Current and Other Assets	\$ 8,822,611	\$ 9,062,701	(2.6)%
Capital and Noncurrent Assets	12,482,425	12,595,459	(0.9)
Total Assets	<u>21,305,036</u>	<u>21,658,160</u>	(1.6)
Deferred Outflows of Resources	3,148,796	3,093,739	1.8
Current Liabilities	2,399,221	2,022,509	18.6
Long-Term Liabilities	14,043,828	10,110,957	38.9
Total Liabilities	<u>16,443,049</u>	<u>12,133,466</u>	35.5
Deferred Inflows of Resources	<u>3,475,979</u>	<u>9,764,553</u>	(64.4)
Net Position			
Net Investment in Capital Assets	7,564,401	7,260,115	4.2
Restricted	2,180,231	2,256,811	(3.4)
Unrestricted	<u>(5,209,828)</u>	<u>(6,663,046)</u>	(21.8)
Total Net Position	<u>\$ 4,534,804</u>	<u>\$ 2,853,880</u>	58.9

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Changes in Net Position**

The District's total revenues were \$13,439,095 for the year ended June 30, 2023. Property taxes and state aid formula accounted for 61% of total revenue for the year. Another 33% 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
	2023	2022	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 477,781	\$ 348,157	37.2 %
Operating Grants and Contributions	4,344,735	5,224,565	(16.8)
Capital Grants and Contributions	33,858	42,204	(19.8)
<u>General Revenues</u>			
Property Taxes	2,060,277	1,971,883	4.5
Unrestricted Federal and State Aid	6,153,178	5,992,638	2.7
Investment Earnings	190,772	41,101	364.2
Other	178,494	170,878	4.5
Total Revenues	13,439,095	13,791,426	(2.6)
<b>Expenses</b>			
Administration	364,682	430,820	(15.4)
District Support Services	322,190	239,347	34.6
Regular Instruction	4,549,042	5,408,913	(15.9)
Vocational Education Instruction	62,662	177,629	(64.7)
Special Education Instruction	1,791,948	2,110,836	(15.1)
Instructional Support Services	316,076	189,183	67.1
Pupil Support Services	1,330,794	1,377,206	(3.4)
Sites and Buildings	1,512,488	1,351,667	11.9
Fiscal and Other Fixed Cost Programs	137,687	103,950	32.5
Food Service	784,408	718,142	9.2
Community Service	372,803	394,177	(5.4)
Unallocated - Depreciation	151,261	151,347	(0.1)
Interest and Fiscal Charges on Long-Term Liabilities	62,130	65,142	(4.6)
Total Expenses	11,758,171	12,718,359	(7.5)
<b>Increase (Decrease) in Net Position</b>			
Net Position - Beginning of Year	2,853,880	1,780,813	
Net Position - End of Year	\$ 4,534,804	\$ 2,853,880	

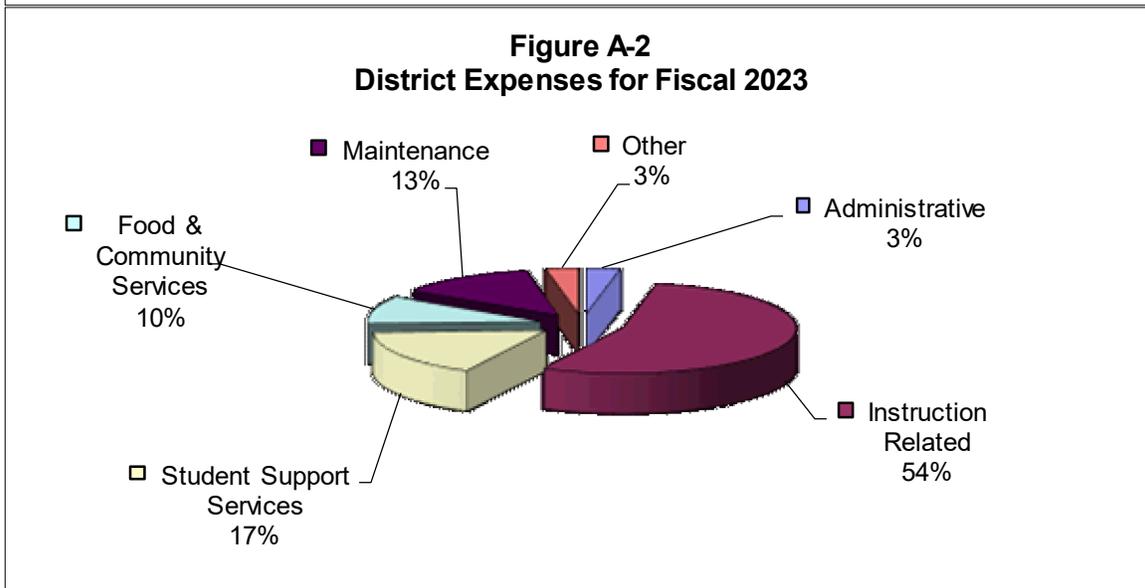
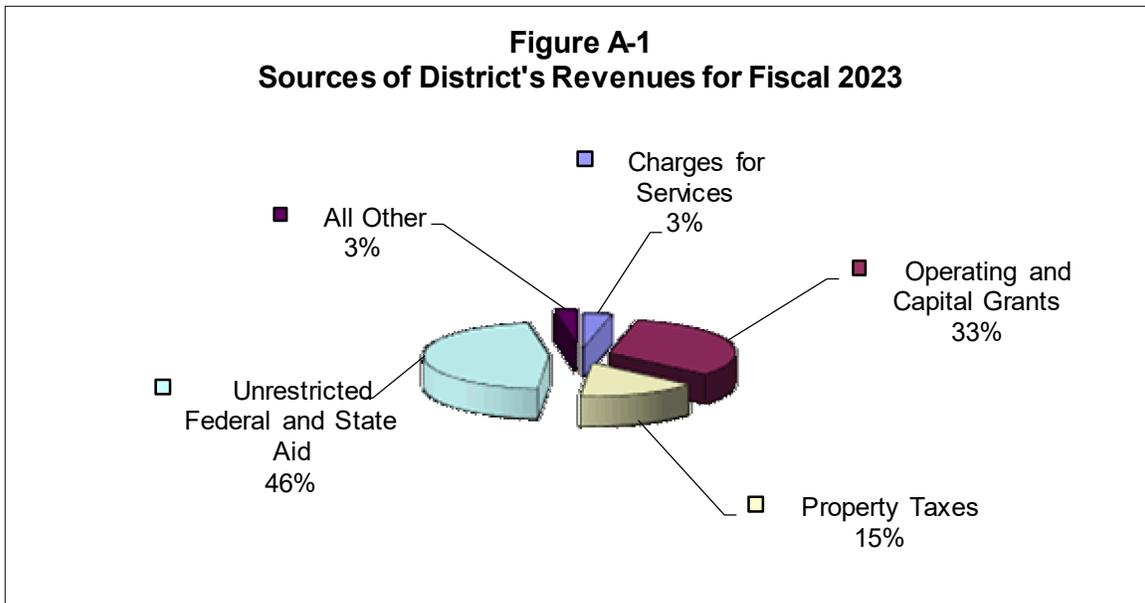
**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Changes in Net Position (Continued)**

The cost of all governmental activities this year was \$11,758,171.

- Some of the cost was paid by the users of the District's programs (\$477,781).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions (\$4,378,593).
- 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, 2023**

**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		
	2023	2022	Change	2023	2022	Change
Administration	\$ 364,682	\$ 430,820	(15.4)%	\$ 373,441	\$ 432,683	(13.7)%
District Support Services	322,190	239,347	34.6	322,190	239,347	34.6
Regular Instruction	4,549,042	5,408,913	(15.9)	2,855,254	2,870,821	(0.5)
Vocational Education Instruction	62,662	177,629	(64.7)	66,137	163,740	(59.6)
Special Education Instruction	1,791,948	2,110,836	(15.1)	266,622	790,172	(66.3)
Instructional Support Services	316,076	189,183	67.1	189,914	63,468	199.2
Pupil Support Services	1,330,794	1,377,206	(3.4)	582,986	653,556	(10.8)
Sites and Buildings	1,512,488	1,351,667	11.9	1,490,526	1,325,384	12.5
Fiscal and Other Fixed Cost Programs	137,687	103,950	32.5	137,687	103,950	32.5
Food Service	784,408	718,142	9.2	171,594	(24,253)	(807.5)
Community Service	372,803	394,177	(5.4)	232,055	268,076	(13.4)
Unallocated - Depreciation	151,261	151,347	(0.1)	151,261	151,347	(0.1)
Interest and Fiscal Charges on Long-Term Liabilities	62,130	65,142	(4.6)	62,130	65,142	(4.6)
<b>Total</b>	<b>\$ 11,758,171</b>	<b>\$ 12,718,359</b>	<b>(7.5)</b>	<b>\$ 6,901,797</b>	<b>\$ 7,103,433</b>	<b>(2.8)</b>

**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 \$5,181,747.

Revenues for the District's governmental funds were \$13,605,927, while total expenditures were \$14,069,483.

**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.

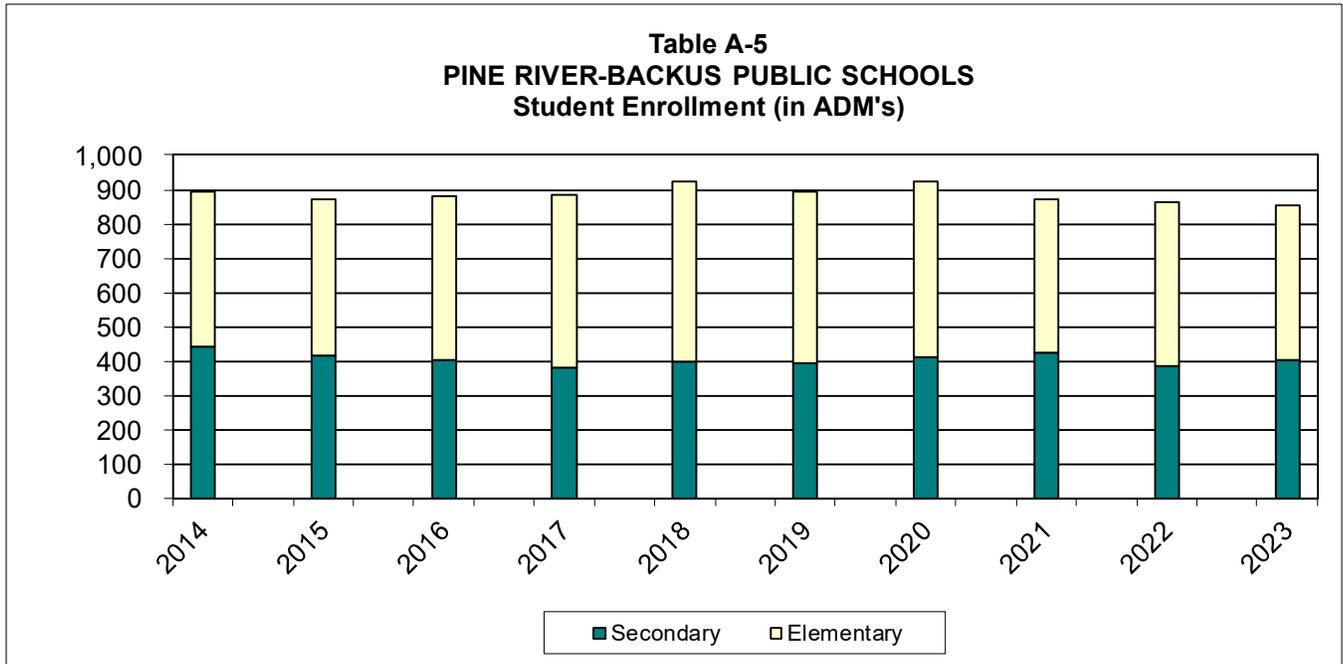
The following graph shows the trend in student counts over the past 10 years:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Pre-K	9	8	9	11	25	33	32	27	32	33
HCP K	7	2	2	8	7	9	15	17	17	18
Reg K	65	56	61	60	63	44	63	39	48	40
Elementary	371	390	407	428	433	412	401	366	378	360
Secondary	441	414	402	379	398	396	411	423	387	403
<b>Total Students for Aid</b>	<b>893</b>	<b>870</b>	<b>881</b>	<b>886</b>	<b>926</b>	<b>894</b>	<b>922</b>	<b>872</b>	<b>862</b>	<b>854</b>
Percent Change	-0.22%	-2.58%	1.26%	0.57%	4.51%	-3.46%	3.13%	-5.42%	-1.15%	-0.93%

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**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, 2023	June 30, 2022	Amount Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 1,439,218	\$ 1,379,153	\$ 60,065	4.4 %
Earnings on Investments	129,903	19,120	110,783	579.4
Other	470,541	387,004	83,537	21.6
State Sources	9,133,410	8,799,602	333,808	3.8
Federal Sources	946,655	1,704,199	(757,544)	(44.5)
<b>Total General Fund Revenue</b>	<b>\$ 12,119,727</b>	<b>\$ 12,289,078</b>	<b>\$ (169,351)</b>	<b>(1.4)</b>

Total General Fund revenue decreased by \$169,351 or 1.4% from the prior year as show above. The decrease relates to the decrease in federal funding, offset with an increase in state funding.

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund Expenditures:

**Table A-7  
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2023	June 30, 2022	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 7,328,431	\$ 7,240,088	\$ 88,343	1.2 %
Employee Benefits	1,927,451	1,920,091	7,360	0.4
Purchased Services	1,709,942	1,533,230	176,712	11.5
Supplies and Materials	890,664	884,072	6,592	0.7
Capital Expenditures	610,461	538,080	72,381	13.5
Other Expenditures	81,694	67,345	14,349	21.3
Debt Service	-	19,115	(19,115)	(100.0)
Total Expenditures	<u>\$ 12,548,643</u>	<u>\$ 12,202,021</u>	<u>\$ 346,622</u>	2.8

The increase in salaries and benefits is 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 health addition 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, 2023**

**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 \$739,983, actual expenditures exceeded actual revenues by \$428,916.
- Overall, actual revenues were \$545,453 more than budgeted, representing more than a 4.26% variation from budget to actual. Other revenues were over budget due to student activities for the current year for \$185,920. State revenues were higher than anticipated by \$183,354 due to higher general education aid.
- The actual expenditures for current year were \$234,386 more than budgeted, which represents about 1.90% of budgeted expenditures. Elementary and Secondary Regular Instruction was over budget by \$179,879 due to student activity trips and tuition payments for open enrollment.

**CONSTRUCTION PROJECTS AND DEBT SERVICE**

An annual levy is made to fund the bond payments of approximately \$380,000 in principal and \$100,000 of interest.

**CAPITAL ASSETS**

As shown in the table below, the District has invested \$25,735,304 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 \$730,139.

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

	<u>2023</u>	<u>2022</u>	Percentage Change
Land	\$ 7,515	\$ 7,515	-
Construction-in-Progress	319,446	210,301	51.9
Land Improvements	1,719,056	1,435,642	19.7
Buildings and Improvements	19,652,945	19,598,290	0.3
Equipment	4,036,342	4,029,030	0.2
Less: Accumulated Depreciation	<u>(13,252,879)</u>	<u>(12,685,319)</u>	4.5
Total	<u>\$ 12,482,425</u>	<u>\$ 12,595,459</u>	(0.9)

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**LONG-TERM LIABILITIES**

At year-end, the District had \$4,755,000 in general obligation bonds outstanding as shown in Note 5 to the financial statements. The District also had an estimated \$34,000 in severance payable at June 30, 2023.

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

	2023	2022	Percentage Change
General Obligation Bonds	\$ 4,755,000	\$ 5,135,000	(7.4)%
Net Bond Premium and Discount	116,777	146,475	(20.3)
Severance Payable	33,786	44,973	(24.9)
Total	<u>\$ 4,905,563</u>	<u>\$ 5,326,448</u>	(7.9)
Long-Term Liabilities			
Due Within One Year	\$ 390,000	\$ 380,000	
Due in More Than One Year	<u>4,515,563</u>	<u>4,946,448</u>	
Total	<u>\$ 4,905,563</u>	<u>\$ 5,326,448</u>	

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Student Enrollment

Pine-River Backus' student enrollment increased 41 students in the 2022-2023 school year. Decreases at the PreK-Elementary levels are offset by increases at the High School. Enrollment is projected to decrease over the next 2-3 years as declining numbers of incoming Kindergarten students offset larger graduating classes. 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 \$6,863 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, 2023**

**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 75% 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, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	Governmental Activities	
	2023	2022
<b>ASSETS</b>		
Cash and Investments	\$ 6,434,680	\$ 6,902,624
Restricted Cash	771,827	701,218
Receivables:		
Property Taxes	705,513	927,124
Other Governments	888,577	509,140
Other	1,100	5,731
Inventories	20,914	16,864
Capital Assets:		
Land	7,515	7,515
Construction-in-Progress	319,446	210,301
Other Capital Assets, Net of Depreciation	12,155,464	12,377,643
Total Assets	21,305,036	21,658,160
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	2,969,399	2,982,088
OPEB Related	179,397	111,651
Total Deferred Outflows of Resources	3,148,796	3,093,739
<b>LIABILITIES</b>		
Salaries and Payroll Deductions Payable	1,366,414	1,317,449
Accounts and Contracts Payable	346,763	119,588
Accrued Interest	37,575	41,726
Due to Other Governmental Units	208,696	132,379
Unearned Revenue	9,696	-
Long-Term Liabilities:		
Portion Due Within One Year	390,000	380,000
Portion Due in More Than One Year	4,515,563	4,946,448
Net Pension Liability	9,138,425	4,848,311
Other Postemployment Benefits Liability, Due Within One Year	40,077	31,367
Other Postemployment Benefits Liability, Due in More Than One Year	389,840	316,198
Total Liabilities	16,443,049	12,133,466
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	1,768,111	7,889,970
OPEB Related	18,066	23,557
Property Taxes Levied for Subsequent Year	1,661,148	1,814,750
Refunding Gain on Bonds	28,654	36,276
Total Deferred Inflows of Resources	3,475,979	9,764,553
<b>NET POSITION</b>		
Net Investment in Capital Assets	7,564,401	7,260,115
Restricted for:		
General Fund Operating Capital Purposes	87,474	81,030
General Fund State-Mandated Reserves	831,256	993,769
Food Service	326,882	299,530
Community Service	69,095	140,876
Debt Service	847,931	724,013
Capital Projects - Building Construction	17,593	17,593
Unrestricted	(5,209,828)	(6,663,046)
Total Net Position	\$ 4,534,804	\$ 2,853,880

See accompanying Notes to Financial Statements.

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)**

Functions	2023				2022	
	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	Revenue and Changes in Net Position
						Total Governmental Activities
<b>Governmental Activities</b>						
Administration	\$ 364,682	\$ -	\$ (8,759)	\$ -	\$ (373,441)	\$ (432,683)
District Support Services	322,190	-	-	-	(322,190)	(239,347)
Regular Instruction	4,549,042	302,728	1,391,060	-	(2,855,254)	(2,870,821)
Vocational Education Instruction	62,662	-	(3,475)	-	(66,137)	(163,740)
Special Education Instruction	1,791,948	-	1,525,326	-	(266,622)	(790,172)
Instructional Support Services	316,076	-	126,162	-	(189,914)	(63,468)
Pupil Support Services	1,330,794	-	735,934	11,874	(582,986)	(653,556)
Sites and Buildings	1,512,488	-	(22)	21,984	(1,490,526)	(1,325,384)
Fiscal and Other Fixed Cost Programs	137,687	-	-	-	(137,687)	(103,950)
Food Service	784,408	84,076	528,738	-	(171,594)	24,253
Community Service	372,803	90,977	49,771	-	(232,055)	(268,076)
Interest and Fiscal Charges on Long-Term Liabilities	62,130	-	-	-	(62,130)	(65,142)
Unallocated Depreciation	151,261	-	-	-	(151,261)	(151,347)
<b>Total School District</b>	<b>\$ 11,758,171</b>	<b>\$ 477,781</b>	<b>\$ 4,344,735</b>	<b>\$ 33,858</b>	<b>(6,901,797)</b>	<b>(7,103,433)</b>
<b>General Revenues</b>						
Property Taxes Levied for:						
General Purposes					1,443,590	1,365,951
Community Service					109,222	105,680
Debt Service					507,465	500,252
State Aid Not Restricted to Specific Purposes					6,153,178	5,992,638
Earnings on Investments					190,772	41,101
Miscellaneous					178,494	170,878
Total General Revenues					<u>8,582,721</u>	<u>8,176,500</u>
Change in Net Position					1,680,924	1,073,067
Net Position - Beginning of Year					<u>2,853,880</u>	<u>1,780,813</u>
Net Position - End of Year					<u>\$ 4,534,804</u>	<u>\$ 2,853,880</u>

See accompanying Notes to Financial Statements.

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	Major Funds		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 5,462,148	\$ 351,986	\$ 192,339
Restricted Cash	-	-	-
Receivables:			
Current Property Taxes	383,442	-	42,441
Delinquent Property Taxes	31,854	-	2,936
Accounts and Interest Receivable	1,100	-	-
Due from Other Minnesota School Districts	52,890	-	-
Due from Minnesota Department of Education	555,591	-	7,133
Due from Federal through Minnesota Department of Education	224,560	-	-
Due from Other Governmental Units	33,742	-	1,922
Inventory	2,666	18,248	-
<b>Total Assets</b>	<b>\$ 6,747,993</b>	<b>\$ 370,234</b>	<b>\$ 246,771</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Salaries and Payroll Deductions Payable	\$ 1,275,198	\$ 33,043	\$ 58,173
Accounts and Contracts Payable	323,433	613	5,124
Due to Other Minnesota School Districts	164,328	-	-
Due to Other Governmental Units	44,368	-	-
Unearned Revenue	-	9,696	-
<b>Total Liabilities</b>	<b>1,807,327</b>	<b>43,352</b>	<b>63,297</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for Subsequent Year	992,255	-	114,379
Unavailable Revenue - Delinquent Taxes	31,854	-	2,936
<b>Total Deferred Inflows of Resources</b>	<b>1,024,109</b>	<b>-</b>	<b>117,315</b>
<b>Fund Balance</b>			
<b>Nonspendable:</b>			
Inventory	2,666	18,248	-
<b>Restricted:</b>			
Operating Capital	87,474	-	-
Gifted and Talented	35,579	-	-
Basic Skills Programs	80,101	-	-
Safe Schools - Crime	58,968	-	-
Community Education Programs	-	-	-
Early Childhood and Family Educations Programs	-	-	81,550
School Readiness	-	-	14,095
QZAB and QSCB Payments	-	-	-
Long-Term Facilities Maintenance	7,962	-	-
Staff Development	8,913	-	-
Medical Assistance	54,689	-	-
Other Restricted	-	308,634	-
Student Activity Funds	150,818	-	-
Scholarship	434,226	-	-
<b>Committed:</b>			
DCD Classroom Project	364,626	-	-
Unassigned	2,630,535	-	(29,486)
<b>Total Fund Balances</b>	<b>3,916,557</b>	<b>326,882</b>	<b>66,159</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,747,993</b>	<b>\$ 370,234</b>	<b>\$ 246,771</b>

See accompanying Notes to Financial Statements.

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
BALANCE SHEET  
GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

Major Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2023	2022
\$ 17,593	\$ 410,614	\$ 6,434,680	\$ 6,902,624
-	771,827	771,827	701,218
-	231,483	657,366	883,349
-	13,357	48,147	43,775
-	-	1,100	5,731
-	-	52,890	88,181
-	4,710	567,434	314,758
-	-	224,560	39,420
-	8,029	43,693	66,781
-	-	20,914	16,864
<u>\$ 17,593</u>	<u>\$ 1,440,020</u>	<u>\$ 8,822,611</u>	<u>\$ 9,062,701</u>
\$ -	\$ -	\$ 1,366,414	\$ 1,317,449
17,593	-	346,763	119,588
-	-	164,328	110,396
-	-	44,368	21,983
-	-	9,696	-
<u>17,593</u>	<u>-</u>	<u>1,931,569</u>	<u>1,569,416</u>
-	554,514	1,661,148	1,814,750
-	13,357	48,147	43,775
-	567,871	1,709,295	1,858,525
-	-	20,914	16,864
-	-	87,474	81,030
-	-	35,579	36,140
-	-	80,101	183,312
-	-	58,968	68,170
-	-	-	27,122
-	-	81,550	96,924
-	-	14,095	14,095
-	771,827	771,827	701,218
-	-	7,962	-
-	-	8,913	29,859
-	-	54,689	41,770
-	100,322	408,956	343,815
-	-	150,818	183,190
-	-	434,226	443,124
-	-	364,626	-
-	-	2,601,049	3,368,127
<u>-</u>	<u>872,149</u>	<u>5,181,747</u>	<u>5,634,760</u>
<u>\$ 17,593</u>	<u>\$ 1,440,020</u>	<u>\$ 8,822,611</u>	<u>\$ 9,062,701</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, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	2023	2022
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 5,181,747</b>	<b>\$ 5,634,760</b>
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	319,446	210,301
Land Improvements, Net of Accumulated Depreciation	1,061,526	852,402
Buildings and Improvements, Net of Accumulated Depreciation	10,102,154	10,495,293
Equipment, Net of Accumulated Depreciation	991,784	1,029,948
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	(9,138,425)	(4,848,311)
Deferred Inflows of Resources - Pension Related	(1,768,111)	(7,889,970)
Deferred Outflows of Resources - Pension Related	2,969,399	2,982,088
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	(429,917)	(347,565)
Deferred Outflows of Resources - OPEB Related	179,397	111,651
Deferred Inflows of Resources - OPEB Related	(18,066)	(23,557)
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.	48,147	43,775
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(37,575)	(41,726)
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	(4,755,000)	(5,135,000)
Unamortized Premiums	(116,777)	(146,475)
Refunding Gain on Bonds	(28,654)	(36,276)
Severance Payable	(33,786)	(44,973)
<b>Total Net Position of Governmental Activities</b>	<b>\$ 4,534,804</b>	<b>\$ 2,853,880</b>

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, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)**

	Major Funds		
	General	Food Service	Community Service
<b>REVENUES</b>			
Local:			
Property Taxes	\$ 1,439,218	\$ -	\$ 109,222
Earnings on Investments	129,903	8,075	4,195
Other	470,541	84,214	90,975
State Sources	9,133,410	28,527	57,604
Federal Sources	946,655	500,211	-
Total Revenues	<u>12,119,727</u>	<u>621,027</u>	<u>261,996</u>
<b>EXPENDITURES</b>			
Current:			
Administration	484,543	-	-
District Support Services	314,672	-	-
Regular Instruction	5,844,336	-	-
Vocational Education Instruction	109,664	-	-
Special Education Instruction	2,160,227	-	-
Instructional Support Services	341,451	-	-
Pupil Support Services	1,372,250	-	-
Sites and Buildings	1,173,352	-	-
Fiscal and Other Fixed Cost Programs	137,687	-	-
Food Service	-	592,417	-
Community Service	-	-	443,564
Capital Outlay	610,461	1,258	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>12,548,643</u>	<u>593,675</u>	<u>443,564</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(428,916)	27,352	(181,568)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	109,586
Transfers Out	(109,586)	-	-
Insurance Proceeds	10,543	-	-
Total Other Financing Sources (Uses)	<u>(99,043)</u>	<u>-</u>	<u>109,586</u>
<b>NET CHANGE IN FUND BALANCE</b>	(527,959)	27,352	(71,982)
Fund Balance - Beginning of Year	<u>4,444,516</u>	<u>299,530</u>	<u>138,141</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 3,916,557</u>	<u>\$ 326,882</u>	<u>\$ 66,159</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, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)**

Major Funds		Total Governmental Funds	
Capital Projects	Debt Service	2023	2022
\$ -	\$ 507,465	\$ 2,055,905	\$ 1,985,085
-	48,599	190,772	41,101
-	-	645,730	491,502
-	47,113	9,266,654	8,917,047
-	-	1,446,866	2,405,329
-	603,177	13,605,927	13,840,064
-	-	484,543	452,255
-	-	314,672	252,204
-	-	5,844,336	5,633,152
-	-	109,664	189,915
-	-	2,160,227	2,222,410
-	-	341,451	193,748
-	-	1,372,250	1,430,827
-	-	1,173,352	1,166,365
-	-	137,687	103,950
-	-	592,417	528,673
-	-	443,564	401,362
-	-	611,719	853,911
-	380,000	380,000	368,564
-	103,601	103,601	126,051
-	483,601	14,069,483	13,923,387
-	119,576	(463,556)	(83,323)
-	-	109,586	206,714
-	-	(109,586)	(206,714)
-	-	10,543	27,513
-	-	10,543	27,513
-	119,576	(453,013)	(55,810)
-	752,573	5,634,760	5,690,570
\$ -	\$ 872,149	\$ 5,181,747	\$ 5,634,760

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, 2023  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)**

	2023	2022
<b>Net Change in Fund Balance-Total Governmental Funds</b>	\$ (453,013)	\$ (55,810)
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	617,105	932,444
Net Depreciated Value of Assets Sold	-	(6,062)
Depreciation Expense	(730,139)	(712,124)
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
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.		
	(9,115)	(7,072)
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.		
	1,819,056	499,714
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:		
Net Bond (Premium) Discount Amortization	29,698	37,546
Refunding Gain on Bonds	7,622	7,796
Repayment of Bond Principal	380,000	350,000
Change in Accrued Interest Expense - General Obligation Bonds	4,151	15,016
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.		
	4,372	(13,202)
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).		
	11,187	6,257
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,680,924</b>	<b>\$ 1,073,067</b>

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, 2023**

**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, 2023**

**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, 2023**

**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, 2023**

**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>	Original Budget	Amendments	Amended Budget
General Fund	\$ 11,405,529	\$ 168,745	\$ 11,574,274
Special Revenue Funds:			
Food Service Fund	723,833	(104,769)	619,064
Community Service Fund	221,808	10,735	232,543
<u>Expenditures</u>			
General Fund	12,259,905	54,352	12,314,257
Special Revenue Funds:			
Food Service Fund	512,313	96,844	609,157
Community Service Fund	414,748	706	415,454

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, 2023**

**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, 2023**

**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, 2023, 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, 2023**

**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, 2023 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, 2023**

**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, 2023**

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Budget**

Expenditures exceed budgeted amounts in the follow funds:

	Budget	Expenditures	Excess
General Fund	\$ 12,314,257	\$ 12,548,643	\$ 234,386
Special Revenue Funds:			
Community Service Fund	415,454	443,564	28,110

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 \$109,586 during the year ended June 30, 2023. The transfer to the Community Service Fund to help cover the costs of a pre-kindergarten program run out of the Community Service 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, 2023**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

The District's deposits in banks at June 30, 2023 was \$2,094,626. At June 30, 2023, 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, 2023, the District had the following investments:

Type	Amount
MSDLAF+	\$ 9,225
MSDLAF Max	5,168,288
Total	\$ 5,177,513

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, 2023**

**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	\$ 9,225
MSDLAF Max	A-1+, A-1	5,168,288
Total		\$ 5,177,513

The District’s deposits (\$2,028,994) and investments (\$5,177,513) are presented in the financial statements as follows:

Cash and Investments	\$ 6,434,680
Restricted Cash	771,827
Total Cash and Investments	\$ 7,206,507

**NOTE 4 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 7,515	\$ -	\$ -	\$ 7,515
Construction-in-Progress	210,301	386,972	(277,827)	319,446
Total Capital Assets, Not Being Depreciated	217,816	386,972	(277,827)	326,961
Capital Assets, Being Depreciated:				
Land Improvements	1,435,642	283,414	-	1,719,056
Buildings and Improvements	19,598,290	54,655	-	19,652,945
Equipment	4,029,030	169,891	(162,579)	4,036,342
Total Capital Assets, Being Depreciated	25,062,962	507,960	(162,579)	25,408,343
Accumulated Depreciation for:				
Land Improvements	(583,240)	(74,290)	-	(657,530)
Buildings and Improvements	(9,102,997)	(447,794)	-	(9,550,791)
Equipment	(2,999,082)	(208,055)	162,579	(3,044,558)
Total Accumulated Depreciation	(12,685,319)	(730,139)	162,579	(13,252,879)
Total Capital Assets, Being Depreciated, Net	12,377,643	(222,179)	-	12,155,464
Governmental Activities Capital Assets, Net	\$ 12,595,459	\$ 164,793	\$ (277,827)	\$ 12,482,425

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

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

**Governmental Activities:**

Administration	\$	598
District Support Services		2,018
Regular Instruction		46,425
Vocational Education Instruction		896
Instructional Support Services		1,093
Pupil Support Services		190,733
Sites and Buildings		333,117
Community Service		3,998
Unallocated Depreciation		151,261
Total Depreciation Expense, Governmental Activities	<u>\$</u>	<u>730,139</u>

**NOTE 5 LONG-TERM LIABILITIES**

**A. Components of General Long-Term Debt**

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Outstanding</u>
Facilities Maintenance Bonds					
Series 2017A	3/7/2017	2.44%	\$ 1,985,000	2/1/2032	\$ 1,275,000
Series 2020A	6/11/2020	2.00%	200,000	2/1/2031	160,000
Capital Facilities Bonds					
Series 2020A	6/11/2020	2.00%	300,000	2/1/2031	245,000
School Building Refunding Bonds					
Series 2020B	11/12/2020	1.05 - 3.00%	2,570,000	2/1/2032	2,180,000
Qualified Zone Academy Bonds					
Series 2009A - Direct Borrowings	9/3/2009	0%	895,000	9/3/2024	895,000
Total General Obligation Bonds					<u>4,755,000</u>
Severance Payable					<u>33,786</u>
Total Long-Term Liabilities					<u>\$ 4,788,786</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:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds Payable</u>		<u>Direct Borrowings - General Obligation Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 390,000	\$ 90,180	\$ -	\$ -
2025	405,000	79,605	895,000	-
2026	420,000	68,605	-	-
2027	425,000	57,180	-	-
2028	435,000	45,268	-	-
2028-2032	1,785,000	197,956	-	-
Total	<u>\$ 3,860,000</u>	<u>\$ 538,794</u>	<u>\$ 895,000</u>	<u>\$ -</u>

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
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**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%.

**D. Changes in Long-Term Debt**

	June 30, 2022	Net Additions	Retirements	June 30, 2023	Due Within One Year
General Obligation Bonds	\$ 4,240,000	\$ -	\$ 380,000	\$ 3,860,000	\$ 390,000
General Obligation Bonds - Direct					
Borrowings	895,000	-	-	895,000	-
Net Bond Premiums (Discount)	146,475	-	29,698	116,777	-
Subtotal	5,281,475	-	409,698	4,871,777	390,000
Severance Payable	44,973	-	11,187	33,786	-
Total	<u>\$ 5,326,448</u>	<u>\$ -</u>	<u>\$ 420,885</u>	<u>\$ 4,905,563</u>	<u>\$ 390,000</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.

**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 Early Childhood and Family Education**

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

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**NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)**

**F. Restricted for School Readiness**

Represents the resources available to provide for School Readiness Program.

**G. 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.

**H. Restricted for Long-Term Facilities Maintenance**

Represents available resources to be used for LTFM projects in accordance with the 10-year plan.

**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.

**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:	
Restricted for Food Service	\$ 308,634
Restricted for Debt Service	100,322
Total Other Restricted	<u>\$ 408,956</u>

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
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**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.

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**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.

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**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  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**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 2023 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, 2023 were \$147,548. 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 2023 for coordinated were 7.50% for the employee and 8.55% for the employer. Basic rates were 11.00% for the employee and 12.55% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2023 were \$478,624. 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, 2023, the District reported a liability of \$2,003,768 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 \$58,876, for a total net pension liability of \$2,062,644 associated with the District. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0253% at the end of the measurement period and 0.0254% for the beginning of the period.

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**NOTE 7 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Plan Pension Costs (Continued)**

For the year ended June 30, 2023, the District recognized pension expense of \$217,427 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$8,797 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, 2023, 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	\$ 16,737	\$ 21,405
Changes in Actuarial Assumptions	453,489	8,150
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	34,757	-
Changes in Proportion	-	54,997
District Contributions Subsequent to the Measurement Date	147,548	-
Total	<u>\$ 652,531</u>	<u>\$ 84,552</u>

\$147,548 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, 2024. 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>	Pension Expense Amount
2024	\$ 141,162
2025	163,304
2026	(65,246)
2027	181,211

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
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JUNE 30, 2023**

**NOTE 7 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. TRA Pension Costs**

At June 30, 2023 the District reported a liability of \$7,134,657 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.0891% at the end of the measurement period and 0.0860% 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:

Description	Amount
District's Proportionate Share of the TRA	
Net Pension Liability	\$ 7,134,657
State's Proportionate Share of TRA's Net Pension	
Liability Associated with the District	529,098
Total	<u>\$ 7,663,755</u>

For the year ended June 30, 2023, the District recognized pension expense of \$(1,411,017). It also recognized (\$150,021) as an increase to pension expense and grant revenue for the support provided by direct aid.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 104,362	\$ 62,691
Changes in Actuarial Assumptions	1,142,954	1,509,818
Net Difference Between Projected and Actual		
Investment Earnings	199,320	-
Changes in Proportion	391,608	111,050
District Contributions Subsequent to the Measurement Date	478,624	-
Total	<u>\$ 2,316,868</u>	<u>\$ 1,683,559</u>

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

2. TRA Pension Costs (Continued)

\$478,624 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, 2024. 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>
2024	\$ (1,201,109)
2025	228,509
2026	109,364
2027	959,175
2028	58,746

The District's total pension expense for all plans for the year ended June 30, 2023 was \$(1,334,814).

**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  
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NOTES TO FINANCIAL STATEMENTS  
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**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	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>	

**F. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2022, 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%. 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% 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 27 years of service.

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  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**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. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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 2022:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

- There have been no changes since the prior valuation.

**G. Discount Rate**

The discount rate used to measure the PERA General Employees Plan liability in 2022 and 2021 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  
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**NOTE 7 PENSION PLANS (CONTINUED)**

**G. Discount Rate (Continued)**

The discount rate used to measure the TRA pension liability was 7.00%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**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	\$ 3,165,057	\$ 2,003,768	\$ 1,051,332
<u>TRA Discount Rate</u>	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 11,247,398	\$ 7,134,657	\$ 3,763,491

**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](http://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](http://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  
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**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, 2023 were \$56,453. The related employee contributions were \$145,925 for the year ended June 30, 2023.

**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 124 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 2023, the District paid \$40,077 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, 2022, and the total OPEB liability was determined by an actuarial valuation as 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, 2022, 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	6.80%
	Decreasing to 3.90%

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
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**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 mortality improvements based on scale MP-2015, and other adjustments for teachers and the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments for non-teachers.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2021 to June 30, 2022.

The discount rate used to measure the total OPEB liability was 3.69%. 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 1.92% to 3.69%.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capital claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2019 PERA General Employees Plan and the July 1, 2019 Teachers Retirement Association valuations to the rates used in the July 1, 2022 valuations.
- The percent of future retirees assumed to elect coverage at retirement changed from 25% to 40% to reflect recent plan experience.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 15% to 10% to reflect recent plan experience.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.

**D. Changes in the OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2022	\$ 347,565
Changes for the Year:	
Service Cost	21,753
Interest	6,790
Differences Between Expected and Actual Experience	16,977
Change of Assumptions	68,199
Benefit Payments	(31,367)
Net Changes	82,352
Balance at June 30, 2023	\$ 429,917

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
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**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 a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
OPEB Liability	\$ 454,096	\$ 429,917	\$ 406,579

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 (5.8% decreasing to 2.9% over several years) or 1% higher (7.8% decreasing to 4.9% over several years) than the current healthcare cost trend rates:

	1% Decrease (5.8% Decreasing to 2.9%)	Current Trend Rates (6.8% Decreasing to 3.9%)	1% Increase (7.8% Decreasing to 4.9%)
Medical Trend Rate			
OPEB Liability	\$ 393,796	\$ 429,917	\$ 472,255

At June 30, 2023, 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	\$ 55,207	\$ -
Changes in Actuarial Assumptions	84,113	18,066
District Benefit Payments Made Subsequent to the Measurement Date	40,077	-
Total	\$ 179,397	\$ 18,066

\$40,077 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**D. Changes in the OPEB Liability (Continued)**

Year Ending June 30,	Future Recognition
2024	\$ 20,649
2025	20,649
2026	20,752
2027	17,784
2028	14,868
Thereafter	26,552
Total	\$ 121,254

For the year ended June 30, 2023, the District recognized OPEB expense of \$49,192.

**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, 2023**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 1,410,868	\$ 1,410,868	\$ 1,439,218	\$ 28,350
Earnings on Investments	14,345	105,010	129,903	24,893
Other	199,182	192,582	470,541	277,959
State Sources	8,993,333	8,950,056	9,133,410	183,354
Federal Sources	787,801	915,758	946,655	30,897
Total Revenues	<u>11,405,529</u>	<u>11,574,274</u>	<u>12,119,727</u>	<u>545,453</u>
<b>EXPENDITURES</b>				
Current:				
Administration	484,955	483,510	484,543	1,033
District Support Services	297,485	302,644	314,672	12,028
Elementary and Secondary Regular Instruction	5,612,366	5,664,457	5,844,336	179,879
Vocational Education Instruction	86,970	96,286	109,664	13,378
Special Education Instruction	2,173,544	2,129,148	2,160,227	31,079
Instructional Support Services	428,941	430,017	341,451	(88,566)
Pupil Support Services	1,374,993	1,382,717	1,372,250	(10,467)
Sites and Buildings	1,170,074	1,121,981	1,173,352	51,371
Fiscal and Other Fixed Cost Programs	178,577	131,482	137,687	6,205
Capital Outlay	452,000	572,015	610,461	38,446
Total Expenditures	<u>12,259,905</u>	<u>12,314,257</u>	<u>12,548,643</u>	<u>234,386</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(854,376)	(739,983)	(428,916)	311,067
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(110,000)	(545,000)	(109,586)	435,414
Transfers In	-	435,000	-	(435,000)
Insurance Proceeds	-	-	10,543	10,543
Total Other Financing Sources (Uses)	<u>(110,000)</u>	<u>(110,000)</u>	<u>(99,043)</u>	<u>10,957</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (964,376)</u>	<u>\$ (849,983)</u>	<u>(527,959)</u>	<u>\$ 322,024</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>4,444,516</u>	
<b>END OF YEAR</b>			<u>\$ 3,916,557</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, 2023**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 220	\$ 4,000	\$ 8,075	\$ 4,075
Other - Primarily Meal Sales	30,180	92,180	84,214	(7,966)
State Sources	13,097	28,508	28,527	19
Federal Sources	680,336	494,376	500,211	5,835
Total Revenues	<u>723,833</u>	<u>619,064</u>	<u>621,027</u>	<u>1,963</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	507,313	604,157	592,417	(11,740)
Capital Outlay	5,000	5,000	1,258	(3,742)
Total Expenditures	<u>512,313</u>	<u>609,157</u>	<u>593,675</u>	<u>(15,482)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 211,520</u>	<u>\$ 9,907</u>	27,352	<u>\$ 17,445</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>299,530</u>	
<b>END OF YEAR</b>			<u>\$ 326,882</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, 2023**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 108,475	\$ 108,475	\$ 109,222	\$ 747
Earnings on Investments	1,000	6,000	4,195	(1,805)
Other - Primarily Tuition and Fees	57,185	62,920	90,975	28,055
State Sources	55,148	55,148	57,604	2,456
Total Revenues	<u>221,808</u>	<u>232,543</u>	<u>261,996</u>	<u>29,453</u>
<b>EXPENDITURES</b>				
Current:				
Community Service	<u>414,748</u>	<u>415,454</u>	<u>443,564</u>	<u>28,110</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(192,940)	(182,911)	(181,568)	1,343
<b>OTHER FINANCING SOURCES</b>				
Transfer In	<u>110,000</u>	<u>110,000</u>	<u>109,586</u>	<u>(414)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (82,940)</u>	<u>\$ (72,911)</u>	<u>(71,982)</u>	<u>\$ 929</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>138,141</u>	
<b>END OF YEAR</b>			<u>\$ 66,159</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, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total OPEB Liability</b>						
Service Cost	\$ 21,753	\$ 19,570	\$ 20,162	\$ 17,802	\$ 15,631	\$ 17,186
Interest	6,790	8,433	9,997	11,317	9,075	7,385
Differences Between Expected and Actual Experience	16,977	-	6,192	-	90,000	-
Changes of Assumptions	68,199	9,833	20,042	7,235	(37,368)	(9,185)
Benefit Payments	(31,367)	(29,786)	(32,228)	(31,657)	(16,249)	(15,542)
<b>Net Change in Total OPEB Liability</b>	<u>82,352</u>	<u>8,050</u>	<u>24,165</u>	<u>4,697</u>	<u>61,089</u>	<u>(156)</u>
<b>Total OPEB Liability - Beginning</b>	<u>347,565</u>	<u>339,515</u>	<u>315,350</u>	<u>310,653</u>	<u>249,564</u>	<u>249,720</u>
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 429,917</u>	<u>\$ 347,565</u>	<u>\$ 339,515</u>	<u>\$ 315,350</u>	<u>\$ 310,653</u>	<u>\$ 249,564</u>
Covered-Employee Payroll	\$ 6,916,692	\$ 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	6.22%	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, 2022</u>	Measurement Date <u>June 30, 2021</u>	Measurement Date <u>June 30, 2020</u>
<b>PERA - General Employees Fund</b>			
District's Proportion of the Net Pension Liability	0.0253%	0.0254%	0.0266%
District's Proportionate Share of the Net Pension Liability	\$ 2,003,768	\$ 1,084,694	\$ 1,594,792
State's Proportionate Share of the Net Pension Liability Associated with the District	58,876	33,155	49,141
Total of District's and State's Proportionate Share of the Net Pension Liability	<u>\$ 2,062,644</u>	<u>\$ 1,117,849</u>	<u>\$ 1,643,933</u>
District's Covered Payroll	\$ 1,912,853	\$ 1,823,760	\$ 1,878,467
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	104.75%	59.48%	84.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.70%	87.00%	79.06%
<b>TRA</b>			
District's Proportion of the Net Pension Liability	0.0891%	0.0860%	0.0875%
District's Proportionate Share of the Net Pension Liability	\$ 7,134,657	\$ 3,763,617	\$ 6,464,618
State's Proportionate Share of the Net Pension Liability Associated with the District	529,098	317,418	541,567
Total of District's and State's Proportionate Share of the Net Pension Liability	<u>\$ 7,663,755</u>	<u>\$ 4,081,035</u>	<u>\$ 7,006,185</u>
District's Covered Payroll	\$ 5,530,923	\$ 5,203,272	\$ 5,107,462
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	129.00%	72.33%	126.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.17%	86.63%	75.48%

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 June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
0.0275%	0.0283%	0.0291%	0.0311%	0.0314%	0.0351%
\$ 1,520,413	\$ 1,569,968	\$ 1,857,725	\$ 2,525,166	\$ 1,627,311	\$ 1,648,822
47,165	51,448	23,356	33,078	-	-
<u>\$ 1,567,578</u>	<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>
\$ 1,954,307	\$ 1,898,480	\$ 1,872,160	\$ 1,941,757	\$ 1,842,791	\$ 1,861,892
77.80%	82.70%	99.23%	130.05%	88.31%	88.56%
80.20%	79.53%	75.90%	68.91%	78.20%	78.70%
0.0865%	0.0866%	0.0830%	0.0820%	0.0822%	0.0911%
\$ 5,513,528	\$ 5,441,473	\$ 16,568,306	\$ 19,558,957	\$ 5,084,883	\$ 4,197,822
487,931	511,380	1,601,194	1,962,542	623,827	295,285
<u>\$ 6,001,459</u>	<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>
\$ 4,949,689	\$ 4,833,147	\$ 4,536,947	\$ 4,253,305	\$ 4,183,985	\$ 4,133,126
111.39%	112.59%	365.19%	459.85%	121.53%	101.57%
78.07%	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**

	2023	2022	2021
<b>PERA - General Employees Fund</b>			
Contractually Required Contribution	\$ 147,548	\$ 143,464	\$ 136,782
Contributions in Relation to the Contractually Required Contribution	(147,548)	(143,464)	(136,782)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,967,307	\$ 1,912,853	\$ 1,823,760
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%
<b>TRA</b>			
Contractually Required Contribution	\$ 478,624	\$ 461,279	\$ 423,026
Contributions in Relation to the Contractually Required Contribution	(478,624)	(461,279)	(423,026)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 5,597,942	\$ 5,530,923	\$ 5,203,272
Contributions as a Percentage of Covered Payroll	8.55%	8.34%	8.13%

*See accompanying Notes to Required Supplementary Information.*

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

2020	2019	2018	2017	2016	2015	2014
\$ 140,885	\$ 146,573	\$ 142,386	\$ 140,412	\$ 145,575	\$ 136,374	\$ 134,987
(140,885)	(146,573)	(142,386)	(140,412)	(145,575)	(136,374)	(134,987)
<u>\$ -</u>						
\$ 1,878,467	\$ 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%	7.50%	7.40%	7.25%
\$ 404,511	\$ 381,621	\$ 362,486	\$ 340,271	\$ 319,097	\$ 313,593	\$ 292,160
(404,511)	(381,621)	(362,486)	(340,271)	(319,097)	(313,593)	(292,160)
<u>\$ -</u>						
\$ 5,107,462	\$ 4,949,689	\$ 4,833,147	\$ 4,536,947	\$ 4,253,305	\$ 4,183,985	\$ 4,133,126
7.92%	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, 2023**

**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, 2023:

	Budget	Expenditures	Excess
General Fund	\$ 12,314,257	\$ 12,548,643	\$ 234,386
Special Revenue Funds:			
Community Service Fund	415,454	443,564	28,110

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:

**2022**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

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

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, 2023**

**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, 2023**

**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:

2022

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.

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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

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.

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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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

2018 (Continued)

- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 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.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the 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, 2023**

**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 while 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, 2023**

**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, 2023

- The discount rate was changed from 1.92% to 3.69%.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capital claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2019 PERA General Employees Plan and the July 1, 2019 Teachers Retirement Association valuations to the rates used in the July 1, 2022 valuations.
- The percent of future retirees assumed to elect coverage at retirement changed from 25% to 40% to reflect recent plan experience.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 15% to 10% to reflect recent plan experience.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.

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.

**PINE RIVER-BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

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, 2023**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenues	\$ 12,119,727	\$ 12,119,727	\$ -	Total Revenues	\$ -	\$ -	\$ -
Total Expenditures	\$ 12,548,643	\$ 12,548,643	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
460 Non Spendable Fund Balance	\$ 2,666	\$ 2,666	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserve:</i>				<i>Restricted/Reserve:</i>			
401 Student Activities	\$ 150,818	\$ 150,818	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
402 Scholarship	\$ 434,226	\$ 434,226	\$ -	409 Alternative Fac. Program	\$ -	\$ -	\$ -
403 Staff Development	\$ 8,913	\$ 8,913	\$ -	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	\$ -	\$ -	\$ -	<b>07 DEBT SERVICE</b>			
424 Operating Capital	\$ 87,474	\$ 87,474	\$ -	Total Revenues	\$ 603,177	\$ 603,176	\$ 1
426 \$25 Taconite	\$ -	\$ -	\$ -	Total Expenditures	\$ 483,601	\$ 483,598	\$ 3
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	\$ 771,827	\$ 771,827	\$ -
438 Gifted & Talented	\$ 35,579	\$ 35,579	\$ -	<i>Restricted:</i>			
440 Teacher Development & Eval	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 100,322	\$ 100,324	\$ (2)
441 Basic Skills	\$ 80,101	\$ 80,101	\$ -	<i>Unassigned:</i>			
443 Telecomm. Access Cost	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
446 First Grade Preparedness	\$ -	\$ -	\$ -				
449 Safe Schools Levy	\$ 58,968	\$ 58,968	\$ -	<b>08 TRUST</b>			
450 Pre-Kindergarten	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	422 Net Position	\$ -	\$ -	\$ -
453 Unfunded Sev. & Retirement Levy	\$ -	\$ -	\$ -				
467 Long-Term Facilities Maintenance	\$ 7,962	\$ 7,962	\$ -	<b>20 INTERNAL SERVICE</b>			
472 Medical Assistance	\$ 54,689	\$ 54,689	\$ -	Total Revenues	\$ -	\$ -	\$ -
<i>Restricted:</i>				Total Expenditures	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ -	\$ -	\$ -	422 Net Position	\$ -	\$ -	\$ -
<i>Assigned:</i>							
462 Assigned Fund Balance	\$ -	\$ -	\$ -	<b>25 OPEB REVOCABLE TRUST</b>			
<i>Committed:</i>				Total Revenues	\$ -	\$ -	\$ -
461 Committed Fund Balance	\$ 364,626	\$ 364,626	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Unassigned:</i>				422 Net Position	\$ -	\$ -	\$ -
422 Unassigned Fund Balance	\$ 2,630,535	\$ 2,630,531	\$ 4				
<b>02 FOOD SERVICE</b>				<b>45 OPEB IRREVOCABLE TRUST</b>			
Total Revenues	\$ 621,027	\$ 621,028	\$ (1)	Total Revenues	\$ -	\$ -	\$ -
Total Expenditures	\$ 593,675	\$ 593,677	\$ (2)	Total Expenditures	\$ -	\$ -	\$ -
<i>Non Spendable:</i>				422 Net Position	\$ -	\$ -	\$ -
460 Non Spendable Fund Balance	\$ 18,248	\$ 18,249	\$ (1)				
<i>Restricted:</i>				<b>47 OPEB DEBT SERVICE</b>			
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 308,634	\$ 308,633	\$ 1	Total Expenditures	\$ -	\$ -	\$ -
<i>Unassigned:</i>				<i>Non Spendable:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
<b>04 COMMUNITY SERVICE</b>				<i>Restricted:</i>			
Total Revenues	\$ 261,996	\$ 261,995	\$ 1	425 Bond Refundings	\$ -	\$ -	\$ -
Total Expenditures	\$ 443,564	\$ 443,567	\$ (3)	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	* \$ (29,486)	\$ (29,487)	\$ 1				
432 E.C.F.E.	\$ 81,550	\$ 81,550	\$ -				
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, 2023**



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**PINE RIVER BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
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**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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 5, 2023.

***Report on Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2023-002 to be a significant deficiency.

***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 5, 2023



**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, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a material weakness.

*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 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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

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.

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

**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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated September 5, 2023, which contained unmodified opinions of those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 5, 2023

**PINE RIVER BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	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	\$ 50,683	
Total Noncash Assistance			\$ 50,683	\$ -
Cash Assistance:				
National School Lunch Program	10.555	# 1-2174-000	312,565	
After School Snack Program	10.555	# 1-2174-000	5,844	
School Breakfast Program	10.553	# 1-2174-000	99,281	
COVID-19 - Supply Chain Assistance Funding	10.555C	# 1-2174-000	31,838	
Total Cash Assistance			449,528	-
Total Child Nutrition Cluster/U.S. Department of Agriculture			500,211	-
U.S. Department of Treasury				
Pass-Through Minnesota Department of Education				
COVID-19 - CARES Relief Funds for Back to School	21.019	Unknown	628	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	31,030	-
Total U.S. Department of Treasury			31,658	-
U.S. Department of Education				
Pass-Through Minnesota Department of Education				
Title I - Grants to Local Education Agencies	84.010	S010A220023A	280,130	-
Title II, Part A - Supporting Effective Instruction State Grants	84.367	S367A220022	59,668	-
COVID-19 - 90% Elementary and Secondary School				
Emergency Relief Fund II (ESSER II)	84.425D	* S425D220045	38,015	-
COVID-19 - 90% Elementary and Secondary School				
Emergency Relief Fund III (ESSER III)	84.425U	* S425C220015	375,215	-
COVID-19 - 90% Elementary and Secondary School				
Emergency Relief Fund III (ESSER III) Learning Loss	84.425U	* S425D220045	109,540	-
Total Education Stabilization Fund			522,770	
Pass-Through Paul Bunyan Education Cooperative				
Special Education Grants to States	84.027	@ 1-6050-061	52,429	-
Total U.S. Department of Education			914,997	-
Total Federal Financial Assistance Expended			\$ 1,446,866	\$ -

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

The total of Assistance Listing 10.555 is \$400,930

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, 2023**

**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, 2023. 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 5, 2023.

In connection with our audit, we noted that the District failed to comply with provisions of the claims and disbursements 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 2023-004. 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 contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, 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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the legal compliance findings identified in our audit and described in the 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.

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
September 5, 2023

**PINE RIVER BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

---

**Section I – Summary of Auditors’ Results**

---

**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?     x     yes            no
  - Significant deficiency(ies) identified?     x     yes            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?     x     yes            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)?     x     yes            no

**Identification of Major Federal Programs**

**Assistance Listing Number**

10.553 and 10.555  
84.425D and 84.425U

**Name of Federal Program or Cluster**

Child Nutrition Cluster  
COVID-19 Education Stabilization Fund

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

\$     750,000    

Auditee qualified as low-risk auditee?

           yes     x     no

**PINE RIVER BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

---

**Section II – Financial Statement Findings**

---

**2023-001                      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:**                      Inadequate segregation of duties could adversely affect the District’s ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

**Cause:**                      The District’s resources have not allowed for personnel to address this issue.

**Repeat Finding:**        Yes – Finding 2022-001

**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.

**PINE RIVER BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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**Section II – Financial Statement Findings**

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**2023-002                      Unauthorized Bank Signer**

**Type of Finding:**        Significant Deficiency in Internal Control Over Financial Reporting

**Condition:**                We noted that a former District board member was not removed as an authorized signer on three of the District's bank accounts.

**Criteria or specific Requirement:**    Upon retirement or termination of District personnel, financial institutions should be notified immediately in order to remove signers that are no longer District employees or board members and should verify the change with financial institutions.

**Effect:**                      The District is at an increased risk of misuse or loss of assets.

**Cause:**                      While the District notified the financial institution of the change, they did not verify the change occurred within the bank system.

**Repeat Finding:**        Not applicable.

**Recommendation:**    We recommend that District management and financial personnel contact all financial institutions and ensure the proper signers are on file.

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

**PINE RIVER BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

---

**Section III – Findings and Questioned Costs – Major Federal Programs**

---

**Finding: 2023-003 Lack of Proper Review – Reporting, Eligibility, and Suspension and Debarment**

Federal Agency: U.S. Department of Agriculture

Federal Program Name: Child Nutrition Cluster

Assistance Listing Number: 10.553 and 10.555

Federal Award Identification Number and Year: 212MN061N1199 - 2023

Pass-Through Agency: Minnesota Department of Education

Pass-Through Number(s): 1-2174-000

Award Period: July 1, 2022 - June 30, 2023

Type of Finding:

- Material Weakness in Internal Control over Compliance

**Criteria or Specific**

**Requirement:**

The District should have controls in place to ensure the accuracy of all draws for the District's Child Nutrition Cluster program, made via the reporting of meal counts in CLiCS. The District should have controls in place to ensure the accuracy of all eligibility applications. The District should have controls in place to review vendors showing they are not excluded or debarred for participating in procurement transactions that use federal funds. All controls should be formally documented to ensure they have been properly implemented.

**Condition:**

During report testing, it was noted that five out of five reports tested did not contain documentation of review and approval of the District's CLiCS meal count reports prior to submission. During eligibility testing, it was noted that the paper applications did not contain documentation of review and approval for the applicants final determination into the program. During suspension and debarment testing, it was noted that the review process was not operating effectively as there was no support for review of certification regarding debarment, suspension, and responsibility for two of two vendors tested.

**Questioned Costs:** Not applicable.

**Context:**

Five of five reports tested had no review and approval process completed, all paper applications have no review and approval, and two of two vendors tested has no review support to ensure they were not suspended or debarred. The samples were statistically valid samples.

**Cause:**

Oversight.

**PINE RIVER BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

---

**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

---

**Finding: 2023-003**    **Lack of Proper Review – Reporting, Eligibility, and Suspension and Debarment (Continued)**

**Effect:**                      Lack of proper documentation of controls over compliance with reporting, eligibility and suspension and debarment requirements could result in incorrect meal counts being reported, going undetected or not being caught in a timely manner, errors or intentional misrepresentation of the applicants eligibility into the program and paying suspended or debarred vendors. This could ultimately result in questioned costs.

**Repeat Finding:**        Not applicable

**Recommendation:**    We recommend the District review and approve the CLiCS meals counts timely before they are submitted, review the paper applications, and implement procedures to ensure vendors are not suspended or debarred. The District should ensure that these controls are properly documented.

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

**PINE RIVER BACKUS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2174  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

---

**Section IV – Findings and Questioned Costs – Minnesota Legal Compliance**

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**Finding: 2023-004    Prompt Payment of Bills**

**Type of Finding:**    Minnesota Legal Compliance

**Condition:**    During disbursement testing, it was noted that one of 25 disbursements tested the District did not pay within the required 35 days of receipt.

**Criteria or specific Requirement:**    Minnesota Statute §471.425 states that all bills must be paid within 35 days of receipt of the invoice or pay interest of 1.5% per month.

**Effect:**    The District is not in compliance with Minnesota State Statute regarding claims and disbursements.

**Cause:**    Unknown.

**Repeat Finding:**    Not applicable.

**Recommendation:**    We recommend that the District review policies and procedures around disbursements to ensure prompt payment.

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



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



*We'll get you there.*

CPAs | CONSULTANTS | WEALTH ADVISORS

# Pine River-Backus Schools ISD No. 2174

Executive Audit Summary (EAS)

Year Ended June 30, 2023



# 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 note



# 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 – None noted



# 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 – Child Nutrition, COVID-19 Education Stabilization Fund (ESF)
  - Compliance finding – One finding, review documentation
- Minnesota Legal Compliance
  - All payments must be paid within 35 days



**General Fund**

For the Year Ended June 30,	2023	2022	2021	2020	2019
Total Revenues	\$ 12,119,727	\$ 12,289,078	\$ 11,618,596	\$ 11,253,756	\$ 11,042,736
Total Expenditures	12,548,643	12,202,021	11,309,837	11,362,731	10,931,565
Other Financing Sources (Uses)	(99,043)	(179,201)	(88,387)	(130,178)	(123,319)
Net Change in Fund Balance	(527,959)	(92,144)	220,372	(239,153)	(12,148)
Change in Accounting Principle		-	-	627,934	-
Fund Balance - Beginning	4,444,516	4,536,660	4,316,288	3,927,507	3,939,655
Unassigned Fund Balance	2,630,535	3,368,127	3,502,826	3,479,642	3,603,335
Nonspendable Fund Balance	2,666	1,590	1,133	2,202	2,334
Restricted Fund Balance	918,730	1,074,799	1,032,701	834,444	69,926
Committed Fund Balance	364,626	-	-	-	251,912
Fund Balance - Ending	\$ 3,916,557	\$ 4,444,516	\$ 4,536,660	\$ 4,316,288	\$ 3,927,507

**General Fund**

For the Year Ended June 30, 2022	Actual	Budget	Difference
Total Revenues	\$ 12,119,727	\$ 11,574,274	545,453
Total Expenditures	12,548,643	12,314,257	\$ 234,386
Other Financing Sources (uses)	(99,043)	(110,000)	10,957
Net Change in Fund Balance	(527,959)	(849,983)	322,024



### Food Service Fund

For the Year Ended June 30,	2023	2022	2021	2020	2019
Total Revenues	\$ 621,027	\$ 742,788	\$ 540,972	\$ 507,018	\$ 541,033
Total Expenditures	593,675	531,284	483,283	517,424	550,093
Other Financing Sources	-	-	-	30,000	13,000
Net Change in Fund Balance	27,352	211,504	57,689	19,594	3,940
Fund Balance - Beginning	299,530	88,026	30,337	10,743	6,803
Restricted Fund Balance	308,634	15,274	72,506	6,098	116
Nonspendable Fund Balance	18,248	284,256	15,520	24,239	10,627
Fund Balance - Ending	\$ 326,882	\$ 299,530	\$ 88,026	\$ 30,337	\$ 10,743

### Food Service Fund

For the Year Ended June 30, 2022	Actual	Budget	Difference
Total Revenues	\$ 621,027	\$ 619,064	\$ 1,963
Total Expenditures	593,675	609,157	\$ (15,482)
Other Financing Sources (uses)	-	-	-
Net Change in Fund Balance	27,352	9,907	17,445



**Community Service Fund**

For the Year Ended June 30,	2023	2022	2021	2020	2019
Total Revenues	\$ 261,996	\$ 240,685	\$ 228,565	\$ 241,712	\$ 261,032
Total Expenditures	443,564	401,362	280,811	340,371	354,069
Other Financing Sources	109,586	101,206	88,387	100,178	110,319
Net Change in Fund Balance	(71,982)	(59,471)	36,141	1,519	17,282
Fund Balance - Beginning	138,141	197,612	161,471	159,952	142,670
Unassigned Fund Balance	(29,486)	-	-	-	-
Nonspendable Fund Balance	-	-	-	-	-
Restricted Fund Balance	95,645	138,141	197,612	161,471	159,952
Fund Balance - Ending	\$ 66,159	\$ 138,141	\$ 197,612	\$ 161,471	\$ 159,952

**Community Service Fund**

For the Year Ended June 30, 2022	Actual	Budget	Difference
Total Revenues	\$ 261,996	\$ 232,543	\$ 29,453
Total Expenditures	443,564	415,454	\$ 28,110
Other Financing Sources (uses)	109,586	110,000	(414)
Net Change in Fund Balance	(71,982)	(72,911)	929



### Capital Projects Fund

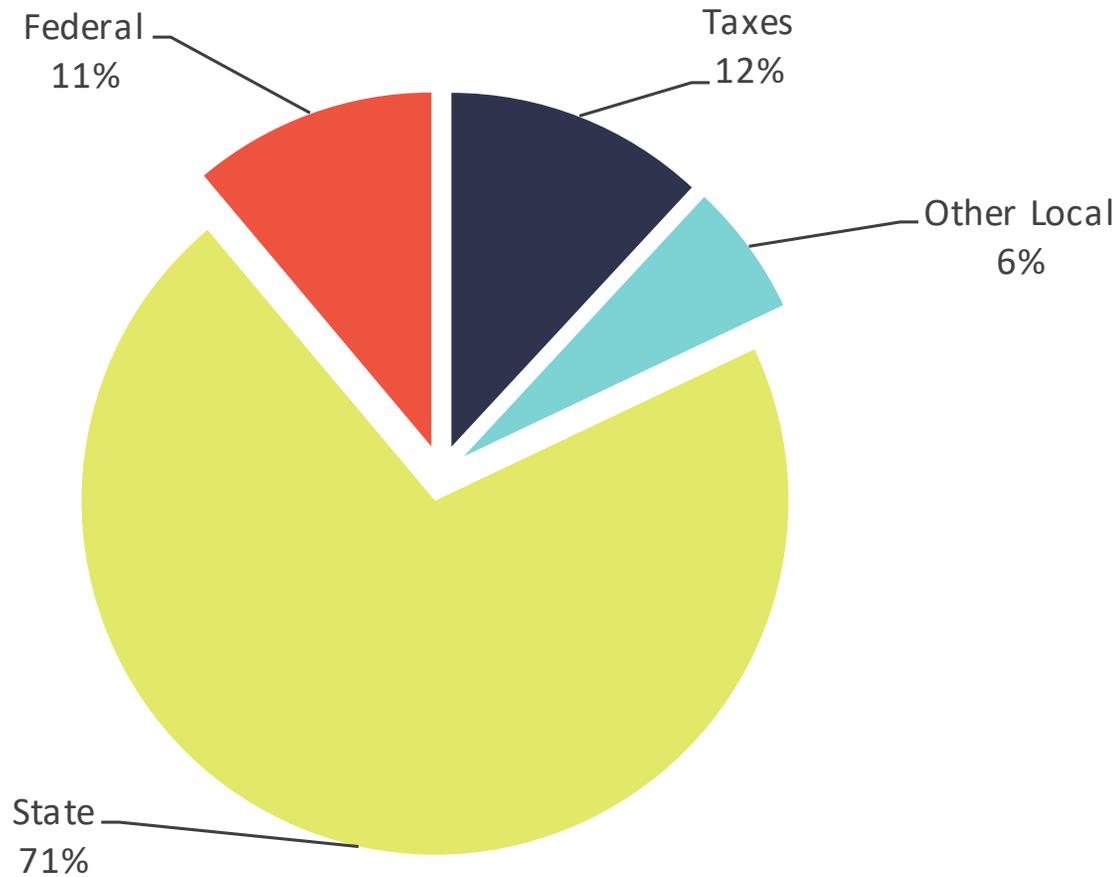
For the Year Ended June 30,	2023	2022	2021	2020	2019
Total Revenues	\$ -	\$ 16	\$ 351	\$ 78	\$ -
Total Expenditures	-	313,220	212,610	80,123	-
Other Financing Sources	-	105,508	-	500,000	-
Net Change in Fund Balance	-	(207,696)	(212,259)	419,955	-
Fund Balance - Beginning	-	207,696	419,955	-	-
Unassigned Fund Balance	-	-	-	-	-
Restricted Fund Balance	-	-	207,696	419,955	-
Fund Balance - Ending	\$ -	\$ -	\$ 207,696	\$ 419,955	\$ -

### Debt Service

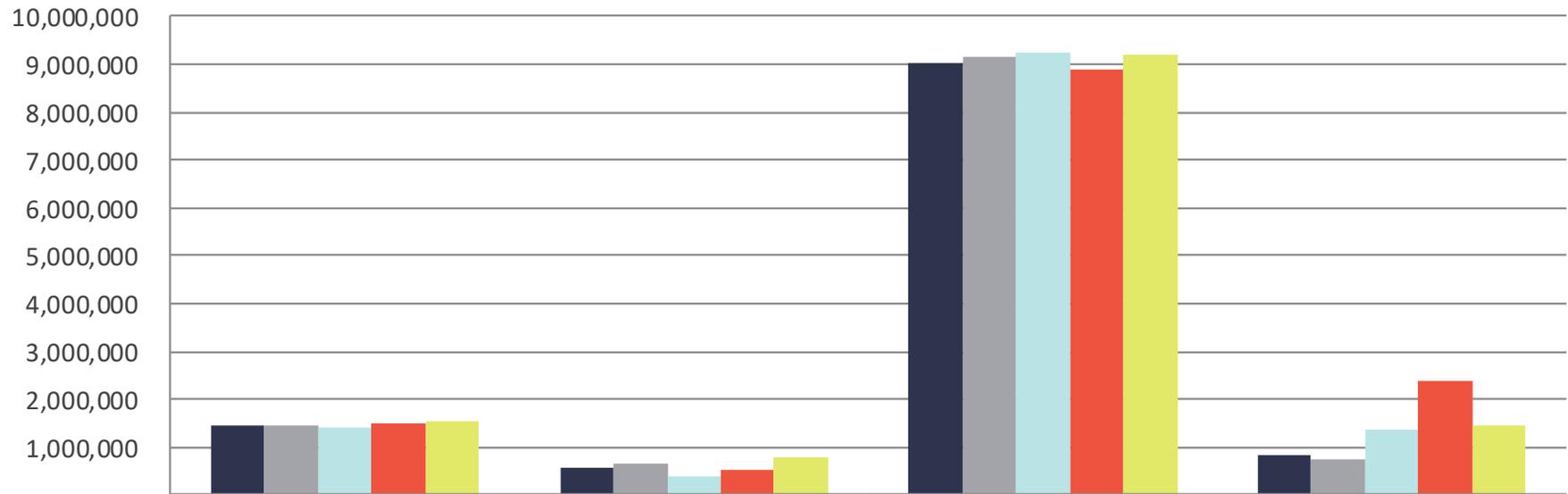
For the Year Ended June 30,	2023	2022	2021	2020	2019
Total Revenues	\$ 603,177	\$ 567,497	\$ 544,009	\$ 534,014	\$ 531,055
Total Expenditures	483,601	475,500	536,447	444,401	450,189
Other Financing Sources	-	-	80,467	-	-
Net Change in Fund Balance	119,576	91,997	88,029	89,613	80,866
Fund Balance - Beginning	752,573	660,576	572,547	482,934	402,068
Restricted Fund Balance - June 30	\$ 872,149	\$ 752,573	\$ 660,576	\$ 572,547	\$ 482,934



## Source of Revenues for ISD No. 2174 For the Year Ended June 30, 2023



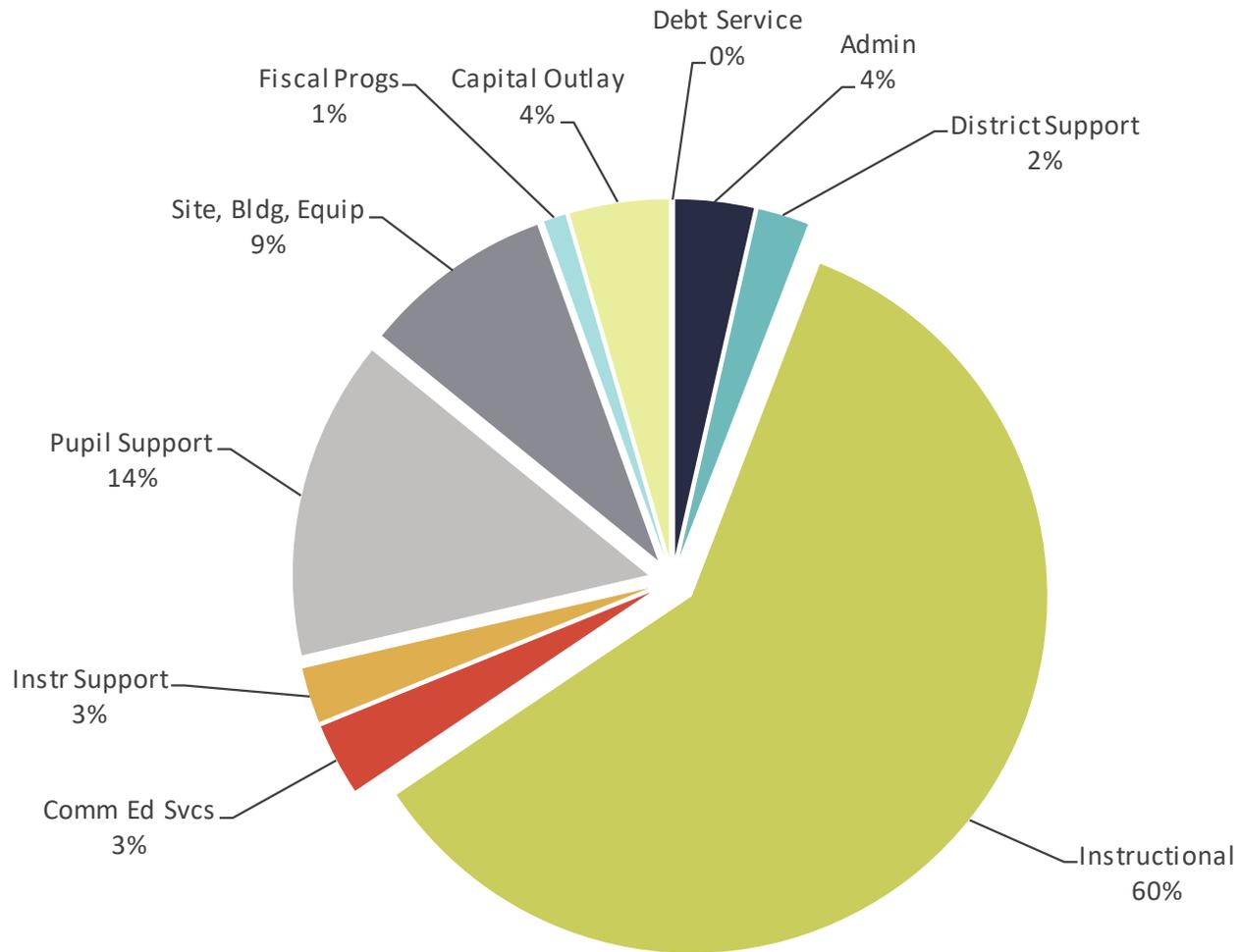
## Comparative Governmental Revenues of ISD No. 2174



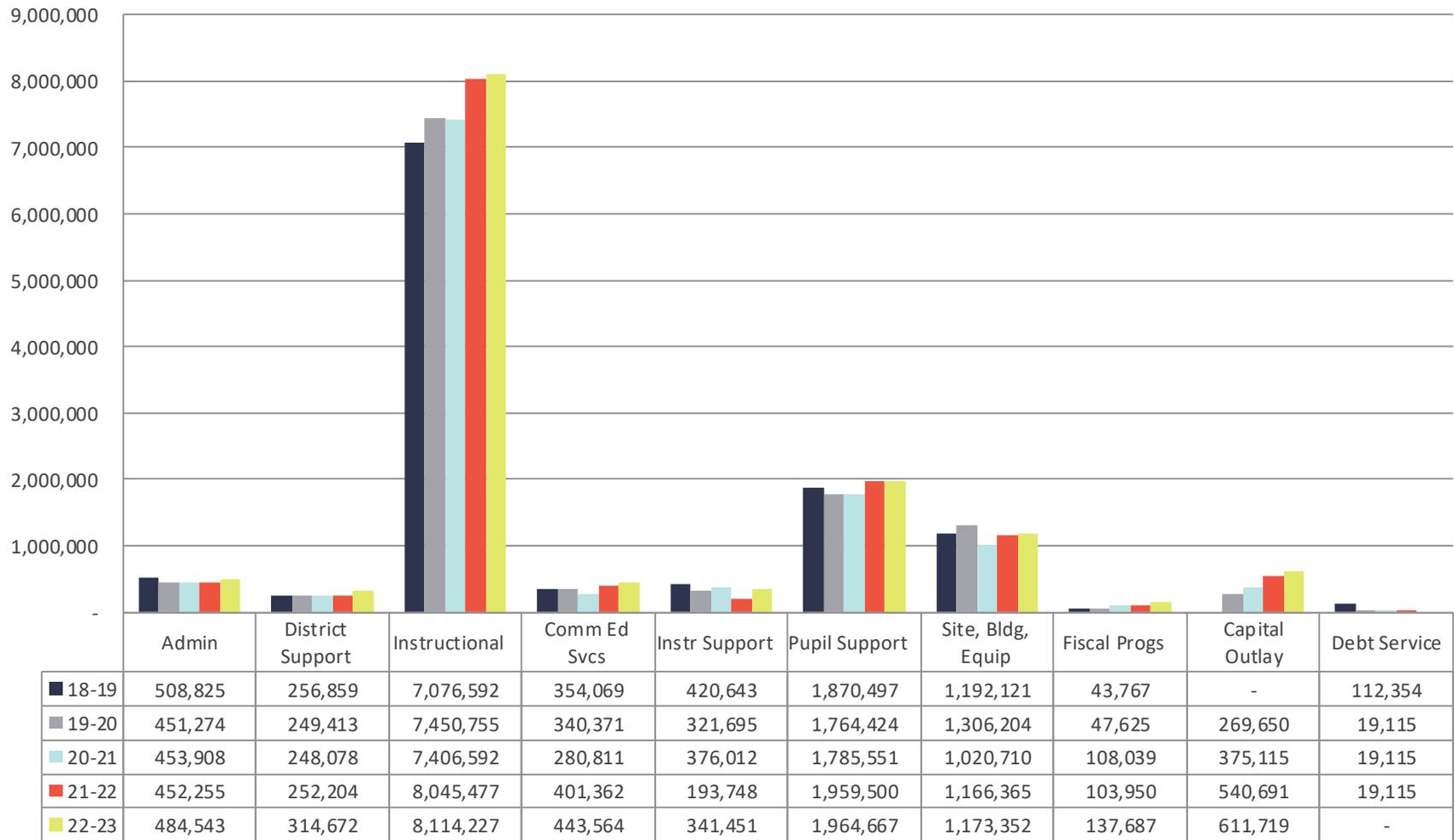
	Taxes	Other Local	State	Federal
■ 18-19	1,439,349	584,223	9,001,201	820,028
■ 19-20	1,436,869	659,126	9,161,045	745,446
■ 20-21	1,402,493	376,356	9,261,723	1,347,561
■ 21-22	1,484,833	511,615	8,870,774	2,405,329
■ 22-23	1,548,440	787,903	9,219,541	1,446,866



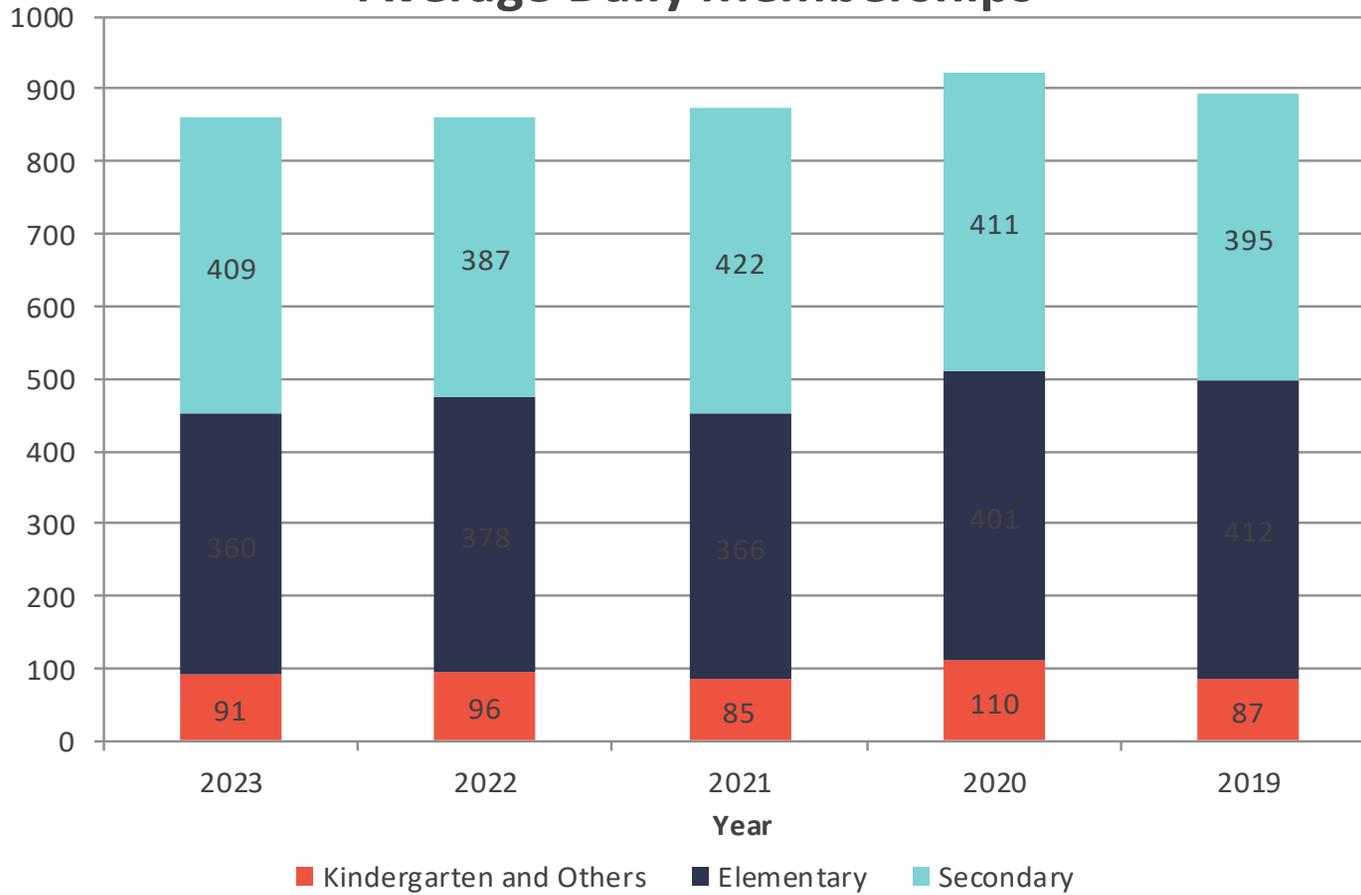
## Breakdown of Expenditures for ISD No. 2174 For the Year Ended June 30, 2023



## Comparative Expenditures for Governmental Funds of ISD No. 2174



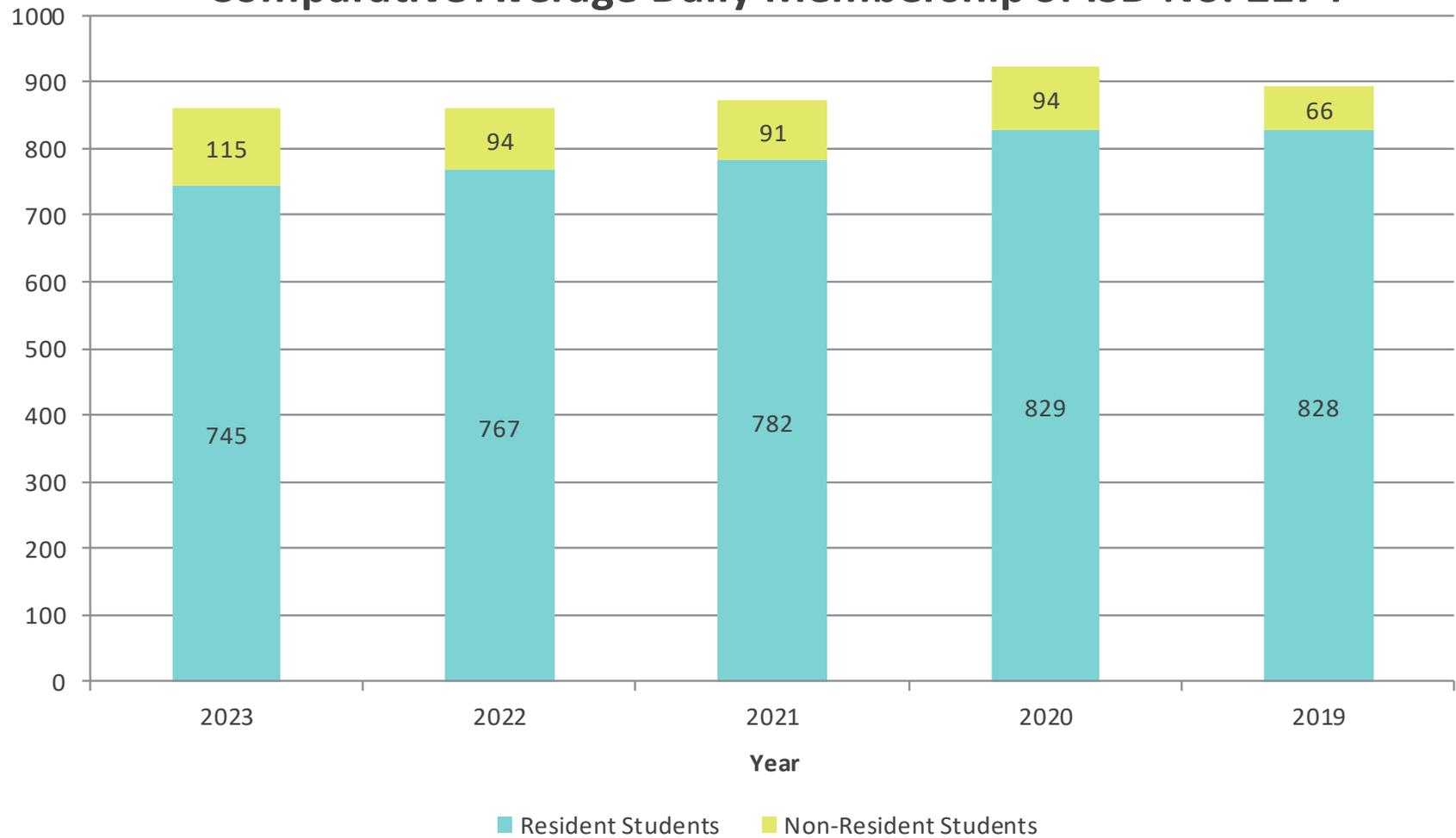
## Average Daily Memberships



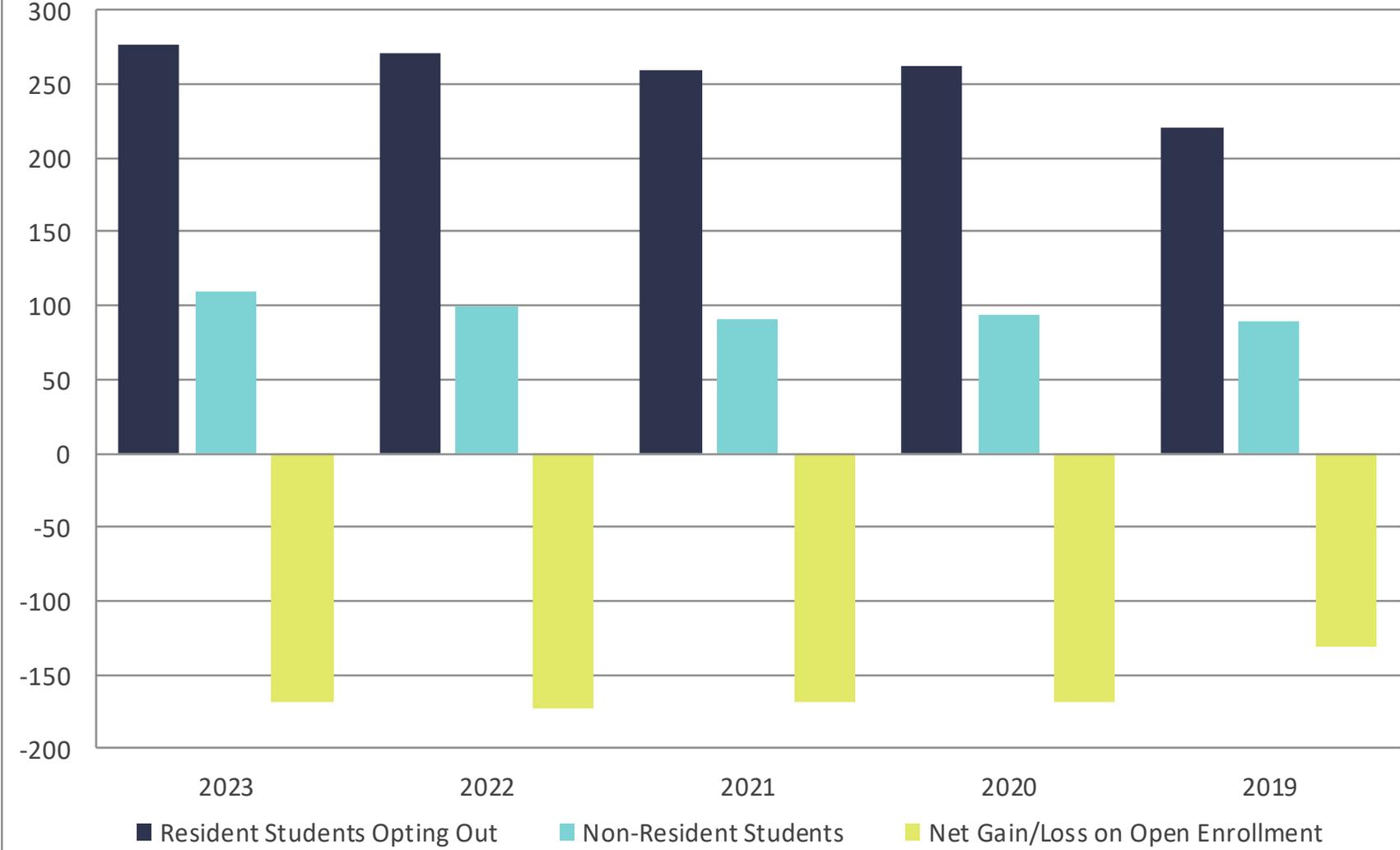
Resident Average Daily Membership (ADM)	2023	2022	2021	2020	2019
Kindergarten and Others	91	96	85	110	87
Elementary	360	378	366	401	412
Secondary	409	387	422	411	395
<b>Total ADM</b>	<b>860</b>	<b>861</b>	<b>873</b>	<b>922</b>	<b>893</b>
<b>Total Weighted ADM (WADM)</b>	<b>942</b>	<b>939</b>	<b>958</b>	<b>1,005</b>	<b>972</b>



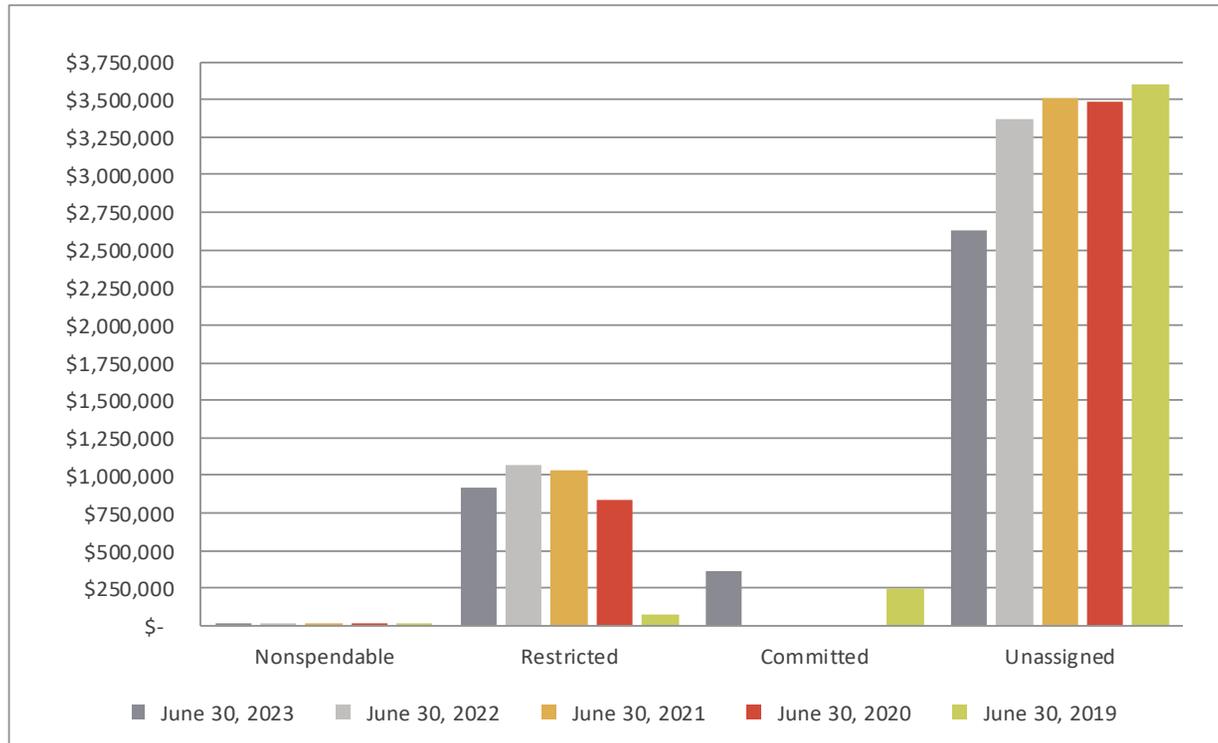
## Comparative Average Daily Membership of ISD No. 2174



# Open Enrollment Gain/Loss



# General Fund – Fund Balance by Category



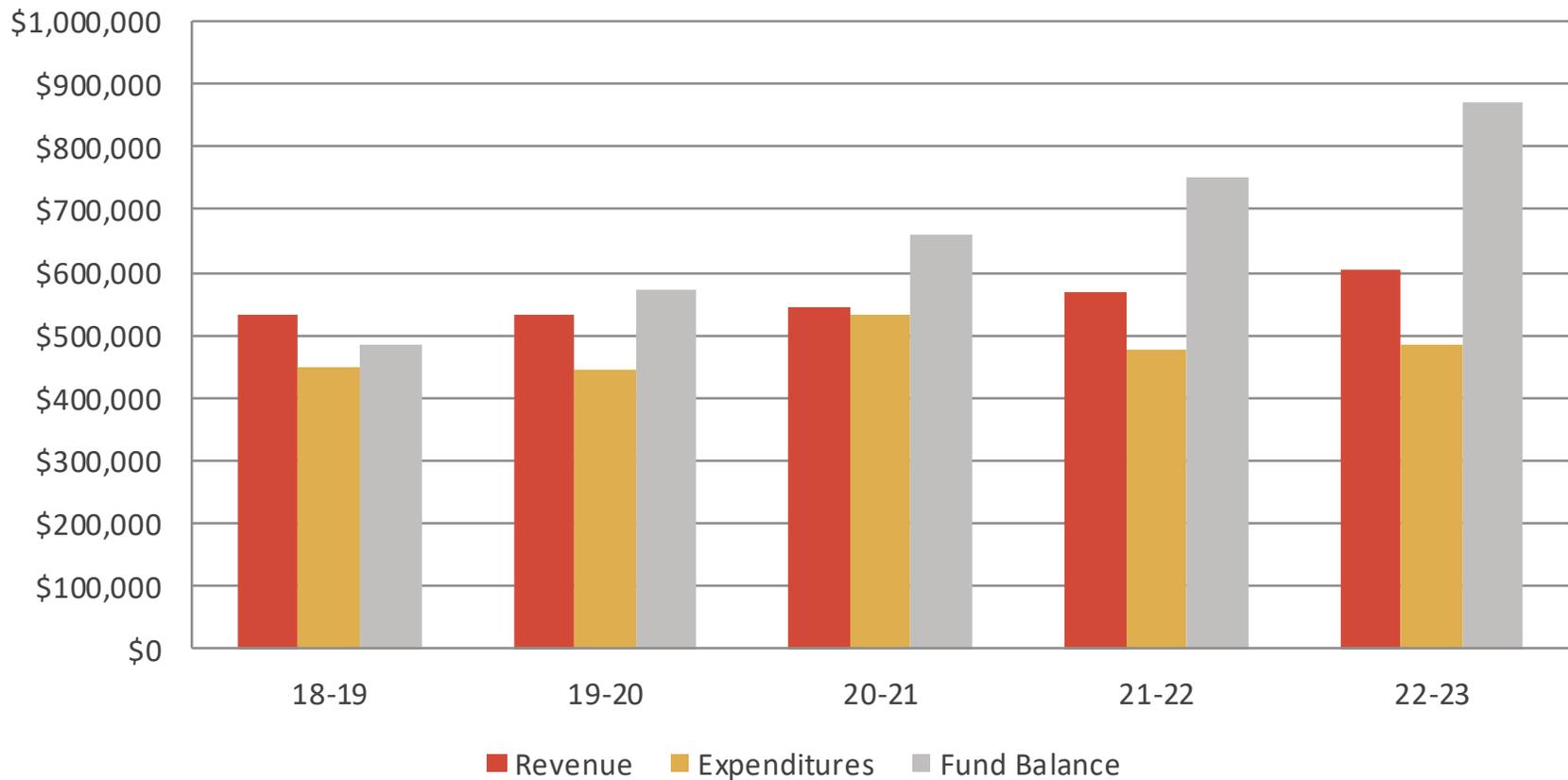
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Fund Balance	\$ 3,916,557	\$ 3,396,110	\$ 3,507,962	\$ 3,481,841	\$ 2,997,824
Expenditures	\$ 12,548	\$ 10,367,146	\$ 9,297,769	\$ 9,191,725	\$ 10,373,921
SOD Calculation		32.76%	37.73%	37.88%	28.90%



# ISD No. 2174 Pine River-Backus Schools

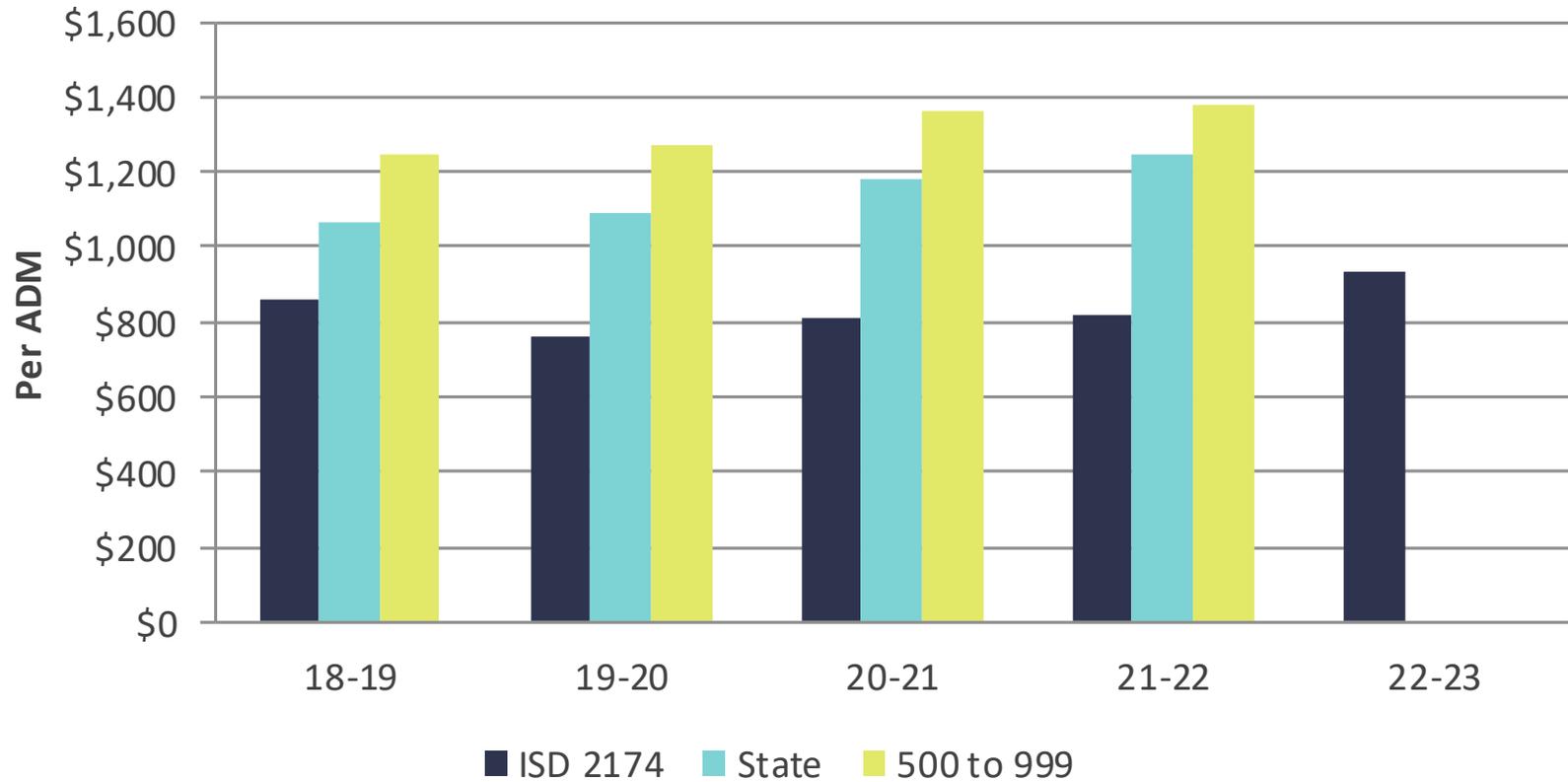
## Debt Service Fund

### Total Revenues, Total Expenditures, Total Fund Balance



# ISD No. 2174

## Administration and District Support per ADM

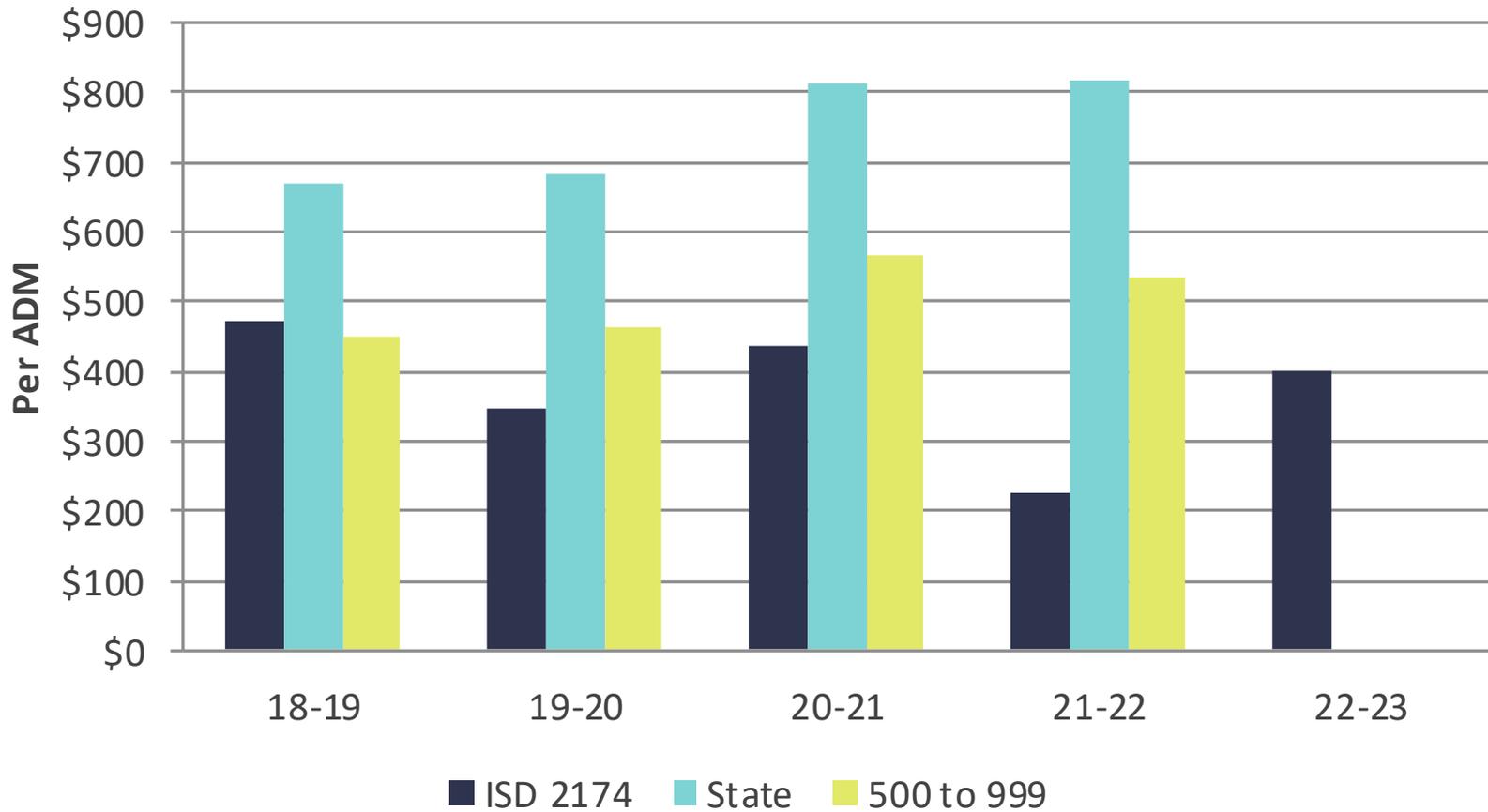


District and School Admin – all costs related to providing administration to the District (Board of Education, Superintendent, Assistant Superintendent, Principals, etc.) District Support Services – activities provided by Central Office (Business Services, Director of Building and Grounds, Legal, Data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



# ISD No. 2174

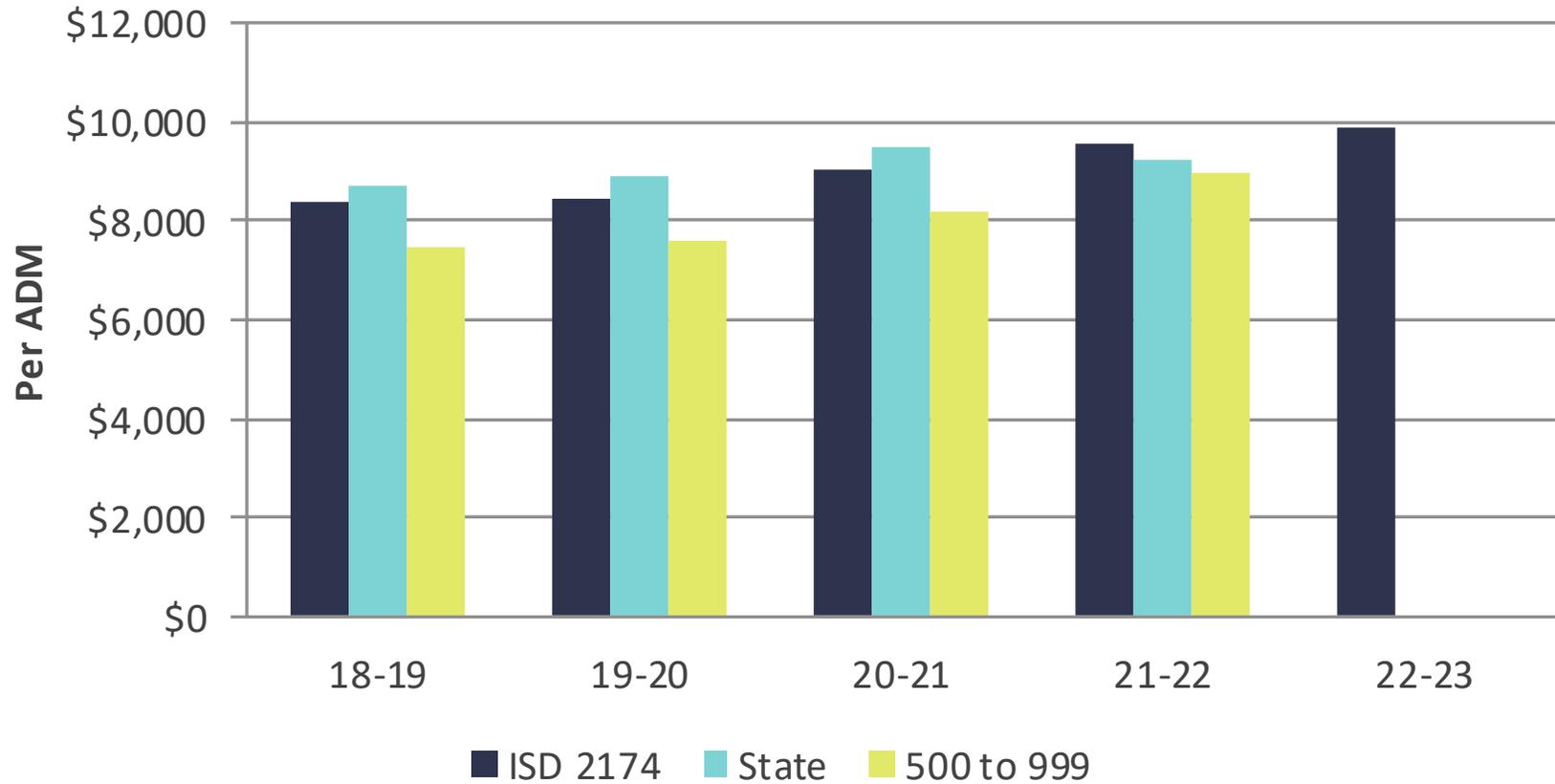
## Instructional Support per ADM



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.).



# ISD 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.

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PINE RIVER-BACKUS SCHOOLS  
 2023 Pay 2024 Proposed Levy Information  
 Levy Amounts as of September 11, 2023

Category:	Maximum Levy 22 Pay 23	Proposed 22 Pay 23	Maximum Levy 23 Pay 24	Proposed 23 Pay 24	Maximum Difference	Certified Prior Year vs Proposed Current Year Difference
<b>GENERAL</b>						
Local Option Revenue	693,652.30	693,652.30	768,296.59	768,296.59	74,644.29	74,644.29
Operating Capital w/adj	199,679.32	199,679.32	218,626.11	218,626.11	18,946.79	18,946.79
Deferred Maintenance	0.00	0.00	0.00	0.00	0.00	0.00
Reemployment w/adj.	5,000.00	5,000.00	19,175.65	19,175.65	14,175.65	14,175.65
Safe Schools Levy w/adj	32,879.52	32,879.52	30,902.40	30,902.40	(1,977.12)	(1,977.12)
Career Technical	47,597.82	47,597.82	21,167.49	21,167.49	(26,430.33)	(26,430.33)
Health & Safety w/adj.	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Facility Maint	141,388.71	141,388.71	<b>371,443.05</b>	371,443.05	230,054.34	230,054.34
Building Lease	0.00	0.00	0.00	0.00	0.00	0.00
Facility & Equip Bond Adjust	(87,174.00)	(87,174.00)	(36,015.00)	(36,015.00)	51,159.00	51,159.00
Tree Growth	11,950.92	11,950.92	11,950.92	11,950.92	0.00	0.00
Abatement	(121.83)	(121.83)	37.41	37.41	159.24	159.24
<b>GENERAL TOTAL</b>	<b>1,044,852.76</b>	<b>1,044,852.76</b>	<b>1,405,584.62</b>	<b>1,405,584.62</b>	<b>360,731.86</b>	<b>360,731.86</b>
<b>COMMUNITY SERVICE</b>						
Basic	64,572.16	64,572.16	71,833.60	71,833.60	7,261.44	7,261.44
Early Childhood	48,618.72	48,618.72	45,976.58	45,976.58	(2,642.14)	(2,642.14)
Home Visiting	1,020.00	1,020.00	1,013.54	1,013.54	(6.46)	(6.46)
School Age Care	179.83	179.83	0.00	0.00	(179.83)	(179.83)
Abatement	(11.76)	(11.76)	3.63	3.63	15.39	15.39
<b>COMM SERVICE TOTAL</b>	<b>114,378.95</b>	<b>114,378.95</b>	<b>118,827.35</b>	<b>118,827.35</b>	<b>4,448.40</b>	<b>4,448.40</b>
<b>DEBT SERVICE</b>	<b>554,513.89</b>	<b>554,513.89</b>	<b>483,091.92</b>	<b>483,091.92</b>	<b>(71,421.97)</b>	<b>(71,421.97)</b>
<b>TOTAL LEVY</b>	<b>1,713,745.60</b>	<b>1,713,745.60</b>	<b>2,007,503.89</b>	<b>2,007,503.89</b>	<b>293,758.29</b>	<b>293,758.29</b>

Change from Prior Year: 17.14% 17.14%

TOTALS BY TAX BASE	2022 Pay 2023		2023 Pay 2024		Change	Change	
Referendum Market Value	693,652.30	693,652.30	768,296.59	768,296.59	<b>74,644.29</b>	<b>74,644.29</b>	10.76%
Net Tax Capacity	1,020,093.30	1,020,093.30	1,239,207.30	1,239,207.30	<b>219,114.00</b>	<b>219,114.00</b>	21.48%
	<b>1,713,745.60</b>	<b>1,713,745.60</b>	<b>2,007,503.89</b>	<b>2,007,503.89</b>	<b>293,758.29</b>	<b>293,758.29</b>	17.14%

PROPERTY VALUES

	2021	2022	\$ Change	% Change
Market Value	1,756,248,173	2,404,398,517	648,150,344	37%
RMV	768,832,376	1,154,880,397	386,048,021	50%
NTC	17,935,281	26,321,089	8,385,808	47%
ANTC	19,688,085	24,142,745	4,454,660	23%

PUPIL COUNTS

	2024	2025	Change	% Change
RPU	1,111.50	1,109.10	(2.40)	-0.22%
APU	924.90	937.30	12.40	1.34%

<b>LOCAL OPTIONAL REVENUE</b>	2023	2024	Change		
LOR Levy (\$424)	408,354.40	397,415.20	(10,939.20)		
Board Approved LEVY (\$300)	220,443.97	281,190.00	60,746.03		
Equity LEVY	161,319.25	156,997.75	(4,321.50)		
Adjusts	(96,465.32)	(67,306.36)	29,158.96		
<b>TOTAL LEVY</b>	<b>693,652.30</b>	<b>768,296.59</b>	<b>74,644.29</b>		
TOTAL AID	68,486.03	-	(68,486.03)		
<b>Total LOR</b>	<b>762,138.33</b>	<b>768,296.59</b>	<b>6,158.26</b>		

<b>OPERATING CAPITAL</b>	2023	2024	Change	District ANTC/APU	State Equalization
Levy	199,187	217,369	18,182	25,757.76	22,912.00
Levy Adjusts	492	1,257	765		
Aid	24,063	1,875	(22,188)		
<b>Total</b>	<b>223,742</b>	<b>220,501</b>	<b>(3,241)</b>	<i>20,442.41 last year</i>	

<b>LONG TERM FACILITIES MAINTENANCE</b>	2023	2024	Change		District	State	
Tier 1 Levy	220,444	281,190	60,746		RMV/RPU	Equalization	
Tier 2 Levy	408,354	397,415	(10,939)	49,807 Levy	1,041,277.07	880,000.00	Tier 1
Tier 1 Aid	68,486	-	(68,486)	(68,486) Aid		587,244.00	Tier 2
Tier 2 Aid	-	-	-				
<b>Total</b>	<b>697,284</b>	<b>678,605</b>	<b>(18,679)</b>		<i>671,410.69 last year</i>		