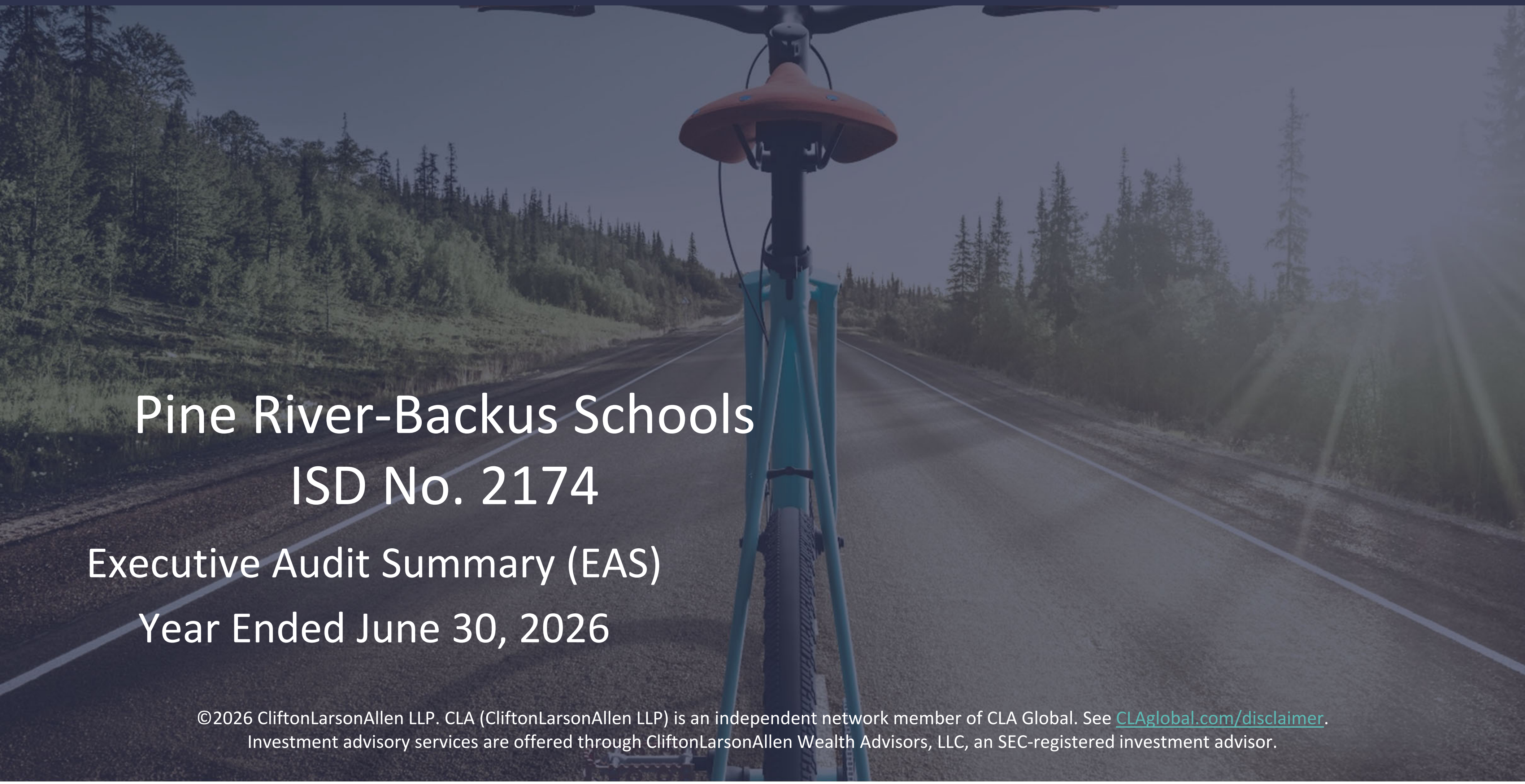
Board Work Session

Monday, September 21, 2026 5:30 PM
High School Media Center, 810 First Street North, Pine River, MN 56474

1.	**Call to Order and Pledge to the Flag** **Members: Leslie Bouchonville, Chris Cunningham, Roger D. Hoplin, Nicki Linsten-Lodge, Carrie Maurer-Ackerman, David Sheley, Ryan Trumble and Superintendent Jonathan Clark** **Some members may participate via interactive technology.**	**Speaker(s):** Board Chair
2.	**Superintendent Update**	
3.	**Finance Update**	
3.1.	Audit Report 2025-2026	
4.	**Facility Update**	
4.1.	Summer 2026 Project Update	
4.2.	Roofing Projects Summer 2027 Inspec	
4.3.	Project List 2027 and After	
5.	**Adjourn**	



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Pine River-Backus Schools ISD No. 2174

Executive Audit Summary (EAS)

Year Ended June 30, 2026

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
- Planned Scope and Timing of the Audit
  - Communicated during the audit preliminary work and fieldwork
- Significant Accounting Policies
  - Outlined in Note 1 to the financial statements
  - Unusual transactions – none noted
  - Change in accounting principle – Implementation of GASB 103, Update financial statements

Required Communications (Continued)

- Management Judgments and Accounting Estimates – Reasonable/Supported
  - None noted at higher risk
- 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
- Minnesota Legal Compliance
  - None noted

General Fund

For the Year Ended June 30,	2026	2025	2024	2023	2022
Total Revenues	$ 14,182,179	$ 14,217,352	$ 13,911,195	$ 12,119,727	$ 12,289,078
Total Expenditures	13,759,796	13,339,973	14,220,254	12,548,643	12,202,021
Other Financing Sources (Uses)	(294,476)	28,134	(102,075)	(99,043)	(179,201)
Net Change in Fund Balance	127,907	905,513	(411,134)	(527,959)	(92,144)
Change in Accounting Principle					-
Fund Balance - Beginning	4,410,936	3,505,423	3,916,557	4,444,516	4,536,660
Unassigned Fund Balance	3,255,423	3,052,513	2,246,440	2,630,535	3,368,127
Nonspendable Fund Balance	3,852	2,637	2,934	2,666	1,590
Restricted Fund Balance	1,279,568	1,355,786	1,256,049	918,730	1,074,799
Committed Fund Balance	-	-	-	364,626	-
Fund Balance - Ending	$ 4,538,843	$ 4,410,936	$ 3,505,423	$ 3,916,557	$ 4,444,516

General Fund

For the Year Ended June 30,	Actual	Budget	Difference
Total Revenues	$ 14,182,179	$ 14,663,010	(480,831)
Total Expenditures	13,759,796	13,785,883	$ (26,087)
Other Financing Sources (uses)	(294,476)	(115,000)	(179,476)
Net Change in Fund Balance	127,907	762,127	(634,220)

Food Service Fund

For the Year Ended June 30,	2026	2025	2024	2023	2022
Total Revenues	$ 705,722	$ 702,527	$ 702,634	$ 621,027	$ 742,788
Total Expenditures	744,072	629,208	718,649	593,675	531,284
Other Financing Sources	-	-	-	-	-
Net Change in Fund Balance	(38,350)	73,319	(16,015)	27,352	211,504
Fund Balance - Beginning	384,186	310,867	326,882	299,530	88,026
Restricted Fund Balance	332,810	372,865	297,520	308,634	15,274
Nonspendable Fund Balance	13,026	11,321	13,347	18,248	284,256
Fund Balance - Ending	$ 345,836	$ 384,186	$ 310,867	$ 326,882	$ 299,530

Food Service Fund

For the Year Ended June 30,	Actual	Budget	Difference
Total Revenues	$ 705,722	$ 684,600	$ 21,122
Total Expenditures	744,072	755,606	$ (11,534)
Other Financing Sources (uses)	-	-	-
Net Change in Fund Balance	(38,350)	(71,006)	32,656

Community Service Fund

For the Year Ended June 30,	2026	2025	2024	2023	2022
Total Revenues	$ 305,708	$ 276,125	$ 268,595	$ 261,996	$ 240,685
Total Expenditures	521,299	466,528	449,520	443,564	401,362
Other Financing Sources	298,581	114,421	116,439	109,586	101,206
Net Change in Fund Balance	82,990	(75,982)	(64,486)	(71,982)	(59,471)
Fund Balance - Beginning	(74,309)	1,673	66,159	138,141	197,612
Unassigned Fund Balance	(7,569)	(94,655)	(65,535)	(29,486)	-
Nonspendable Fund Balance	-	-	-	-	-
Restricted Fund Balance	16,250	19,760	67,208	95,645	138,141
Fund Balance - Ending	$ 8,681	$ (74,309)	$ 1,673	$ 66,159	$ 138,141

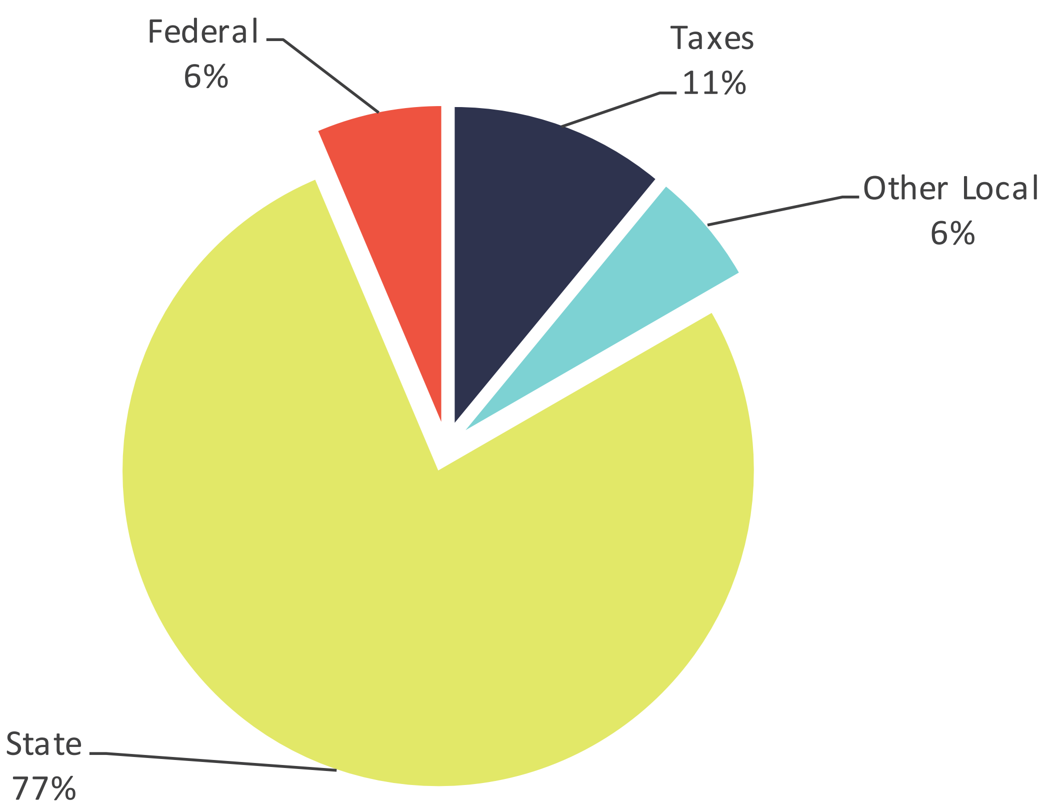
Community Service Fund

For the Year Ended June 30,	Actual	Budget	Difference
Total Revenues	$ 305,708	$ 282,344	$ 23,364
Total Expenditures	521,299	510,386	$ (10,913)
Other Financing Sources (uses)	298,581	115,000	183,581
Net Change in Fund Balance	82,990	(113,042)	196,032

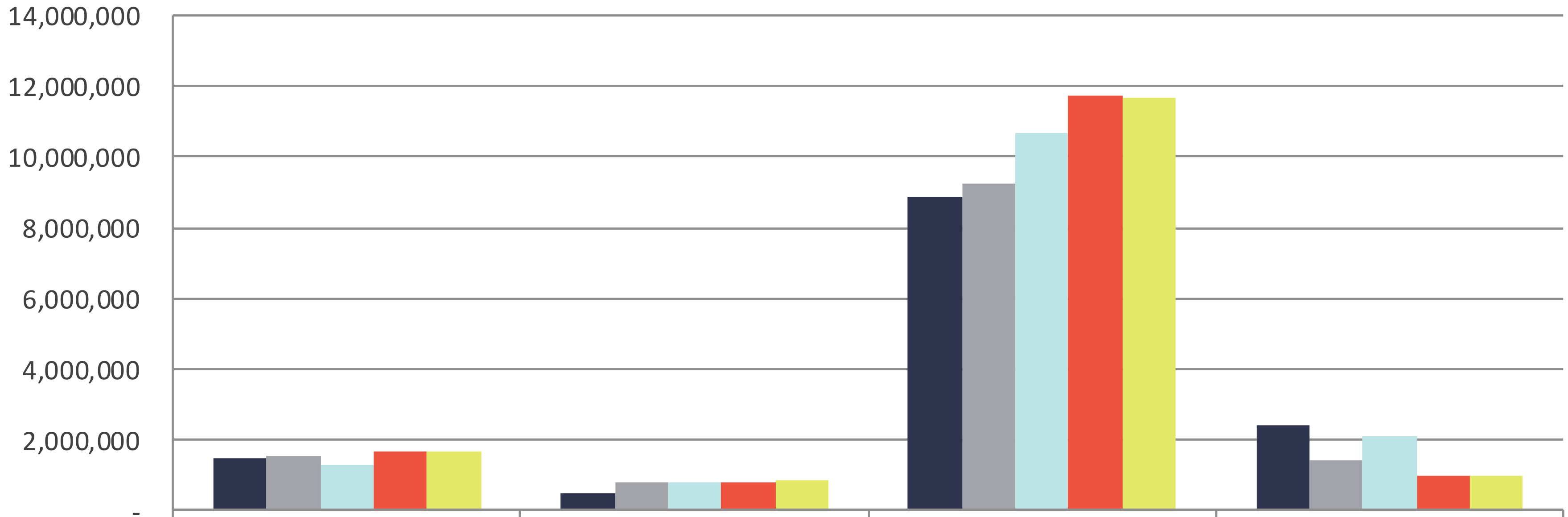
Debt Service

For the Year Ended June 30,	2026	2025	2024	2023	2022
Total Revenues	$ 464,735	$ 577,859	$ 613,292	$ 603,177	$ 567,497
Total Expenditures	493,004	1,381,062	483,624	483,601	475,500
Other Financing Sources	-	-	-	-	-
Net Change in Fund Balance	(28,269)	(803,203)	129,668	119,576	91,997
Fund Balance - Beginning	198,614	1,001,817	872,149	752,573	660,576
Restricted Fund Balance - June 30	$ 170,345	$ 198,614	$ 1,001,817	$ 872,149	$ 752,573

Source of Revenues for ISD No. 2174
For the Year Ended June 30, 2026

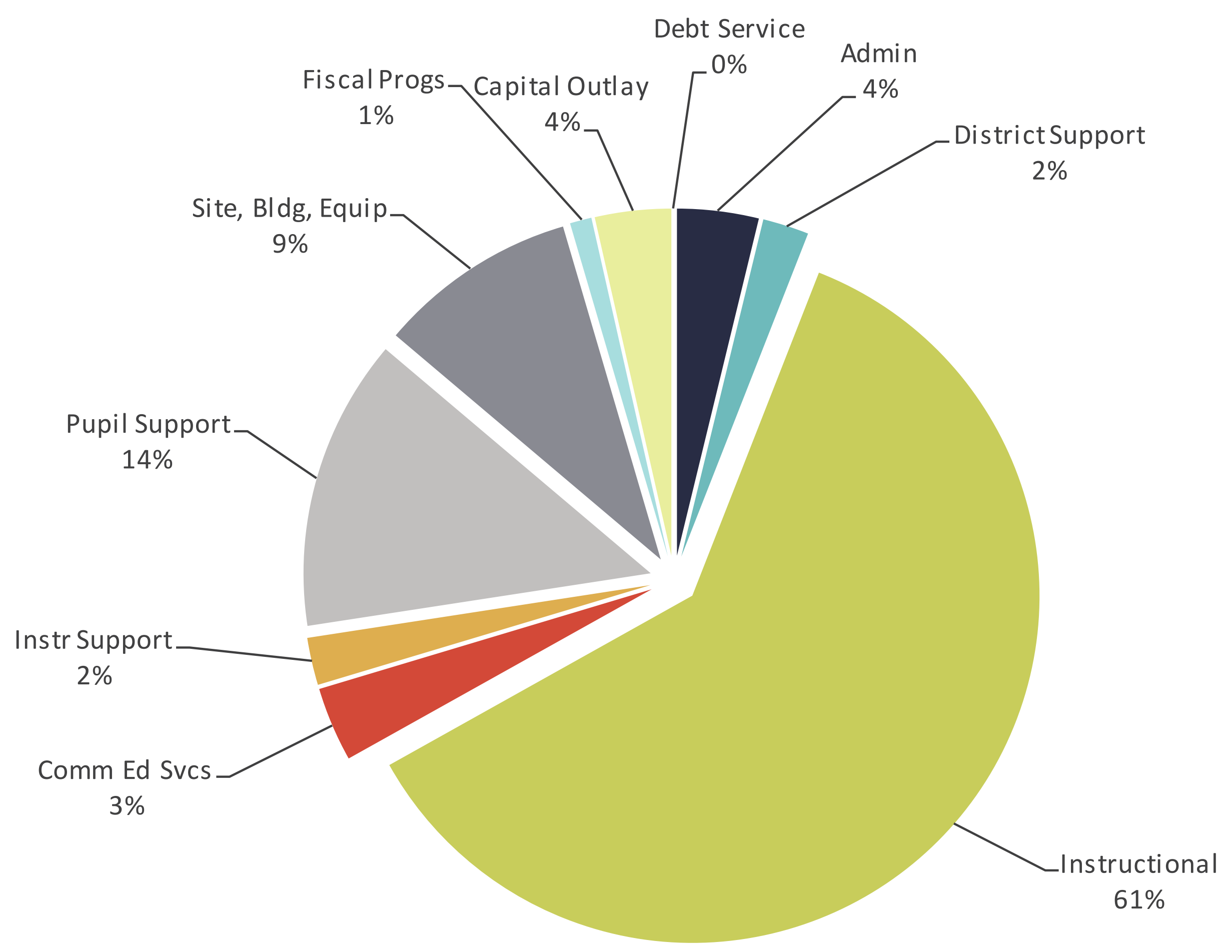


Comparative Governmental Revenues of ISD No. 2174

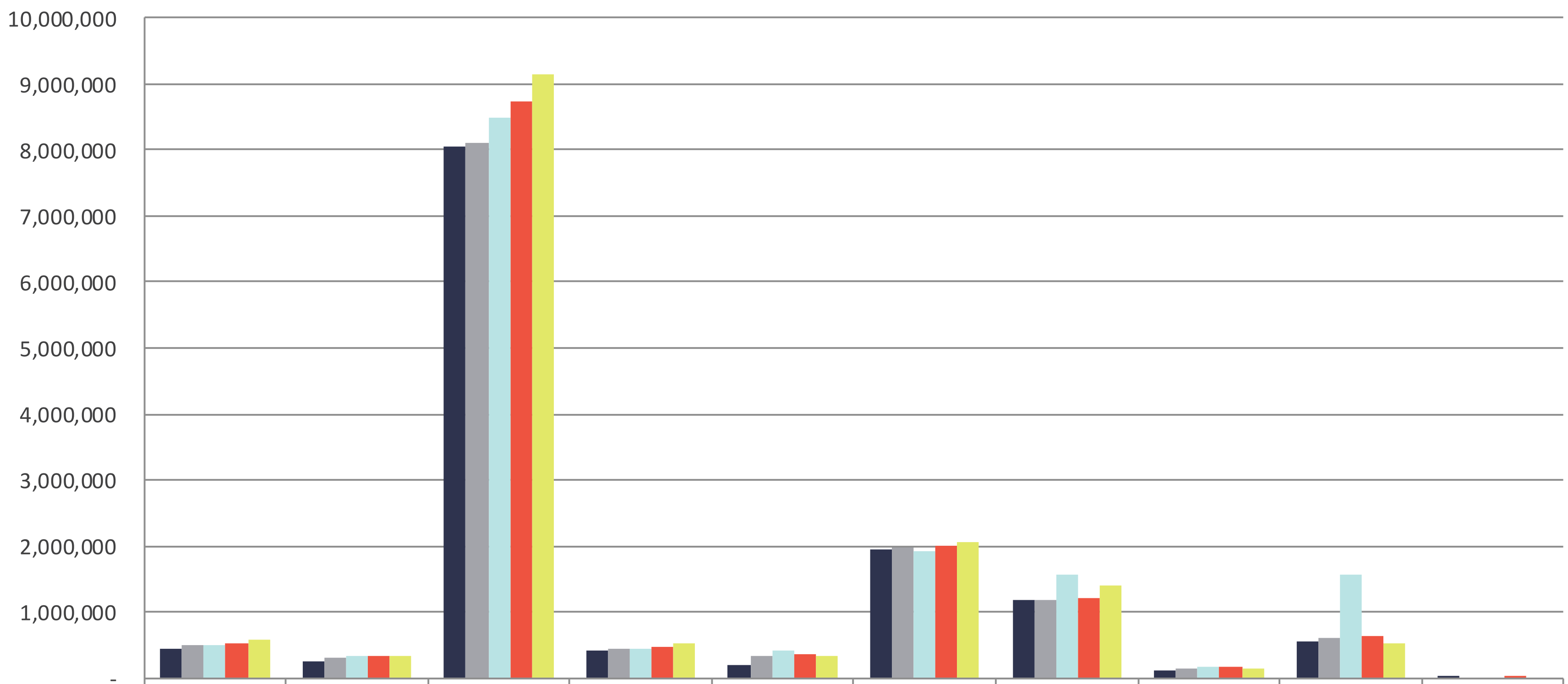


	Taxes	Other Local	State	Federal
21-22	1,484,833	511,615	8,870,774	2,405,329
22-23	1,548,440	787,903	9,219,541	1,446,866
23-24	1,304,728	806,149	10,642,652	2,128,895
24-25	1,649,156	829,525	11,748,485	968,838
25-26	1,665,946	868,483	11,691,201	967,979

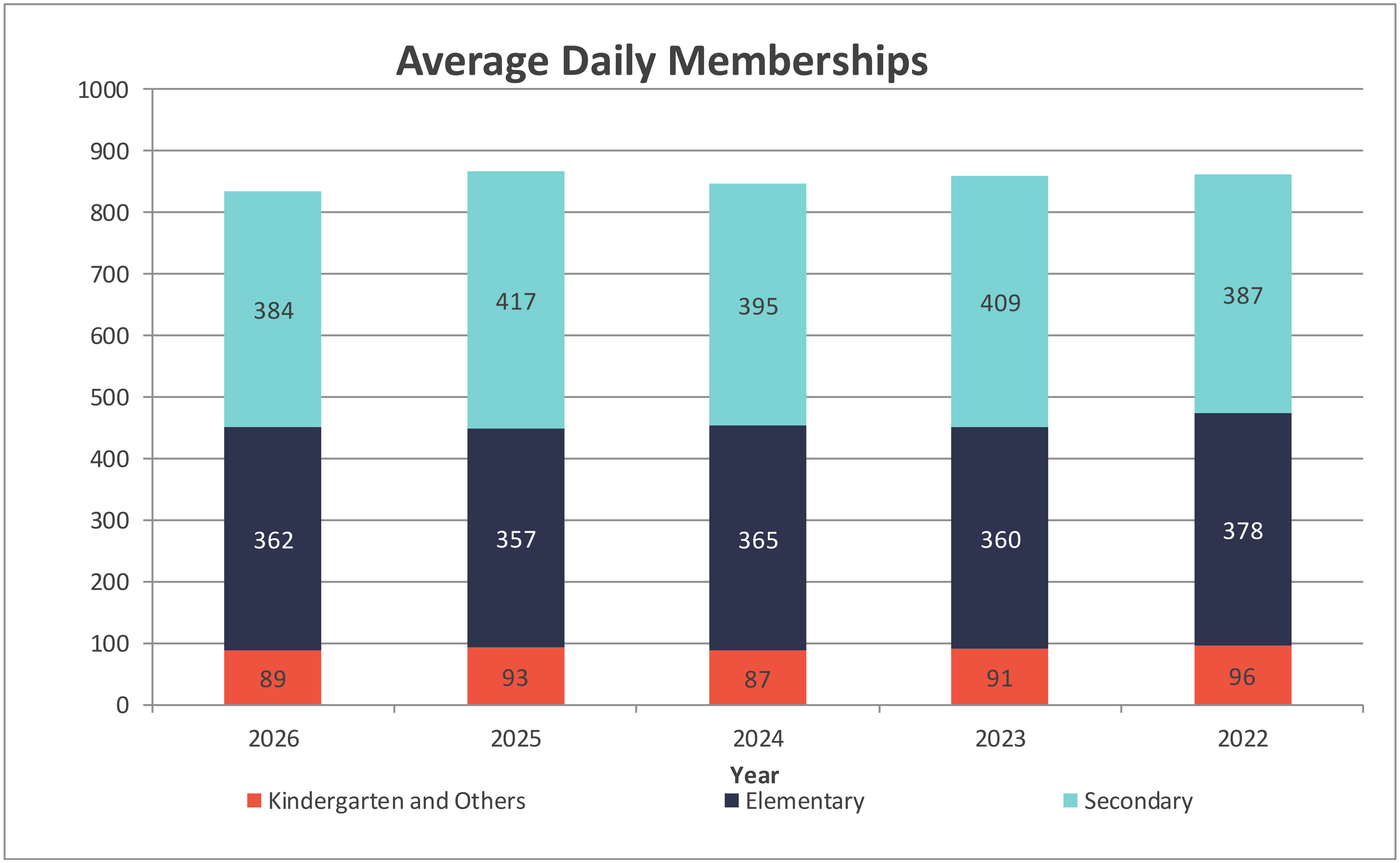
Breakdown of Expenditures for ISD No. 2174
For the Year Ended June 30, 2026



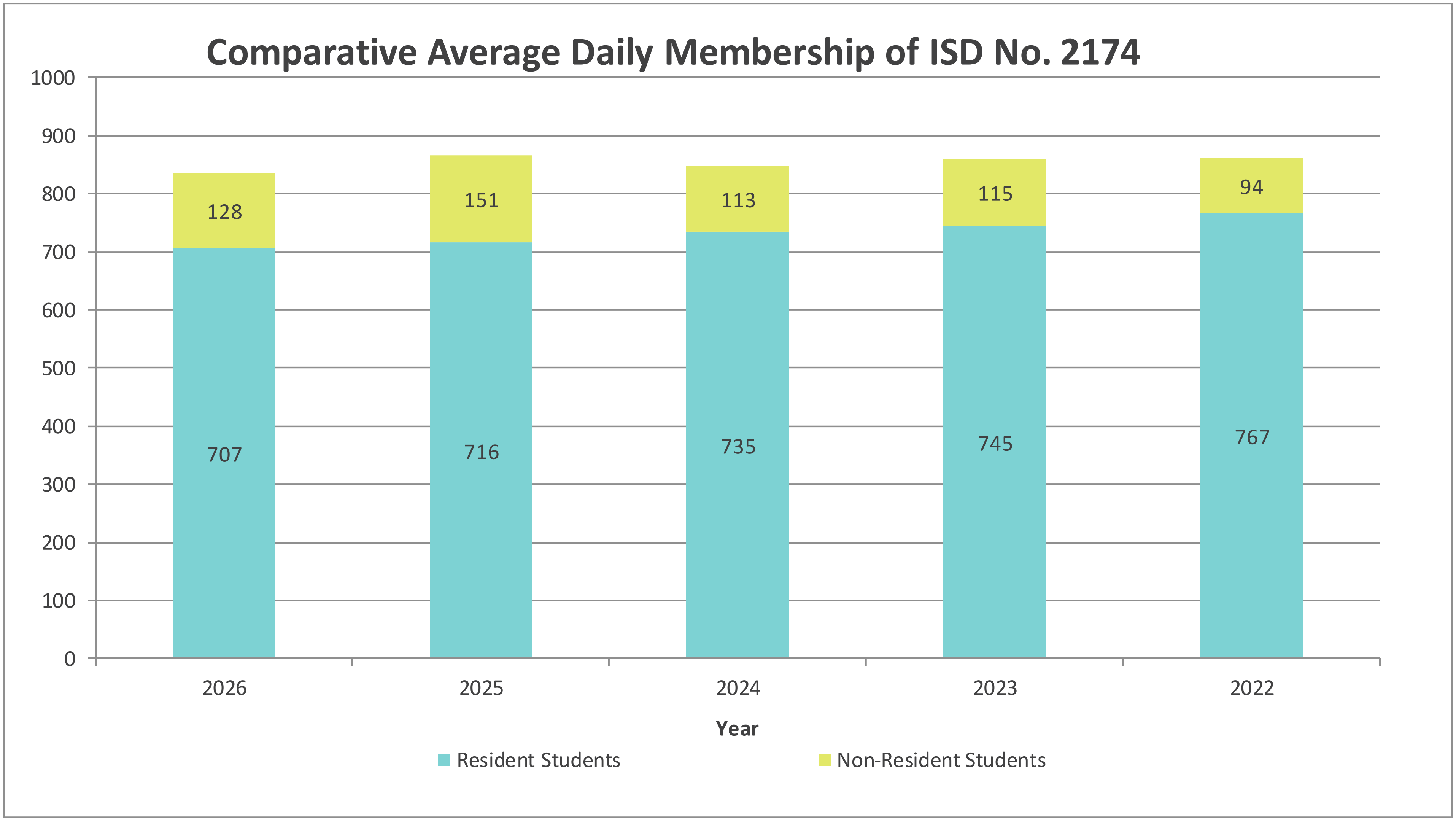
Comparative Expenditures for Governmental Funds of ISD No. 2174

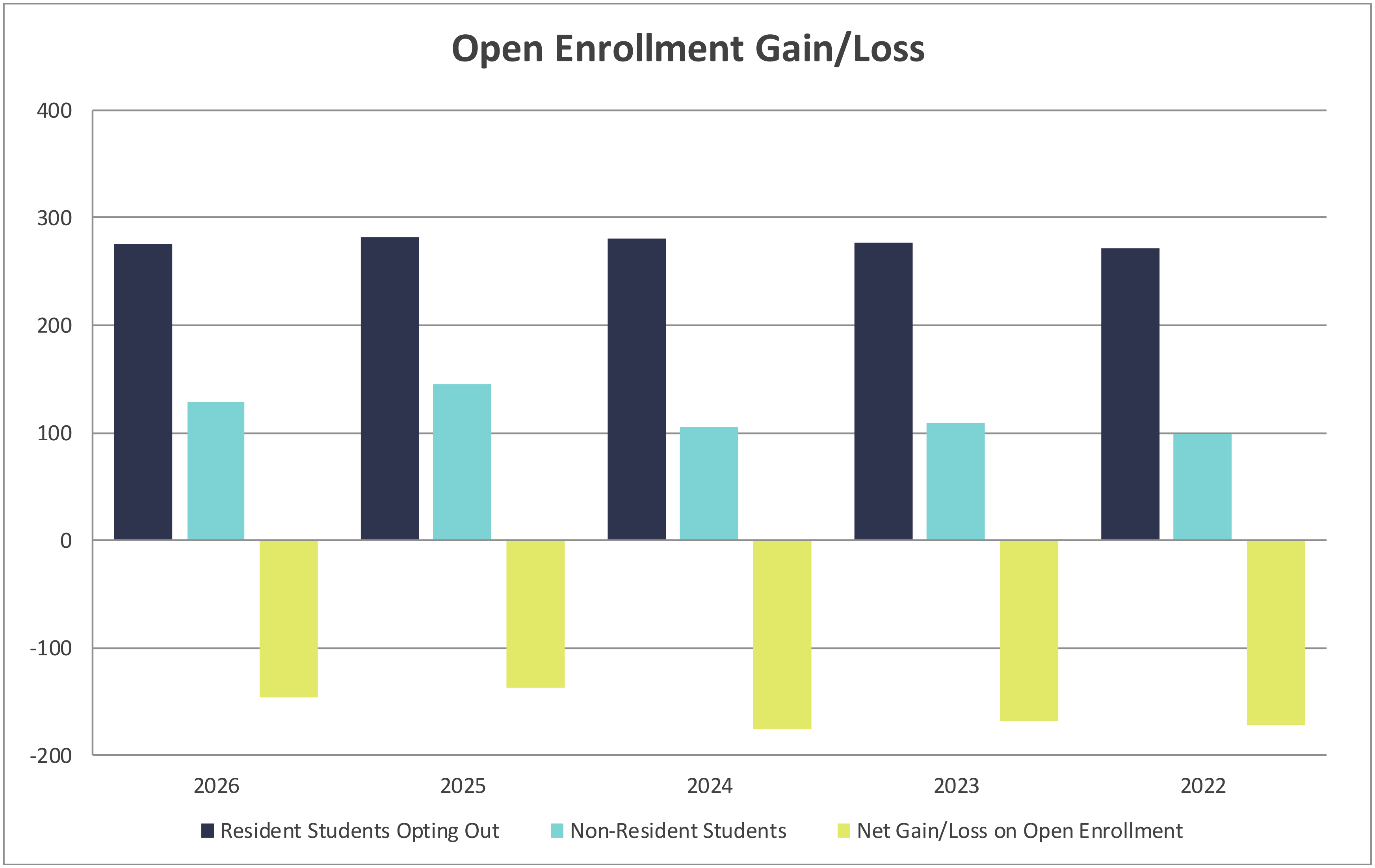


	Admin	District Support	Instructional	Comm Ed Svcs	Instr Support	Pupil Support	Site, Bldg, Equip	Fiscal Progs	Capital Outlay	Debt Service
20-21	452,255	252,204	8,045,477	401,362	193,748	1,959,500	1,166,365	103,950	540,691	19,115
21-22	484,543	314,672	8,114,227	443,564	341,451	1,964,667	1,173,352	137,687	611,719	-
22-23	492,496	322,575	8,498,061	449,520	408,810	1,931,506	1,571,314	158,157	1,555,984	-
23-24	517,755	340,164	8,730,906	466,528	354,350	1,993,722	1,217,962	165,278	619,640	29,404
25-26	570,348	323,152	9,156,767	521,299	332,205	2,043,458	1,394,575	151,018	532,345	-

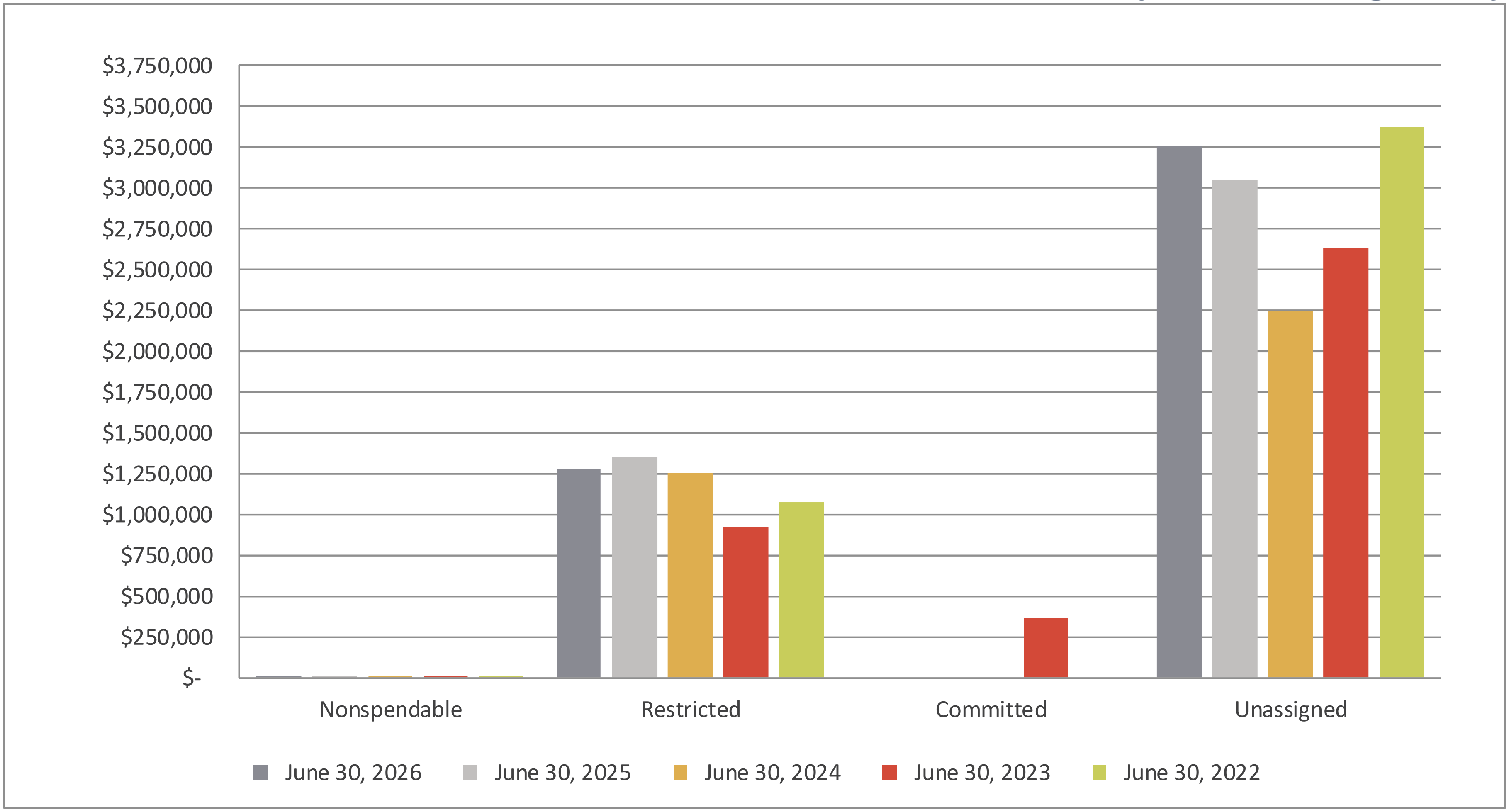


Resident Average Daily Membership (ADM)	2026	2025	2024	2023	2022
Kindergarten and Others	89	93	87	91	96
Elementary	362	357	365	360	378
Secondary	384	417	395	409	387
Total ADM	836	867	848	860	861
Total Weighted ADM (WADM)	912	950	927	942	939

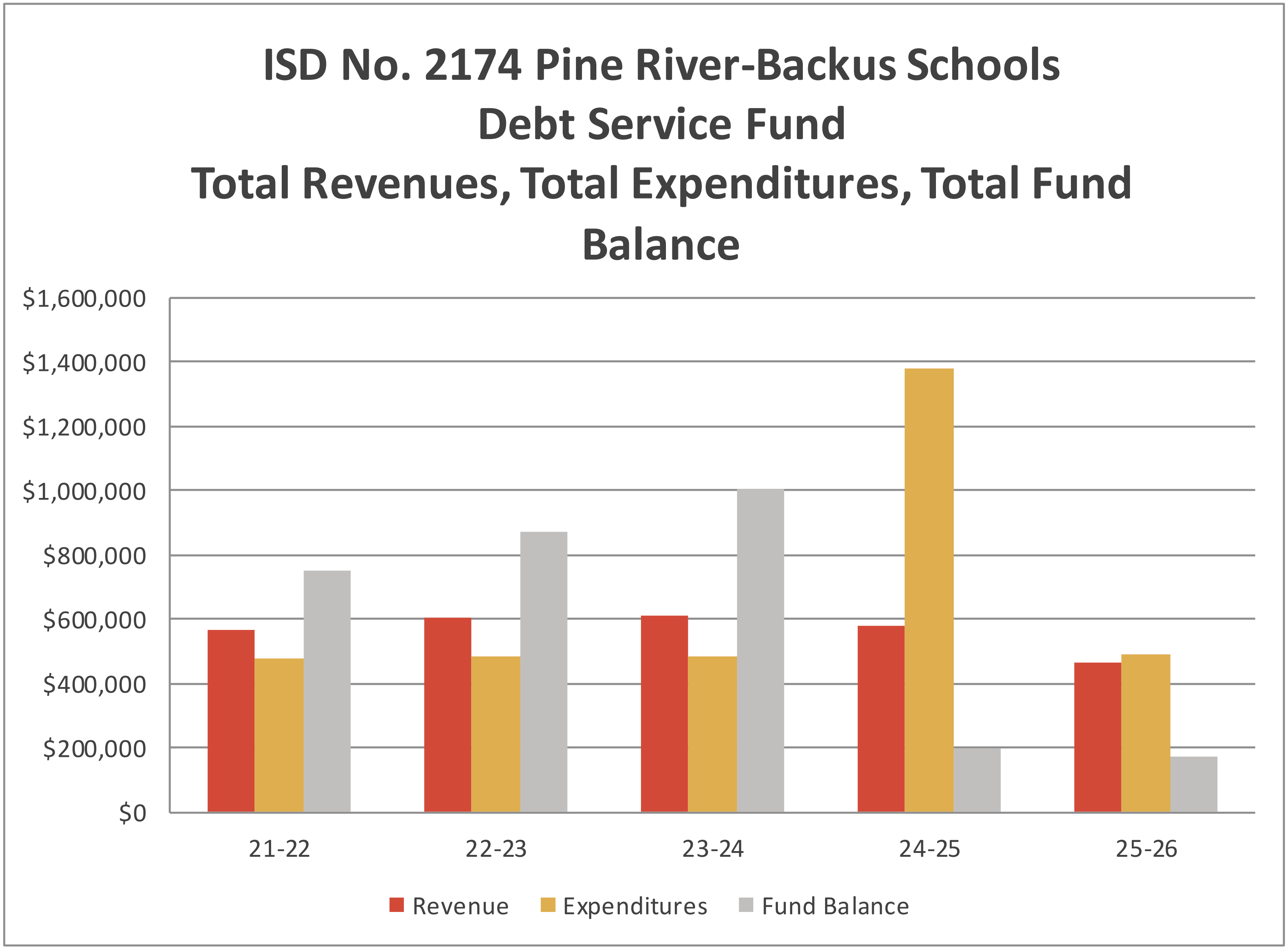

Comparative Average Daily Membership of ISD No. 2174
1000
900
800
700
600
500
400
300
200
100
0
128
151
113
115
94
707
716
735
745
767
2026
2025
2024
2023
2022
Year
Resident Students
Non-Resident Students

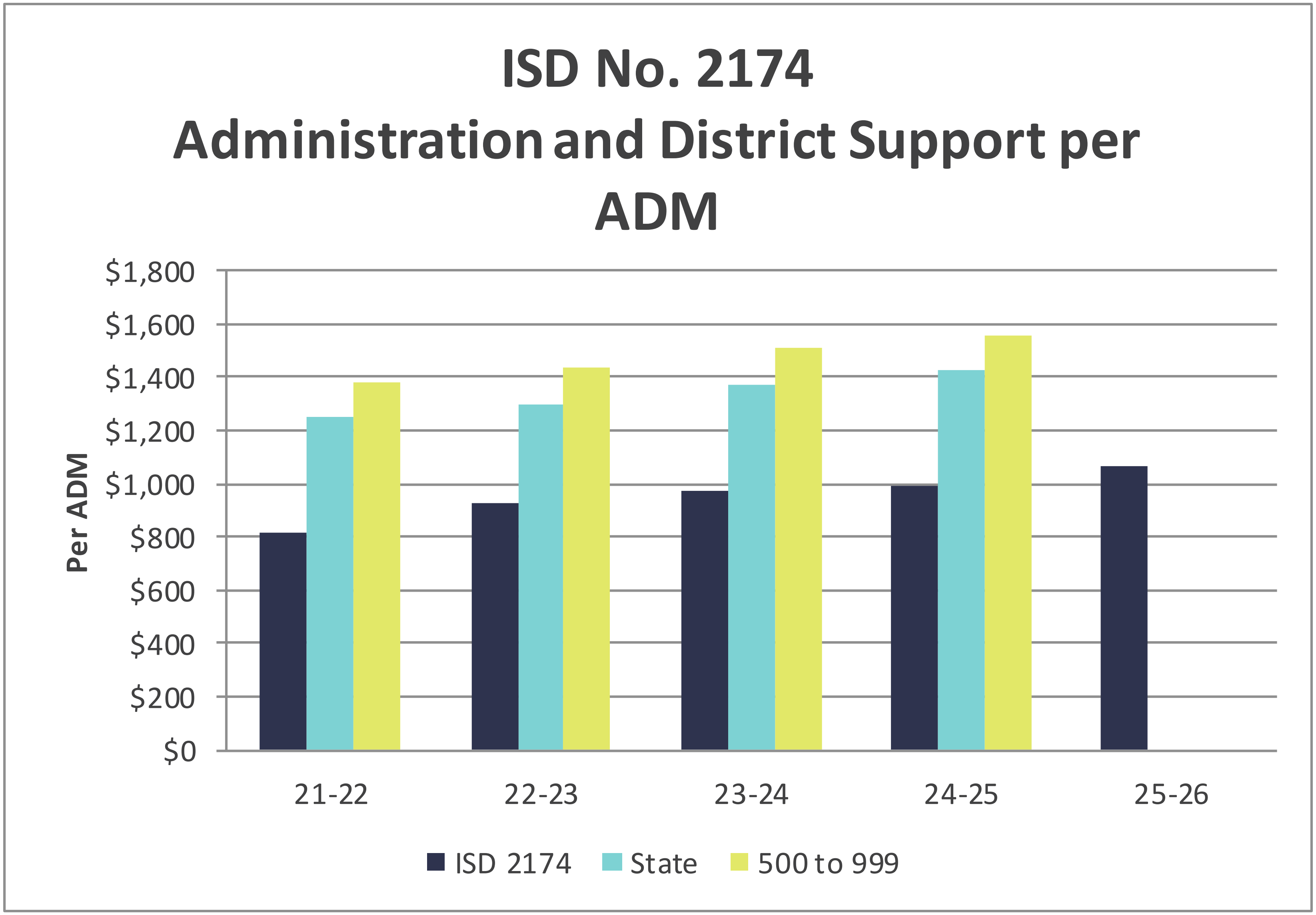

Open Enrollment Gain/Loss
400
300
200
100
0
-100
-200
2026
2025
2024
2023
2022
Resident Students Opting Out
Non-Resident Students
Net Gain/Loss on Open Enrollment

General Fund – Fund Balance by Category

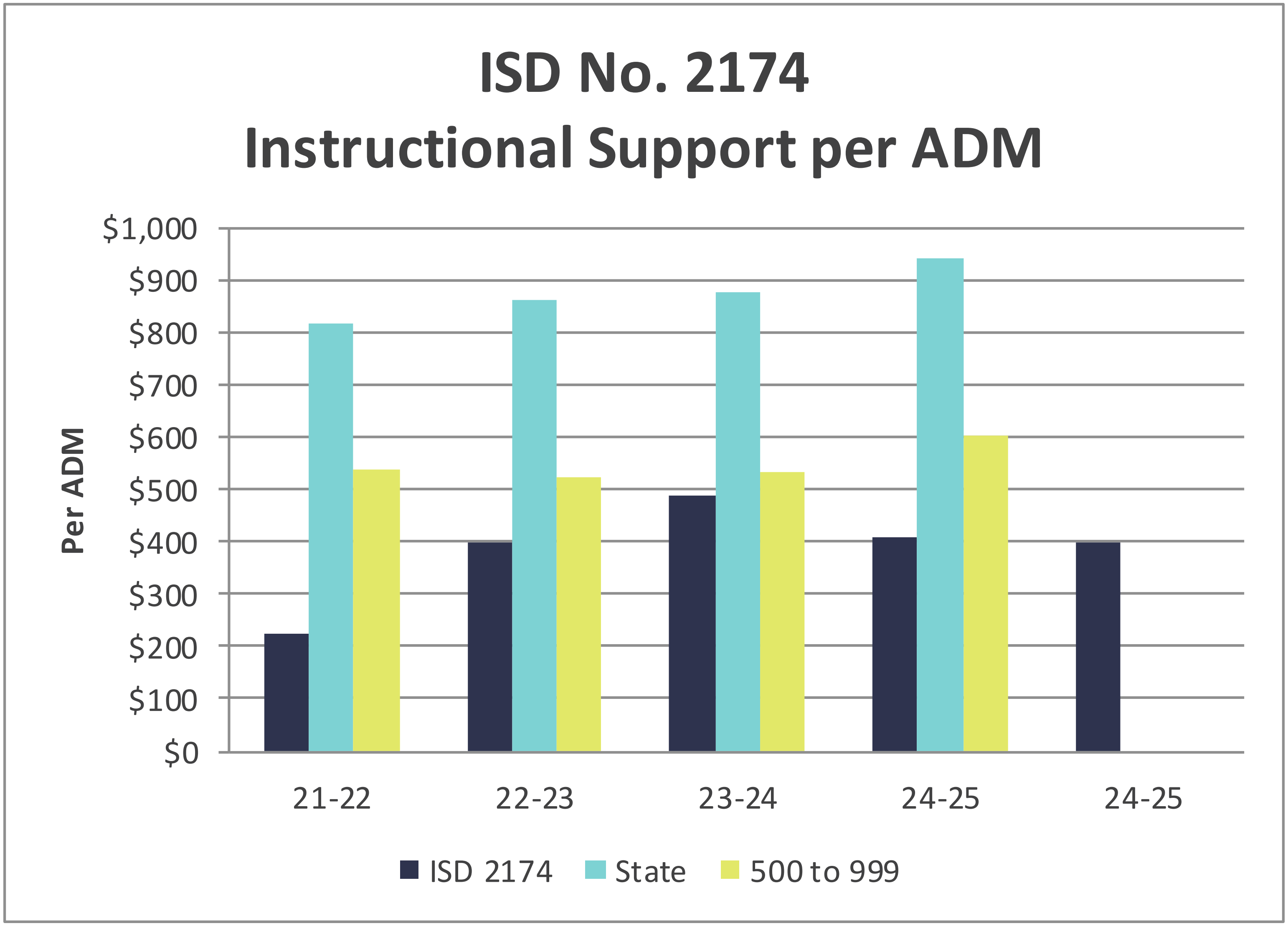


	June 30, 2026	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022
Fund Balance	$ 3,305,536	$ 3,055,148	$ 2,511,163	$ 2,997,824	$ 3,396,110
Expenditures	$ 10,331,074	$ 9,932,489	$ 11,626,035	$ 10,373,921	$ 10,367,146
SOD Calculation	32.00%	30.76%	21.60%	28.90%	32.76%

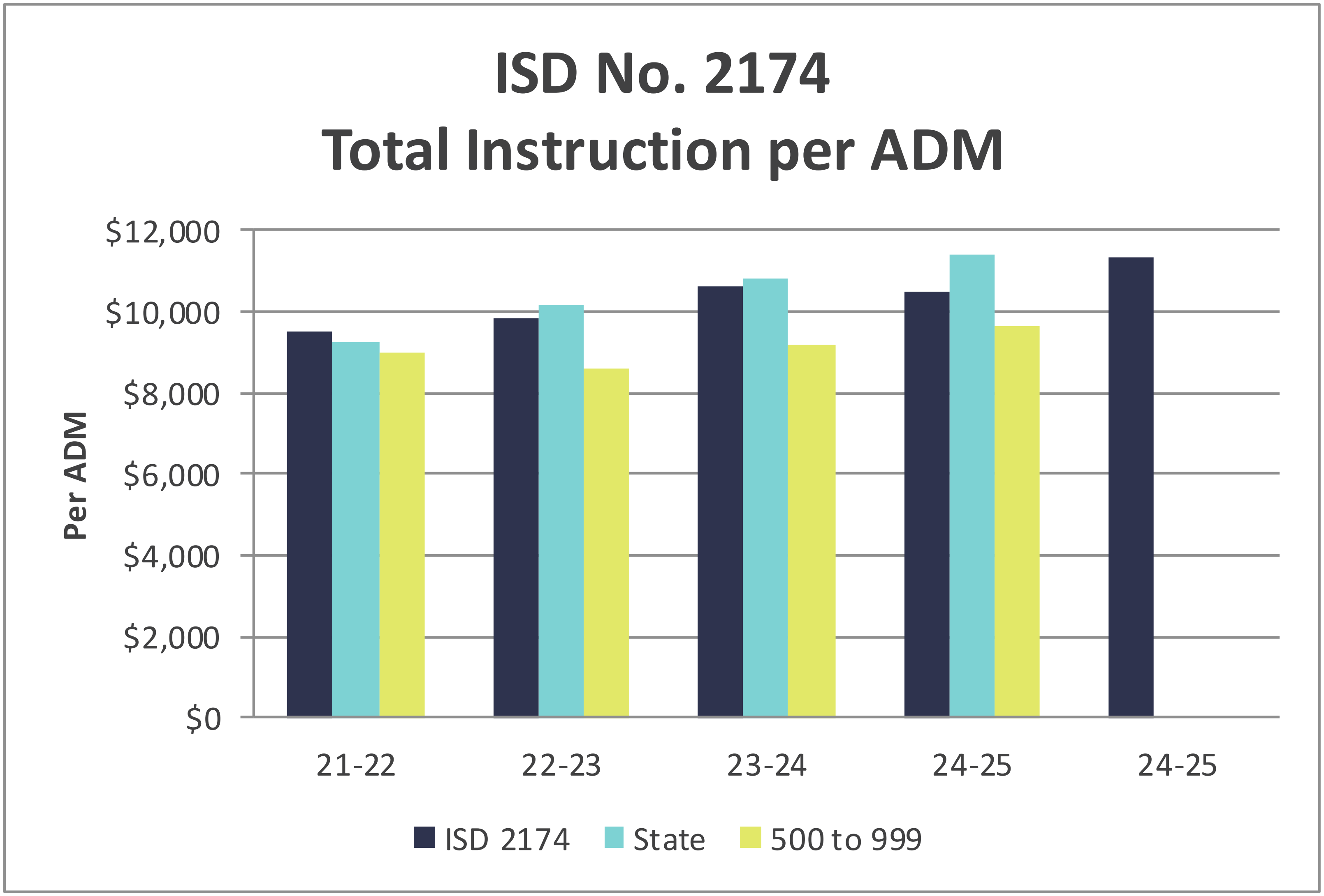

ISD No. 2174 Pine River-Backus Schools
Debt Service Fund
Total Revenues, Total Expenditures, Total Fund Balance
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
21-22
22-23
23-24
24-25
25-26
Revenue
Expenditures
Fund Balance



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).



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.).



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.

Mary Reedy, CPA, CGFM
Principal
320-203-5534
Mary.reedy@CLAconnect.com

CLAconnect.com

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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2026

PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2026

PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2026

INTRODUCTORY SECTION

PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2026

BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Chris Cunningham	January 1, 2027	Chairperson
Carrie Maurer-Ackerman	January 1, 2029	Vice-Chairperson
Ryan Trumble	January 1, 2027	Clerk
Roger Hoplin	January 1, 2029	Treasurer
Leslie Bouchonville	January 1, 2027	Director
Nicki Linsten-Lodge	January 1, 2027	Director
Dave Sheley	January 1, 2029	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 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, 2026, 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 accompanying 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, 2026, 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.

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

Report on Summarized Comparative Information

We have previously audited the District's 2025 financial statements, and we have expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated October 29, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025 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 8, 2026, 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

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 8, 2026

REQUIRED SUPPLEMENTARY INFORMATION

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, 2026.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2025 – 2026 fiscal years include the following:

- District-wide accrual basis net position increased by $859,621 on revenues of $15,704,572 compared to expenses of $14,844,951.
- Total General Fund revenues were approximately $14,182,179 as compared to $13,759,796 of expenditures.

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.

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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was $8,563,244 on June 30, 2026.

Table A-1
The District's Net Position

	Governmental Activities as of June 30, 2026	Governmental Activities as of June 30, 2025	Percentage Change
Assets:			
Current and Other Assets	$ 9,666,845	$ 8,598,569	12.4 %
Capital and Noncurrent Assets	13,232,301	13,525,793	(2.2)
Total Assets	22,899,146	22,124,362	3.5
Deferred Outflows of Resources	1,581,190	1,960,075	(19.3)
Liabilities:			
Current Liabilities	2,391,958	2,351,002	1.7
Long-Term Liabilities	8,255,584	9,771,452	(15.5)
Total Liabilities	10,647,542	12,122,454	(12.2)
Deferred Inflows of Resources	5,269,550	4,258,360	23.7
Net Position:			
Net Investment in Capital Assets	10,448,580	10,274,002	1.7
Restricted	1,814,695	1,939,702	(6.4)
Unrestricted	(3,700,031)	(4,510,081)	(18.0)
Total Net Position	$ 8,563,244	$ 7,703,623	11.2

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were $15,704,572 for the year ended June 30, 2026. Property taxes and state aid formula accounted for 56% of total revenue for the year. Another 38% came from other program-specific federal and state aid.

Table A-2
Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30, 2026	Governmental Activities for the Fiscal Year Ended June 30, 2025	Total Percent Change
Revenues			
Program Revenues:			
Charges for Services	$ 446,186	$ 433,335	3.0 %
Operating Grants and Contributions	5,994,712	6,309,095	(5.0)
Capital Grants and Contributions	1,825	1,886	(3.2)
General Revenues:			
Property Taxes	2,123,654	2,144,427	(1.0)
Unrestricted Federal and State Aid	6,700,008	6,567,354	2.0
Investment Earnings	199,145	215,338	(7.5)
Other	239,042	232,307	2.9
Total Revenues	15,704,572	15,903,742	(1.3)
Expenses			
Administration	555,320	520,420	6.7
District Support Services	309,734	361,825	(14.4)
Regular Instruction	6,155,268	6,174,928	(0.3)
Vocational Education Instruction	105,229	84,103	25.1
Special Education Instruction	2,626,339	2,540,549	3.4
Instructional Support Services	304,145	353,742	(14.0)
Pupil Support Services	1,315,634	1,395,880	(5.7)
Sites and Buildings	1,840,369	1,586,987	16.0
Fiscal and Other Fixed Cost Programs	151,018	165,278	(8.6)
Food Service	823,678	817,542	0.8
Community Service	514,201	466,599	10.2
Unallocated - Depreciation	103,113	113,374	(9.1)
Interest and Fiscal Charges on Long-Term Liabilities	40,903	52,373	(21.9)
Total Expenses	14,844,951	14,633,600	1.4
Increase in Net Position	859,621	1,270,142	
Net Position - Beginning of Year	7,703,623	6,433,481	
Net Position - End of Year	$ 8,563,244	$ 7,703,623	

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The cost of all governmental activities this year was $14,844,951.

- Some of the cost was paid by the users of the District's programs ($446,186).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions ($5,996,537).
- 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.

Figure A-1
Sources of District's Revenues for Fiscal 2026

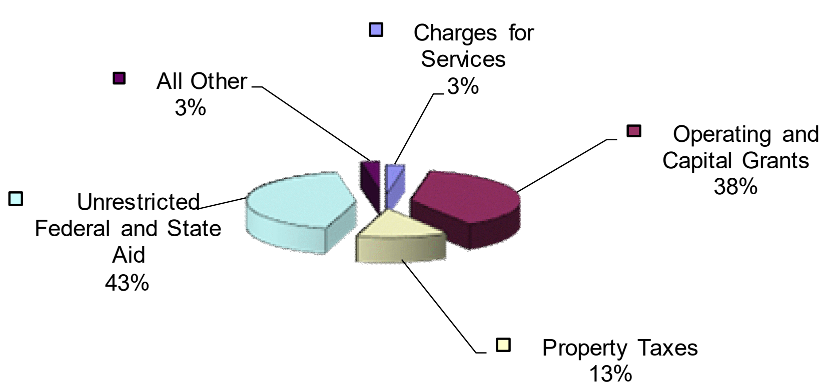
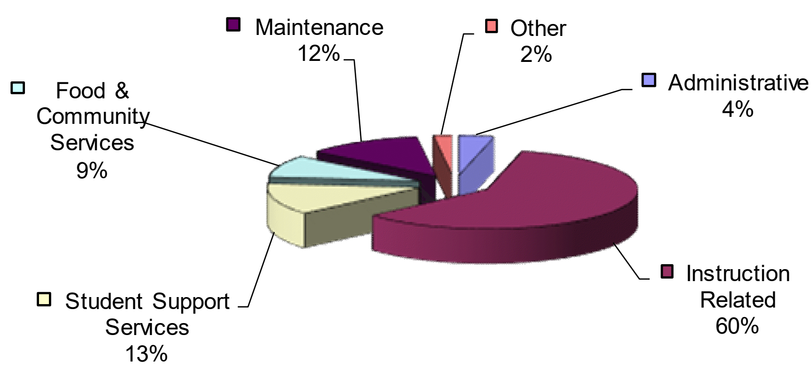


Figure A-2
District Expenses for Fiscal 2026



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		
	2026	2025	Change	2026	2025	Change
Administration	$ 555,320	$ 520,420	6.7 %	$ 484,469	$ 444,789	8.9 %
District Support Services	309,734	361,825	(14.4)	309,734	361,825	(14.4)
Regular Instruction	6,155,268	6,174,928	(0.3)	3,702,935	3,506,456	5.6
Vocational Education Instruction	105,229	84,103	25.1	105,022	82,083	27.9
Special Education Instruction	2,626,339	2,540,549	3.4	500,200	412,340	21.3
Instructional Support Services	304,145	353,742	(14.0)	129,119	103,964	24.2
Pupil Support Services	1,315,634	1,395,880	(5.7)	567,932	627,659	(9.5)
Sites and Buildings	1,840,369	1,586,987	16.0	1,839,108	1,585,361	16.0
Fiscal and Other Fixed Cost Programs	151,018	165,278	(8.6)	151,018	165,278	(8.6)
Food Service	823,678	817,542	0.8	132,862	128,581	3.3
Community Service	514,201	466,599	10.2	335,813	305,201	10.0
Unallocated - Depreciation	103,113	113,374	(9.1)	103,113	113,374	(9.1)
Interest and Fiscal Charges on Long-Term Liabilities	40,903	52,373	(21.9)	40,903	52,373	(21.9)
Total	$ 14,844,951	$ 14,633,600	1.4	$ 8,402,228	$ 7,889,284	6.5

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 $5,063,705.

Revenues for the District's governmental funds were $15,658,344, while total expenditures were $15,518,171.

GENERAL FUND

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

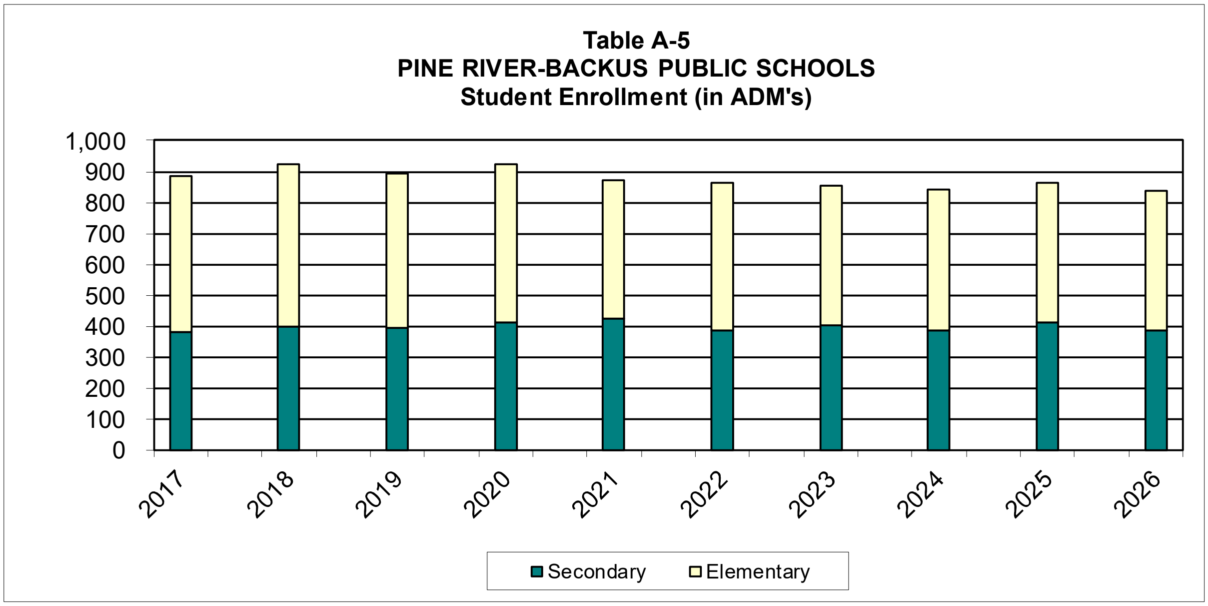
The following graph shows the trend in student counts over the past 10 years:

Table A-4

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Pre-K	11	25	33	32	27	32	33	33	30	36
HCP K	8	7	9	15	17	17	18	-	-	-
Reg K	60	63	44	63	39	48	40	55	63	53
Elementary	428	433	412	401	366	378	360	365	357	362
Secondary	379	398	396	411	423	387	403	387	411	385
Total Students for Aid	886	926	894	922	872	862	854	840	861	836
Percent Change	0.57%	4.51%	-3.46%	3.13%	-5.42%	-1.15%	-0.93%	-1.64%	2.50%	-2.90%

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 June 30, 2026	Year Ended June 30, 2025	Change Amount Increase (Decrease)	Change Percent Increase (Decrease)
Local Sources:				
Property Taxes	$ 1,540,058	$ 1,531,450	$ 8,608	0.6 %
Earnings on Investments	176,283	161,895	14,388	8.9
Other	515,297	520,323	(5,026)	(1.0)
State Sources	11,516,567	11,572,507	(55,940)	(0.5)
Federal Sources	433,974	431,177	2,797	0.6
Total General Fund Revenue	$ 14,182,179	$ 14,217,352	$ (35,173)	(0.2)

Total General Fund revenue decreased by $35,173 or 0.2% from the prior year as show above. The decrease is due to a slight decrease in state funding and a slight decrease in donations.

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-7
General Fund Expenditures

	Year Ended		Change	
	June 30, 2026	June 30, 2025	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 8,153,090	$ 7,723,035	$ 430,055	5.6 %
Employee Benefits	2,366,550	2,216,138	150,412	6.8
Purchased Services	1,945,845	1,806,320	139,525	7.7
Supplies and Materials	783,542	873,588	(90,046)	(10.3)
Capital Expenditures	436,913	599,631	(162,718)	(27.1)
Other Expenditures	73,856	91,857	(18,001)	(19.6)
Debt Service	-	29,404	(29,404)	100.0
Total Expenditures	$ 13,759,796	$ 13,339,973	$ 419,823	3.1

Total General Fund expenditures increased by $419,823 or 3.1% from the prior year as show above. The decrease in capital outlay is due to the District spending ESSER monies in the prior year which were no longer available in the current year. The increase in salaries and benefits is due to contracted increases and an increase in employees.

General Fund Budgetary Highlights
Over the course of the year, the District revised the annual operating budget one time.

- This 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.

- The budget also has a concentration on the review and tracking of both actual revenue and expense categories toward the annual budgeted amounts.

In the case of 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.

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 revenues would exceed expenditures by $877,127, actual revenues exceeded actual expenditures by $422,383.
- Overall, actual revenues were $480,831 less than budgeted, representing more than a 3.28% variation from budget to actual. Other revenues were over budget by $286,397 due to student activities for the current year which are not budgeted. State revenues were lower than anticipated by $869,077 due to lower general education aid due to lower student count than expected.
- The actual expenditures for current year were $26,087 less than budgeted, which represents about (0.19%) of budgeted expenditures. Elementary and Secondary Regular Instruction were under budget by $67,374 due to a reduction in purchased services and less supplies and materials purchased. Instructional Support Services was under budget by $75,903 due to a reduction in supplies and materials purchased.

CONSTRUCTION PROJECTS AND DEBT SERVICE

An annual levy is made to fund the bond payments of approximately $420,000 in principal and $73,000 of interest.

CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

As shown in the table below, the District has invested $27,779,823 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 $770,361.

Table A-8
The District's Capital Assets

	2026	2025	Percentage Change
Land	$ 7,515	$ 7,515	- %
Land Improvements	1,758,827	1,758,827	-
Buildings and Improvements	21,860,064	21,721,806	0.6
Equipment	4,080,577	3,936,867	3.7
Less: Accumulated Depreciation	(14,547,522)	(13,899,222)	4.7
Total	$ 13,232,301	$ 13,525,793	(2.2)

CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

At year-end, the District had $2,645,000 in general obligation bonds outstanding as shown in Note 5 to the financial statements. The District also had an estimated $1,000 in severance payable and $188,423 in compensated absences at June 30, 2026.

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

	2026	2025	Percentage Change
General Obligation Bonds	$ 2,645,000	$ 3,065,000	(13.7)%
Net Bond Premium and Discount	47,927	67,335	(28.8)
Finance Purchase Agreement	79,548	103,360	100.0
Severance Payable	950	4,750	(80.0)
Compensated Absences	188,423	206,179	100.0
Total	$ 2,961,848	$ 3,446,624	(14.1)
Long-Term Liabilities			
Due Within One Year	$ 507,197	$ 487,137	
Due in More Than One Year	2,454,651	2,959,487	
Total	$ 2,961,848	$ 3,446,624	

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

- Total Population: The broader school district region encompasses roughly 8,000 residents across Pine River, Backus, and surrounding townships.
- The region has a notably older median age of 51.3 years. Residents aged 60–69 represent nearly 19% of the district's total population footprint, whereas children aged 0–9 make up roughly 10%.
- School Enrollment: The district consolidates operations onto a single conjoined campus in Pine River, maintaining a stable student enrollment of approximately 875 to 880 students across its elementary and high school programs. Approximately 57% to 60% of enrolled students qualify as economically disadvantaged.
- Income Levels: Median household incomes vary locally (around $43,080 within the city of Pine River up to higher averages in surrounding lake/rural communities), with a general per capita income hovering near $23,400–$28,800. Poverty rates in the immediate city centers run higher (near 29%), reflecting fixed-income senior populations and lower-wage seasonal service work.
- Customer Base & Employment: The local economy relies heavily on Health Care & Social Assistance, Retail Trade, and Accommodation & Food Services. Tourism and lake-home economies heavily drive the customer base during warmer months. Unemployment rates trend between 5.4% in the summer months and 10.2% in the winter months with construction and seasonal hospitality layoffs.
- Building Permits & Housing: New construction remains stable yet modest, typical of rural recreational-amenity counties in Cass County, with limited large-scale commercial or dense residential building permits issued annually.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS (CONTINUED)

- Student enrollment drives most district decision making as higher enrollment directly equates to higher revenue and vice versa. Enrollment drives our staffing choices and building needs.
- Pine-River Backus' student enrollment is projected to remain constant over the next three years. The District continues to respond to its changing population by accessing funding streams specific to poverty indicators and effective and planned financial management.
- Exclusive of construction and debt service funds, the District's salaries, wages, and benefits account for 74% of the District's overall expenditures.
- Most employee contracts will expire June 30, 2027. New contracts will be negotiated for the 2027-28 and 2028-29 school years.
- 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.
- 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 and Federal 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 $7,481 per pupil unit. The Federal government controls Title funds and a large portion of Food Service meal reimbursements. The District makes every effort to balance the need for revenue with the added impact to local taxpayers.

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, 2026
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2025)

	Governmental Activities	
	2026	2025
ASSETS		
Cash and Investments	$ 7,064,474	$ 6,330,328
Receivables:		
Property Taxes	1,200,168	798,477
Other Governments	1,341,218	1,451,795
Other	44,107	4,011
Inventories	16,878	13,958
Capital Assets:		
Land	7,515	7,515
Construction-in-Progress	72,840	-
Other Capital Assets, Net of Depreciation	13,151,946	13,518,278
Total Assets	22,899,146	22,124,362
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	1,480,998	1,842,249
OPEB Related	100,192	117,826
Total Deferred Outflows of Resources	1,581,190	1,960,075
LIABILITIES		
Salaries and Payroll Deductions Payable	1,430,047	1,413,271
Accounts and Contracts Payable	77,706	56,977
Accrued Interest	25,458	33,301
Due to Other Governmental Units	304,762	320,724
Unearned Revenue	7,496	8,806
Long-Term Liabilities:		
Portion Due Within One Year	507,197	487,137
Portion Due in More Than One Year	2,454,651	2,959,487
Net Pension Liability	5,483,550	6,469,885
Other Postemployment Benefits Liability, Due Within One Year	39,292	30,786
Other Postemployment Benefits Liability, Due in More Than One Year	317,383	342,080
Total Liabilities	10,647,542	12,122,454
DEFERRED INFLOWS OF RESOURCES		
Pension Related	2,495,796	2,348,284
OPEB Related	69,623	56,986
Property Taxes Levied for Subsequent Year	2,692,885	1,836,994
Refunding Gain on Bonds	11,246	16,096
Total Deferred Inflows of Resources	5,269,550	4,258,360
NET POSITION		
Net Investment in Capital Assets	10,448,580	10,274,002
Restricted for:		
General Fund Operating Capital Purposes	-	15,101
General Fund State-Mandated Reserves	1,279,568	1,340,685
Food Service	345,836	384,186
Community Service	22,559	22,973
Debt Service	166,732	176,757
Unrestricted	(3,700,031)	(4,510,081)
Total Net Position	$ 8,563,244	$ 7,703,623

See accompanying Notes to Financial Statements.

PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2025)

	2026					2025
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
FUNCTIONS/PROGRAMS						
Primary Government:						
Governmental Activities:						
Administration	$ 555,320	$ -	$ 70,851	$ -	$ (484,469)	$ (444,789)
District Support Services	309,734	-	-	-	(309,734)	(361,825)
Regular Instruction	6,155,268	284,189	2,168,144	-	(3,702,935)	(3,506,456)
Vocational Education Instruction	105,229	-	207	-	(105,022)	(82,083)
Special Education Instruction	2,626,339	-	2,126,139	-	(500,200)	(412,340)
Instructional Support Services	304,145	-	175,026	-	(129,119)	(103,964)
Pupil Support Services	1,315,634	-	747,131	571	(567,932)	(627,659)
Sites and Buildings	1,840,369	-	7	1,254	(1,839,108)	(1,585,361)
Fiscal and Other Fixed Cost Programs	151,018	-	-	-	(151,018)	(165,278)
Food Service	823,678	42,007	648,809	-	(132,862)	(128,581)
Community Service	514,201	119,990	58,398	-	(335,813)	(305,201)
Interest and Fiscal Charges on Long-Term Liabilities	40,903	-	-	-	(40,903)	(52,373)
Unallocated Depreciation	103,113	-	-	-	(103,113)	(113,374)
Total Governmental Activities	$ 14,844,951	$ 446,186	$ 5,994,712	$ 1,825	(8,402,228)	(7,889,284)
General Revenues:						
Property Taxes Levied for:						
General Purposes					1,587,932	1,533,515
Community Service					125,888	117,706
Debt Service					409,834	493,206
State Aid Not Restricted to Specific Purposes					6,700,008	6,567,354
Earnings on Investments					199,145	215,338
Miscellaneous					239,042	232,307
Total General Revenues					9,261,849	9,159,426
CHANGE IN NET POSITION					859,621	1,270,142
Net Position - Beginning of Year					7,703,623	6,433,481
NET POSITION - END OF YEAR					$ 8,563,244	$ 7,703,623

See accompanying Notes to Financial Statements.

PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2026
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2025)

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	2026	2025
ASSETS						
Cash and Investments	$ 6,136,424	$ 367,052	$ 149,624	$ 411,374	$ 7,064,474	$ 6,330,328
Receivables:						
Current Property Taxes	857,427	-	51,826	200,671	1,109,924	756,107
Delinquent Property Taxes	62,090	-	6,309	21,845	90,244	42,370
Accounts and Interest Receivable	44,107	-	-	-	44,107	4,011
Due from Other Minnesota School Districts	57,276	-	-	-	57,276	52,997
Due from Minnesota Department of Education	1,080,147	-	7,534	4,334	1,092,015	1,157,593
Due from Federal through Minnesota Department of Education	168,679	-	-	-	168,679	189,519
Due from Other Governmental Units	19,198	-	1,049	3,001	23,248	51,686
Inventory	3,852	13,026	-	-	16,878	13,958
Total Assets	$ 8,429,200	$ 380,078	$ 216,342	$ 641,225	$ 9,666,845	$ 8,598,569
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Salaries and Payroll Deductions Payable	$ 1,336,396	$ 25,710	$ 67,941	$ -	$ 1,430,047	$ 1,413,271
Accounts and Contracts Payable	73,871	1,036	2,799	-	77,706	56,977
Due to Other Minnesota School Districts	250,095	-	-	-	250,095	274,587
Due to Other Governmental Units	54,667	-	-	-	54,667	46,137
Unearned Revenue	-	7,496	-	-	7,496	8,806
Total Liabilities	1,715,029	34,242	70,740	-	1,820,011	1,799,778
DEFERRED INFLOWS OF RESOURCES						
Property Taxes Levied for Subsequent Year	2,113,238	-	130,612	449,035	2,692,885	1,836,994
Unavailable Revenue - Delinquent Taxes	62,090	-	6,309	21,845	90,244	42,370
Total Deferred Inflows of Resources	2,175,328	-	136,921	470,880	2,783,129	1,879,364
FUND BALANCES						
Nonspendable:						
Inventory	3,852	13,026	-	-	16,878	13,958
Restricted:						
Literacy Incentive Aid	-	-	-	-	-	5,256
American Indian Ed Aid	39,368	-	-	-	39,368	28,156
Operating Capital	-	-	-	-	-	15,101
Learning and Development	13,261	-	-	-	13,261	12,004
Area Learning Center	278,303	-	-	-	278,303	185,857
Gifted and Talented	32,899	-	-	-	32,899	33,540
Basic Skills Programs	47,404	-	-	-	47,404	274,515
Safe Schools - Crime	1,831	-	-	-	1,831	28,293
Teacher Comp Read Act	31,697	-	-	-	31,697	31,697
Early Childhood and Family Educations Programs	-	-	-	-	-	3,821
School Readiness	-	-	15,940	-	15,940	15,939
Long-Term Facilities Maintenance	-	-	-	-	-	15,309
School Library Aid	-	-	-	-	-	848
Medical Assistance	187,462	-	-	-	187,462	155,031
Other Restricted	-	332,810	310	170,345	503,465	572,065
Student Activity Funds	192,141	-	-	-	192,141	144,385
Scholarship	398,416	-	-	-	398,416	391,848
Literacy Aid	33,946	-	-	-	33,946	33,946
English Learner	22,840	-	-	-	22,840	-
Unassigned	3,255,423	-	(7,569)	-	3,247,854	2,957,858
Total Fund Balances	4,538,843	345,836	8,681	170,345	5,063,705	4,919,427
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 8,429,200	$ 380,078	$ 216,342	$ 641,225	$ 9,666,845	$ 8,598,569

See accompanying Notes to Financial Statements.

PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2026
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2025)

	2026	2025
Total Fund Balances - Governmental Funds	$ 5,063,705	$ 4,919,427
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	72,840	-
Land Improvements, Net of Accumulated Depreciation	918,214	993,000
Buildings and Improvements, Net of Accumulated Depreciation	10,996,273	11,328,051
Equipment, Net of Accumulated Depreciation	1,237,459	1,197,227
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	(5,483,550)	(6,469,885)
Deferred Inflows of Resources - Pension Related	(2,495,796)	(2,348,284)
Deferred Outflows of Resources - Pension Related	1,480,998	1,842,249
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	(356,675)	(372,866)
Deferred Outflows of Resources - OPEB Related	100,192	117,826
Deferred Inflows of Resources - OPEB Related	(69,623)	(56,986)
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.	90,244	42,370
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(25,458)	(33,301)
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	(2,645,000)	(3,065,000)
Unamortized Premiums	(47,927)	(67,335)
Refunding Gain on Bonds	(11,246)	(16,096)
Finance Purchase Agreement	(79,548)	(103,360)
Severance Payable	(950)	(4,750)
Compensated Absences	(188,423)	(206,179)
Total Net Position of Governmental Activities	$ 8,563,244	$ 7,703,623

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, 2026
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2025)

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	2026	2025
REVENUES						
Local:						
Property Taxes	$ 1,540,058	$ -	$ 125,888	$ 409,834	$ 2,075,780	$ 2,142,362
Earnings on Investments	176,283	11,301	-	11,561	199,145	215,338
Other	515,297	45,612	119,990	-	680,899	655,303
State Sources	11,516,567	114,804	59,830	43,340	11,734,541	11,792,022
Federal Sources	433,974	534,005	-	-	967,979	968,838
Total Revenues	14,182,179	705,722	305,708	464,735	15,658,344	15,773,863
EXPENDITURES						
Current:						
Administration	570,348	-	-	-	570,348	517,755
District Support Services	323,152	-	-	-	323,152	340,164
Regular Instruction	6,320,146	-	-	-	6,320,146	6,061,190
Vocational Education Instruction	106,744	-	-	-	106,744	84,036
Special Education Instruction	2,729,877	-	-	-	2,729,877	2,585,680
Instructional Support Services	332,205	-	-	-	332,205	354,350
Pupil Support Services	1,394,818	-	-	-	1,394,818	1,384,523
Sites and Buildings	1,394,575	-	-	-	1,394,575	1,217,962
Fiscal and Other Fixed Cost Programs	151,018	-	-	-	151,018	165,278
Food Service	-	648,640	-	-	648,640	609,199
Community Service	-	-	521,299	-	521,299	466,528
Capital Outlay	436,913	95,432	-	-	532,345	619,640
Debt Service:						
Principal	-	-	-	420,000	420,000	1,328,856
Interest and Fiscal Charges	-	-	-	73,004	73,004	81,610
Total Expenditures	13,759,796	744,072	521,299	493,004	15,518,171	15,816,771
Excess (Deficiency) of Revenues Over (Under) Expenditures	422,383	(38,350)	(215,591)	(28,269)	140,173	(42,908)
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	298,581	-	298,581	114,421
Transfers Out	(298,581)	-	-	-	(298,581)	(114,421)
Insurance Proceeds	4,105	-	-	-	4,105	10,339
Issuance of Finance Purchase Agreement	-	-	-	-	-	132,216
Total Other Financing Sources (Uses)	(294,476)	-	298,581	-	4,105	142,555
NET CHANGE IN FUND BALANCES	127,907	(38,350)	82,990	(28,269)	144,278	99,647
Fund Balances - Beginning of Year	4,410,936	384,186	(74,309)	198,614	4,919,427	4,819,780
FUND BALANCES - END OF YEAR	$ 4,538,843	$ 345,836	$ 8,681	$ 170,345	$ 5,063,705	$ 4,919,427

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 THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2026
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2025)

	2026	2025
Net Change in Fund Balances - Governmental Funds	$ 144,278	$ 99,647
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	476,869	599,024
Depreciation Expense	(770,361)	(757,275)
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.		
Issuance of Finance Purchase Agreement	-	(132,216)
Principal Payments - Finance Purchase Agreement	23,812	28,856
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.	(14,080)	(24,729)
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.	477,572	329,705
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	19,408	23,003
Refunding Gain on Bonds	4,850	5,817
Repayment of Bond Principal	420,000	1,300,000
Change in Accrued Interest Expense - General Obligation Bonds	7,843	(131)
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.	47,874	2,065
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).	3,800	2,555
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	17,756	(206,179)
Change in Net Position of Governmental Activities	$ 859,621	$ 1,270,142

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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.

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. 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. Community service tuition, meal sales, 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 generally used for other fund revenue.

2. Recording of Expenditures

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

Description of Funds

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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. 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. 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.

H. 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.”

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, 2026, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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. For bulk purchases of furniture, textbooks, or technology, the capitalization threshold is $25,000 in aggregate. 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.

J. Deferred Outflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the statement of net position is related to pensions and other postemployment benefits. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows on pension and other postemployment benefits are more fully discussed in Note 7 and 9.

K. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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, 2026 for these employees is reported in the District-wide financial statements.

The liability for compensated absences reported in the financial statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

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.

M. Deferred Inflows of Resources

In addition to liabilities, the statement of net position and the governmental funds balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements. The District's deferred inflows of resources reported on the statement of net position relate to pension and other postemployment benefits, which are more fully discussed in Note 7 and 9.

Under the modified accrual basis of accounting, deferred inflows of resources also include revenues not collected within the availability period after the fiscal year-end. The District has reported deferred inflows of resources related to unavailable revenues for property taxes. These amounts are deferred and will be recognized as an inflow of resources in the period that amounts become available

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. 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.

P. 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.

Q. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2025, from which the summarized information was derived. Certain comparative information has been reclassified to conform with the current year presentation.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Transfers In/Transfers Out

The District made an operating transfer from the General Fund to the Community Service Fund in the amount of $298,581 during the year ended June 30, 2026. The transfer to the Community Service Fund to help cover the costs of a pre-kindergarten program run out of the Community Service Fund and to cover negative cash.

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.

The District's deposits in banks at June 30, 2026 was $1,208,672. At June 30, 2026, 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;

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- 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, 2026, the District had the following investments:

Type	Amount
MSDLAF+	$ 10,551
MSDLAF Max	5,918,048
Total	$ 5,928,599

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.

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	$ 10,551
MSDLAF Max	A-1+, A-1	5,918,048
Total		$ 5,928,599

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The District's deposits (1,135,875) and investments (5,928,599) are presented in the financial statements as follows:

Cash and Investments	$ 7,064,474
Total Cash and Investments	$ 7,064,474

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 7,515	$ -	$ -	$ 7,515
Construction-in-Progress	-	72,840	-	72,840
Total Capital Assets, Not Being Depreciated	7,515	72,840	-	80,355
Capital Assets, Being Depreciated:				
Land Improvements	1,758,827	-	-	1,758,827
Buildings and Improvements	21,721,806	138,258	-	21,860,064
Equipment	3,936,867	265,771	(122,061)	4,080,577
Total Capital Assets, Being Depreciated	27,417,500	404,029	(122,061)	27,699,468
Accumulated Depreciation for:				
Land Improvements	(765,827)	(74,786)	-	(840,613)
Buildings and Improvements	(10,393,755)	(470,036)	-	(10,863,791)
Equipment	(2,739,640)	(225,539)	122,061	(2,843,118)
Total Accumulated Depreciation	(13,899,222)	(770,361)	122,061	(14,547,522)
Total Capital Assets, Being Depreciated, Net	13,518,278	(366,332)	-	13,151,946
Governmental Activities Capital Assets, Net	$ 13,525,793	$ (293,492)	$ -	$ 13,232,301

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	42,978
Vocational Education Instruction	794
Special Education Instruction	1,024
Instructional Support Services	1,093
Pupil Support Services	172,763
Sites and Buildings	445,187
Community Service	793
Unallocated Depreciation	103,113
Total Depreciation Expense, Governmental Activities	$ 770,361

NOTE 5 LONG-TERM LIABILITIES

A. Components of General Long-Term Debt

Description of Issue	Issue Date	Interest Rate	Issue	Final Maturity	Outstanding
Facilities Maintenance Bonds:					
Series 2017A	3/7/2017	2.44%	$ 1,985,000	2/1/2032	$ 885,000
Series 2020A	6/11/2020	2.00%	200,000	2/1/2031	100,000
Capital Facilities Bonds:					
Series 2020A	6/11/2020	2.00%	300,000	2/1/2031	155,000
School Building Refunding Bonds:					
Series 2020B	11/12/2020	1.05 - 3.00%	2,570,000	2/1/2032	1,505,000
Total General Obligation Bonds					2,645,000
Finance Purchase Agreement					
Bus 2025	06/01/12	3.45%	-	6/1/2017	79,548
Severance Payable					950
Compensated Absences					188,423
Total Long-Term Liabilities					$ 2,913,921

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

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

	General Obligation Bonds Payable		Finance Purchase Agreement	
Year Ending June 30,	Principal	Interest	Principal	Interest
2027	$ 425,000	$ 57,180	$ 25,116	$ 4,355
2028	435,000	45,268	26,491	2,980
2029	445,000	33,068	27,941	1,530
2030	455,000	25,455	-	-
2031	465,000	17,248	-	-
2032	420,000	8,310	-	-
Total	$ 2,645,000	$ 186,529	$ 79,548	$ 8,865

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, 2025	Net Additions	Retirements	June 30, 2026	Due Within One Year
General Obligation Bonds	$ 3,065,000	$ -	$ 420,000	$ 2,645,000	$ 425,000
Net Bond Premiums (Discount)	67,335	-	19,408	47,927	-
Finance Purchase Agreement	103,360	-	23,812	79,548	25,116
Subtotal	3,235,695	-	463,220	2,772,475	450,116
Severance Payable	4,750	-	3,800	950	-
Compensated Absences	206,179	-	17,756	188,423	57,081
Total	$ 3,446,624	$ -	$ 484,776	$ 2,961,848	$ 507,197

* The change in the compensated absences payable is presented as a net change.

NOTE 6 RESTRICTED FUND BALANCES

A. Restricted for American Indian Education Aid

Represents available resources for American Indian Education uses.

B. Restricted for Learning and Development

Represents available general education revenues for learning and development.

C. Restricted for Area Learning Centers

Represents amounts restricted for students attending area learning centers.

D. 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.

E. Restricted for Basic Skills Program

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

F. 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.

G. Restricted for Teacher Compensation for Read Act Training

Represents resources available for teacher compensation for Read Act training.

H. Restricted for School Readiness

Represents the resources available to provide for School Readiness Program.

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

I. Restricted for Medical Assistance

Represents available resources to be used for Medical Assistance expenditures.

J. Restricted for Student Activities

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

K. Restricted for Scholarship

Represents available resources to be used for scholarship funds.

L. Restricted for Literacy Aid

Represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

M. Restricted for English Learner

Represents resources available for English Learner students.

N. 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	$	332,810
Restricted for Community Service		310
Restricted for Debt Service		170,345
Total Other Restricted	$	503,465

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, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

   Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

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 school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota state colleges and universities). Educators first hired by Minnesota state may elect either TRA coverage within one year of eligible employment or elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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%. The 2025 annual increase was 1.25%. 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 prorated increase.

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 consecutive 60 months of formula service, age and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

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.

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

TRA Benefits (Continued)

Tier I	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

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for coordinated members and 2.7% per year for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

Tier II Benefits

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 65 effective July 1, 2024. An early retirement reduction is applied to members retiring before age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

TRA Benefits (Continued)

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

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

C. Contributions

1. General Employees Fund Contributions

   Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2026 and the District was required to contribute 7.50% for General Plan members. The District’s contributions to the General Employees Fund for the year ended June 30, 2026 were $188,080. The District’s contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

   Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2026 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District’s contributions to TRA for the plan’s fiscal year ended June 30, 2026 were $577,513. The District’s contributions were equal to the required contributions for each year as set by state statute.

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2026, the District reported a liability of $857,719 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $20,691, for a total net pension liability of $878,410 associated with the District. The net pension liability was measured as of June 30, 2025 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.026% at the end of the measurement period and 0.026% for the beginning of the period.

For the year ended June 30, 2026, the District recognized pension expense of ($24,149) for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional ($3,174) 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, 2026, 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	$ 81,722	$ -
Changes in Actuarial Assumptions	20,666	197,358
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	341,294
Changes in Proportion	30,981	9,048
District Contributions Subsequent to the Measurement Date	188,080	-
Total	$ 321,449	$ 547,700

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

$188,080 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, 2027. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2027	$ (86,818)
2028	(147,476)
2029	(119,068)
2030	(60,969)

2. TRA Pension Costs

At June 30, 2026 the District reported a liability of $4,625,831 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2025, 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 0.0807% at the end of the measurement period and 0.0867% 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	$ 4,625,831
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	287,345
Total	$ 4,913,176

For the year ended June 30, 2026, the District recognized pension expense of $299,071 It also recognized ($7,195) as a decrease to pension expense and grant revenue for the support provided by direct aid.

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

During the plan year ended June 30, 2025, the State of Minnesota contributed $28,462,000 to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the $28,462,000 in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $22,974 for the year ended June 30, 2026 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

At June 30, 2026, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 213,316	$ 45,432
Changes in Actuarial Assumptions	261,296	489,326
Net Difference Between Projected and Actual Investment Earnings	-	928,840
Changes in Proportion	107,424	484,498
District Contributions Subsequent to the Measurement Date	577,513	-
Total	$ 1,159,549	$ 1,948,096

The $577,513 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2027. Other amounts reported as deferred outflows and deferred inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2027	$ 211,678
2028	(601,511)
2029	(585,766)
2030	(327,527)
2031	(62,934)

The District's total pension expense for all plans for the year ended June 30, 2026 was $264,553.

NOTE 7 PENSION PLANS (CONTINUED)

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:

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	100.0 %	

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	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

NOTE 7 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% 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 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

TRA pre-retirement mortality rates were based on the PubT-2010(A) Employee Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale. Healthy retirees mortality rates were based on the PubT-2010(A) Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale. Beneficiaries mortality rates were based on the Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale. Disabled retirees mortality rates were based on the PubNS-2010 Disabled Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale.

Inflation is assumed to be 2.5% for TRA. 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.

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 2025:

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

NOTE 7 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.

Changes in Plan Provisions (Continued):

- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

The following changes in actuarial assumptions for TRA occurred in 2025:

- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.0%. 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, Police and Fire and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability was 7.0%. 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 contributions will be made at the fiscal year 2025 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. 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.

NOTE 7 PENSION PLANS (CONTINUED)

H. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
General Employees Plan Discount Rate	6.00%	7.00%	8.00%
District's Proportionate Share of the General Employees Plan Net Pension Liability	$ 2,083,264	$ 857,719	$ (136,474)
TRA Discount Rate	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	8,725,605	4,625,831	1,251,744

I. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling 651-296-2409 or 1-800-657-3669.

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, 2026 were $55,359. The related employee contributions were $122,435 for the year ended June 30, 2026.

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 132 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 2026, the District paid $39,292 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, 2025, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2024. 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, 2024, 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	8.6% Decreasing to 3.90%

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, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2023 to June 30, 2024.

The discount rate used to measure the total OPEB liability was 5.20%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

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

- The discount rate was changed from 3.97% to 5.20% based on 20-years municipal bond rates.

D. Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2025	$ 372,866
Changes for the Year:	
Service Cost	27,173
Interest	15,270
Change of Assumptions	(27,848)
Contributions-Employer	-
Benefit Payments	(30,786)
Net Changes	(16,191)
Balance at June 30, 2026	$ 356,675

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

The following presents the OPEB liability of the Discount, 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 (4.20%)	Discount Rate (5.20%)	1% Increase (6.20%)
OPEB Liability	$ 379,189	$ 356,675	$ 335,381

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 (7.6% decreasing to 2.9% over several years) or 1% higher (9.6% decreasing to 4.9% over several years) than the current healthcare cost trend rates:

Medical Trend Rate	1% Decrease (7.6% Decreasing to 2.9%)	Current Trend Rates (8.6% Decreasing to 3.9%)	1% Increase (9.6% Decreasing to 4.9%)
OPEB Liability	$ 322,731	$ 356,675	$ 396,532

At June 30, 2026, 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	$ 14,653	$ 33,151
Changes in Actuarial Assumptions	46,247	36,472
District Benefit Payments Made Subsequent to the Measurement Date	39,292	-
Total	$ 100,192	$ 69,623

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

$39,292 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, 2027. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Future Recognition
2027	$ 7,961
2028	5,045
2029	2,643
2030	791
2031	(6,351)
Thereafter	(18,812)
Total	$ (8,723)

For the year ended June 30, 2026, the District recognized OPEB expense of $53,372.

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, 2026

	Budgeted Amounts		Variance with Original Budget Over (Under)	Actual	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Amounts	Actual
REVENUES					
Local Sources:					
Property Taxes	$ 1,458,258	$ 1,458,258	$ -	$ 1,540,058	$ 81,800
Earnings on Investments	125,510	135,510	10,000	176,283	40,773
Other	224,300	228,900	4,600	515,297	286,397
State Sources	11,975,002	12,385,644	410,642	11,516,567	(869,077)
Federal Sources	334,000	454,698	120,698	433,974	(20,724)
Total Revenues	14,117,070	14,663,010	545,940	14,182,179	(480,831)
EXPENDITURES					
Current:					
Administration	556,856	579,305	22,449	570,348	(8,957)
District Support Services	346,641	336,108	(10,533)	323,152	(12,956)
Elementary and Secondary Regular Instruction	5,903,312	6,388,325	485,013	6,320,146	(68,179)
Vocational Education Instruction	104,563	109,666	5,103	106,744	(2,922)
Special Education Instruction	2,491,307	2,697,138	205,831	2,729,877	32,739
Instructional Support Services	370,054	407,298	37,244	332,205	(75,093)
Pupil Support Services	1,444,422	1,441,990	(2,432)	1,394,818	(47,172)
Sites and Buildings	1,197,099	1,290,547	93,448	1,394,575	104,028
Fiscal and Other Fixed Cost Programs	169,843	141,323	(28,520)	151,018	9,695
Capital Outlay	387,239	394,183	6,944	436,913	42,730
Total Expenditures	12,971,336	13,785,883	814,547	13,759,796	(26,087)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,145,734	877,127	(268,607)	422,383	(454,744)
OTHER FINANCING SOURCES (USES)					
Transfers Out	(110,000)	(115,000)	(5,000)	(298,581)	(183,581)
Insurance Proceeds	-	-	-	4,105	4,105
Total Other Financing Sources (Uses)	(110,000)	(115,000)	(5,000)	(294,476)	(179,476)
NET CHANGE IN FUND BALANCE	$ 1,035,734	$ 762,127	$ (273,607)	127,907	$ (634,220)
Fund Balance - Beginning of Year				4,410,936	
FUND BALANCE - END OF YEAR				$ 4,538,843	

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, 2026

	Budgeted Amounts		Variance with Original Budget Over (Under)	Actual	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Amounts	Actual
REVENUES					
Local Sources:					
Earnings on Investments	$ 10,000	$ 10,000	$ -	$ 11,301	$ 1,301
Other - Primarily Meal Sales	35,680	30,180	(5,500)	45,612	15,432
State Sources	114,787	115,536	749	114,804	(732)
Federal Sources	527,756	528,884	1,128	534,005	5,121
Total Revenues	688,223	684,600	(3,623)	705,722	21,122
EXPENDITURES					
Current:					
Food Service	644,332	662,449	18,117	648,640	(13,809)
Capital Outlay	20,000	93,157	73,157	95,432	2,275
Total Expenditures	664,332	755,606	91,274	744,072	(11,534)
NET CHANGE IN FUND BALANCE	$ 23,891	$ (71,006)	$ (94,897)	(38,350)	$ 32,656
Fund Balance - Beginning of Year				384,186	
FUND BALANCE - END OF YEAR				$ 345,836	

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, 2026

	Budgeted Amounts		Variance with Original Budget Over (Under) Final Budget	Actual Amounts	Variance with Final Budget Over (Under) Actual
	Original	Final			
REVENUES					
Local Sources:					
Property Taxes	$ 129,822	$ 131,581	$ 1,759	$ 125,888	$ (5,693)
Earnings on Investments	3,000	3,000	-	-	(3,000)
Other - Primarily Tuition and Fees	93,150	92,450	(700)	119,990	27,540
State Sources	55,189	55,313	124	59,830	4,517
Total Revenues	281,161	282,344	1,183	305,708	23,364
EXPENDITURES					
Current:					
Community Service	456,035	510,386	54,351	521,299	10,913
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(174,874)	(228,042)	(53,168)	(215,591)	12,451
OTHER FINANCING SOURCES					
Transfer In	110,000	115,000	5,000	298,581	183,581
NET CHANGE IN FUND BALANCE	$ (64,874)	$ (113,042)	$ (48,168)	82,990	$ 196,032
Fund Balance - Beginning of Year				(74,309)	
FUND BALANCE - END OF YEAR				$ 8,681	

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, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability:									
Service Cost	$ 27,173	$ 24,926	$ 24,795	$ 21,753	$ 19,570	$ 20,162	$ 17,802	$ 15,631	$ 17,186
Interest	15,270	16,613	16,039	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	(27,848)	(43,273)	(4,067)	68,199	9,833	20,042	7,235	(37,368)	(9,185)
Benefit Payments	(30,786)	(9,711)	(40,077)	(31,367)	(29,786)	(32,228)	(31,657)	(16,249)	(15,542)
Employer Contributions	-	(42,296)	-	-	-	-	-	-	-
Net Change in Total OPEB Liability	(16,191)	(53,741)	(3,310)	82,352	8,050	24,165	4,697	61,089	(156)
Total OPEB Liability - Beginning	372,866	426,607	429,917	347,565	339,515	315,350	310,653	249,564	249,720
Total OPEB Liability - Ending (a)	$ 356,675	$ 372,866	$ 426,607	$ 429,917	$ 347,565	$ 339,515	$ 315,350	$ 310,653	$ 249,564
Covered-Employee Payroll	$ 7,413,246	$ 7,640,875	$ 7,283,048	$ 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	4.81%	4.88%	5.86%	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.

See accompanying Notes to Required Supplementary Information.

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	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
PERA - General Employees Fund					
District's Proportion of the Net Pension Liability	0.0259%	0.0260%	0.0250%	0.0253%	0.0254%
District's Proportionate Share of the Net Pension Liability	$ 857,719	$ 960,689	$ 1,397,972	$ 2,003,768	$ 1,084,694
State's Proportionate Share of the Net Pension Liability Associated with the District	20,691	24,841	38,553	58,876	33,155
Total of District's and State's Proportionate Share of the Net Pension Liability	$ 878,410	$ 985,530	$ 1,436,525	$ 2,062,644	$ 1,117,849
District's Covered Payroll	$ 2,334,227	$ 2,177,053	$ 1,967,307	$ 1,912,853	$ 1,823,760
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	36.75%	44.13%	71.06%	104.75%	59.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.78%	89.08%	83.10%	76.70%	87.00%
TRA					
District's Proportion of the Net Pension Liability	0.0807%	0.0867%	0.0871%	0.0891%	0.0860%
District's Proportionate Share of the Net Pension Liability	$ 4,625,831	$ 5,509,196	$ 7,191,171	$ 7,134,657	$ 3,763,617
State's Proportionate Share of the Net Pension Liability Associated with the District	287,345	360,439	503,732	529,098	317,418
Total of District's and State's Proportionate Share of the Net Pension Liability	$ 4,913,176	$ 5,869,635	$ 7,694,903	$ 7,663,755	$ 4,081,035
District's Covered Payroll	$ 6,050,171	$ 5,939,497	$ 5,597,942	$ 5,530,923	$ 5,203,272
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	76.46%	92.76%	128.46%	129.00%	72.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.51%	82.07%	76.42%	76.17%	86.63%

See accompanying Notes to Required Supplementary Information.

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, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
PERA - General Employees Fund					
District's Proportion of the Net Pension Liability	0.0266%	0.0275%	0.0283%	0.0291%	0.0311%
District's Proportionate Share of the Net Pension Liability	$ 1,594,792	$ 1,520,413	$ 1,569,968	$ 1,857,725	$ 2,525,166
State's Proportionate Share of the Net Pension Liability Associated with the District	49,141	47,165	51,448	23,356	33,078
Total of District's and State's Proportionate Share of the Net Pension Liability	$ 1,643,933	$ 1,567,578	$ 1,621,416	$ 1,881,081	$ 2,558,244
District's Covered Payroll	$ 1,878,467	$ 1,954,307	$ 1,898,480	$ 1,872,160	$ 1,941,757
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	84.90%	77.80%	82.70%	99.23%	130.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	80.20%	79.53%	75.90%	68.91%
TRA					
District's Proportion of the Net Pension Liability	0.0875%	0.0865%	0.0866%	0.0830%	0.0820%
District's Proportionate Share of the Net Pension Liability	$ 6,464,618	$ 5,513,528	$ 5,441,473	$ 16,568,306	$ 19,558,957
State's Proportionate Share of the Net Pension Liability Associated with the District	541,567	487,931	511,380	1,601,194	1,962,542
Total of District's and State's Proportionate Share of the Net Pension Liability	$ 7,006,185	$ 6,001,459	$ 5,952,853	$ 18,169,500	$ 21,521,499
District's Covered Payroll	$ 5,107,462	$ 4,949,689	$ 4,833,147	$ 4,536,947	$ 4,253,305
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	126.57%	111.39%	112.59%	365.19%	459.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.48%	78.07%	78.07%	51.57%	44.88%

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

	2026	2025	2024	2023	2022
PERA - General Employees Fund					
Contractually Required Contribution	$ 188,080	$ 175,067	$ 163,279	$ 147,548	$ 143,464
Contributions in Relation to the Contractually Required Contribution	(188,080)	(175,067)	(163,279)	(147,548)	(143,464)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 2,507,733	$ 2,334,227	$ 2,177,053	$ 1,967,307	$ 1,912,853
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%
TRA					
Contractually Required Contribution	$ 577,513	$ 529,390	$ 519,706	$ 478,624	$ 461,279
Contributions in Relation to the Contractually Required Contribution	(577,513)	(529,390)	(519,706)	(478,624)	(461,279)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 5,886,983	$ 6,050,171	$ 5,939,497	$ 5,597,942	$ 5,530,923
Contributions as a Percentage of Covered Payroll	9.81%	8.75%	8.75%	8.55%	8.34%

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

	2021	2020	2019	2018	2017
PERA - General Employees Fund					
Contractually Required Contribution	$ 136,782	$ 140,885	$ 146,573	$ 142,386	$ 140,412
Contributions in Relation to the Contractually Required Contribution	(136,782)	(140,885)	(146,573)	(142,386)	(140,412)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 1,823,760	$ 1,878,467	$ 1,954,307	$ 1,898,480	$ 1,872,160
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%
TRA					
Contractually Required Contribution	$ 423,026	$ 404,511	$ 381,621	$ 362,486	$ 340,271
Contributions in Relation to the Contractually Required Contribution	(423,026)	(404,511)	(381,621)	(362,486)	(340,271)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 5,203,272	$ 5,107,462	$ 4,949,689	$ 4,833,147	$ 4,536,947
Contributions as a Percentage of Covered Payroll	8.13%	7.92%	7.71%	7.50%	7.50%

See accompanying Notes to Required Supplementary Information.

NOTE 1 BUDGETARY INFORMATION

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.

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:

Revenues	Original Budget	Amendments	Amended Budget
General Fund	$ 14,117,070	$ 545,940	$ 14,663,010
Special Revenue Funds:			
Food Service Fund	688,223	(3,623)	684,600
Community Service Fund	281,161	1,183	282,344
Expenditures			
General Fund	12,971,336	814,547	13,785,883
Special Revenue Funds:			
Food Service Fund	664,332	91,274	755,606
Community Service Fund	456,035	54,351	510,386

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.

NOTE 1 BUDGETARY INFORMATION (CONTINUED)

Actual Budget Results

	General Fund Over (Under)	Community Service Fund Over (Under)
Revenues		
Differences - Original Budget to Final Budget		
State Sources - The District's ADM was projected to be higher throughout the year.	$ 410,642	$ -
Differences - Final Budget to Actual		
State Sources - The District's ADM count was lower than expected.	(869,077)	-
Expenditures		
Differences - Original Budget to Final Budget		
Elementary and Secondary Regular Instruction - The final budget was amended to include an increase in staffing.	485,013	-
Other Financing Sources (Uses)		
Differences - Final Budget to Actual		
Tansfers were higher than budget due to Community Service expenditures being significantly more than revenues.	(183,581)	-
Differences - Final Budget to Actual		
Tansfers were higher than budget due to expenditures being significantly more than revenues.	-	183,581

NOTE 2 COMPLIANCE – BUDGETS

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

NOTE 3 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:

2025

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2025 (Continued)

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.00%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay of early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

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

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

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.

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.

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

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.

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.

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

2025

Changes in Actuarial Assumptions

- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2024

Changes in Actuarial Assumptions

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2023

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.

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.

NOTE 3 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.

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero% 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.

NOTE 3 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.

June 30, 2026

- The discount rate was changed from 3.97% to 3.97% based on 20-years municipal bond rates.

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

June 30, 2025

- The discount rate was changed from 3.86% to 5.20% based on 20-years municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2022 PERA General Employees Plan and 7/1/2022 Teachers Retirement Association valuations to the rates used in the 2023 experience studies.
- The percent of future retirees assumed to elect coverage at retirement changed from 40% to 35% to reflect recent plan experience.
- The percentage of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	Fiscal 2026 Valuation	Fiscal 2025 Valuation
Medica Choice Passport $400 Deductible	15%	15%
Medica Choice Passport $850 Deductible	10%	10%
Medica Choice Passport $2,000 Deductible HSA	20%	20%
Medica Choice Passport $2,500 Deductible HSA	30%	30%
Medica Essentia Network $2,500 Deductible HSA	25%	25%

June 30, 2024

- The discount rate was changed from 3.69% to 3.86%.
- The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bond rates.

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 Julye 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.

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

June 30, 2022

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

June 30, 2021

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

June 30, 2020

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

June 30, 2019

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

June 30, 2017

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

SUPPLEMENTARY INFORMATION

PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2026

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total Revenues		$ 14,182,179	$ 14,182,178	$ 1
Total Expenditures		$ 13,759,796	$ 13,759,794	$ 2
Non Spendable:				
460 Non Spendable Fund Balance		$ 3,852	$ 3,852	$ -
Restricted/Reserve:				
401 Student Activities		$ 192,141	$ 192,141	$ -
402 Scholarship		$ 398,416	$ 398,415	$ 1
403 Staff Development		$ -	$ -	$ -
407 Capital Project Levy	*	$ (46,260)	$ (46,260)	$ -
408 Cooperative Rev.		$ -	$ -	$ -
412 Literacy Incentive Aid		$ -	$ -	$ -
414 Operating Debt		$ -	$ -	$ -
416 Levy Reduction		$ -	$ -	$ -
419 Encumbrances		$ -	$ -	$ -
420 American Indian Ed Aid		$ 39,368	$ 39,368	$ -
424 Operating Capital		$ -	$ -	$ -
426 $25 Taconite		$ -	$ -	$ -
427 Disabled Accessibility		$ -	$ -	$ -
428 Learning & Development		$ 13,261	$ 13,261	$ -
434 Area Learning Center		$ 278,303	$ 278,303	$ -
435 Contracted Alt. Programs		$ -	$ -	$ -
436 St. Approved Alt. Prog.		$ -	$ -	$ -
438 Gifted & Talented		$ 32,899	$ 32,899	$ -
439 English Learner		$ 22,840	$ 22,840	$ -
440 Teacher Development & Eval		$ -	$ -	$ -
441 Basic Skills		$ 47,404	$ 47,404	$ -
443 School Library Aid		$ -	$ -	$ -
446 First Grade Preparedness		$ -	$ -	$ -
449 Safe Schools Levy		$ 1,831	$ 1,831	$ -
450 Pre-Kindergarten		$ -	$ -	$ -
456 Literacy Aid		$ 33,946	$ 33,946	$ -
457 Teacher Comp Read Act		$ 31,697	$ 31,697	$ -
453 Unfunded Sev & Retirement Levy		$ -	$ -	$ -
467 Long-Term Facilities Maintenance		$ -	$ -	$ -
471 Student Support Personnel		$ -	$ -	$ -
472 Medical Assistance		$ 187,462	$ 187,462	$ -
Restricted:				
464 Restricted Fund Balance		$ -	$ -	$ -
Assigned:				
462 Assigned Fund Balance		$ -	$ -	$ -
Committed:				
461 Committed Fund Balance		$ -	$ -	$ -
Unassigned:				
422 Unassigned Fund Balance	*	$ 3,301,683	$ 3,301,684	$ (1)
02 FOOD SERVICE				
Total Revenues		$ 705,722	$ 705,721	$ 1
Total Expenditures		$ 744,072	$ 744,068	$ 4
Non Spendable:				
460 Non Spendable Fund Balance		$ 13,026	$ 13,027	$ (1)
Restricted				
452 OPEB Liab. Not in Trust		$ -	$ -	$ -
464 Restricted Fund Balance		$ 332,810	$ 332,811	$ (1)
Unassigned:				
463 Unassigned Fund Balance		$ -	$ -	$ -
04 COMMUNITY SERVICE				
Total Revenues		$ 305,708	$ 305,708	$ -
Total Expenditures		$ 521,299	$ 521,299	$ -
Non Spendable:				
460 Non Spendable Fund Balance		$ -	$ -	$ -
Restricted/Reserve:				
426 $25 Taconite		$ -	$ -	$ -
431 Community Education	*	$ (7,569)	$ (7,569)	$ -
432 E.C.F.E.		$ -	$ -	$ -
444 School Readiness		$ 15,940	$ 15,940	$ -
447 Adult Basic Education		$ -	$ -	$ -
452 OPEB Liab. Not in Trust		$ -	$ -	$ -
Restricted:				
464 Restricted Fund Balance	*	$ 310	$ 310	$ -
Unassigned				
463 Unassigned Fund Balance	*	$ -	$ -	$ -

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

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Non Spendable:			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
407 Capital Projects Levy	$ -	$ -	$ -
409 Alternative Fac. Program	$ -	$ -	$ -
413 Project Funded by COP	$ -	$ -	$ -
467 LTFM	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	$ -	$ -	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
07 DEBT SERVICE			
Total Revenues	$ 464,735	$ 464,736	$ (1)
Total Expenditures	$ 493,004	$ 493,005	$ (1)
Non Spendable:			
460 Non Spendable Fund Balance	$ -	$ -	$ -
Restricted/Reserve:			
425 Bond Refundings	$ -	$ -	$ -
451 QZAB Payments	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	$ 170,345	$ 170,345	$ -
Unassigned			
463 Unassigned Fund Balance	$ -	$ -	$ -
08 TRUST			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
20 INTERNAL SERVICE			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
25 OPEB REVOCABLE TRUST			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
45 OPEB IRREVOCABLE TRUST			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
47 OPEB DEBT SERVICE			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Non Spendable:			
460 Non Spendable Fund Balance			
Restricted:			
425 Bond Refundings	$ -	$ -	$ -
464 Restricted Fund Balance	$ -	$ -	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -

OTHER REQUIRED REPORTS

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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, 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, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 8, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2026-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Responses to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. 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

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 8, 2026

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Pine River-Backus Public Schools
Independent School District No. 2174
Pine River, 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, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 8, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 8, 2026

PINE RIVER-BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2026

Material Weakness in Internal Control Over Financial Reporting

2026-001 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.

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.

Repeat finding: Yes – Finding 2025-001

Views of responsible officials: There is no disagreement with the audit finding. The District reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

ANNUAL FACILITY PLANNING

2026-2027 Budget

9/18/2026

	Operating Capital	LTFM	CPL	Food Service	PO ISSUED	Notes
Budget	**213,968**	**197,039**	**882,328**	**89,291**		
7/1/2026 Fund Balance	(0)	(0)	(46,260)	0		
Projects						
HS Gym Roof & Performance Gym Roof			14,540		95132	Inspec Fees - Design, Construction Documents, Bid Process. Balance due from 2025-26
HVAC Air Conditioning to High School			393,300		95181	Climate Makers
HVAC - replace two R12 RTU			23,000		95160	Climate Makers
Paint Great Hall/Commons			43,038		95159	Tommy's Painting
Ceiling Grid - elem lockers, DO entry, great hall restrooms, commons			15,475		95177	St. Cloud Acoustics
Retrofit to LED Lighting Districtwide		25,821			95200	Pine River Electric - does not include individual classrooms. Rebates w/MN Power.
Flooring Great Hall/Commons, to Elem Fire Doors			272,722		95157	Hiller - 5 mm flooring with expansion joints
Great Hall Restroom Countertops			7,018		95175	MCI Carpet One
HS DCD Classroom	118,777				95152, 95153, 95207	HyTec & Widseth, Built-in cabinets with Innovative
Elem STEAM Classroom - Room 34						
- Asbestos Remediation		5,640			95176, 95178	ACCT / IEA - done, booked 2025-26
- Plumbing to remove existing island		1,200			95182	Climate Makers
- Paint		1,300			95159	Tommy's Painting
- Ceiling Grid/Tile (completed)		0				NA - previously completed
- Lights to LED		720			95200	Pine River Electric
- Flooring		7,355			95158	Hiller - to match prior rooms 12/45
- Cabinetry		25,522			95155	Innovative
- Furniture		5,595			95155	Innovative
Security - add 7 key fob locations		41,461			95198, 95208	All State PO issued/revised, Rasinski PO issued
Equipment - ballfield painter x 2, groomer	5,351				95199	Pioneer Athletics
Cafeteria Tables/Seating				89,291	95154	Innovative / Sico
HS Stage Curtains		15,800			95203	Southern MN Inspection - 8/18/26 original dimensions were incorrect, new quote coming
Crack Seal / Seal Coat Parking Lots			86,100		95217	Commercial Asphalt Repair
Annual Bus/Van Purchase			0			*If possible with available funds, otherwise will be covered under General Fund*
Annual Tech Capital	79,100					$33,059 spent to 9/18/26
Annual Classroom Furniture	20,398				95174	$16,424 Vetsch 15 tables + Ackerman 15 tables, $3,973 HS Conf Room chairs
Annual Deferred Maintenance		30,000				$5,527 spent to 9/18/26
Annual H&S Mgmt, Fire, etc.		30,000				$33,165 spent to 9/18/26
Expenses	**223,626**	**190,414**	**855,193**	**89,291**		
Balance	**(9,658)**	**6,625**	**(19,125)**	**0**		

ANNUAL FACILITY PLANNING

2027-2028 Facilities Planning

	Operating Capital	LTFM	CPL	Food Service	PO ISSUED	Notes
Budget (estimated)	**210,925**	**140,410**	**989,250**	**0**		
7/1/2027 Fund Balance (estimated)	(9,658)	6,625	(19,125)	0		
Projects						
HS Gym Roof & Performance Gym Roof Fees			0			Inspec Fees - Construction Observation & Testing
HS Gym Roof Construction			387,600			Inspec - assumes $38/sq ft x 10,200, 11/21/25 infrared results show no anomalies
Performance Gym Roof Construction			562,400			Inspec - assumes $38/sq ft x 14,800, 11/21/25 infrared results show no anomalies
HVAC						
Classroom Remodels 2-3						
Elementary Flooring East/West Hallways						
Parking Lots						
Performance Gym ADA Compliance						
Tuckpointing						
LED Light Retrofit						
Ceiling Grid Updates						
Security Upgrades						
Annual Bus/Van Purchase						*If possible with available funds, otherwise will be covered under General Fund*
Annual Tech Capital	109,100					includes add'l $30,000 needed for upgrades to wireless access points - per Kevin 4/30/26
Annual Classroom Furniture	15,000					
Annual Deferred Maintenance		30,000				
Annual H&S Mgmt, Fire, etc.		30,000				
Expenses	**124,100**	**60,000**	**950,000**	**0**		
Balance	**77,167**	**87,035**	**20,125**	**0**		

ANNUAL FACILITY PLANNING

2028-2029 Facilities Planning

	Operating Capital	LTFM	CPL	Food Service		Notes
Budget (estimated)	**210,000**	**150,000**	**925,000**	**0**		
7/1/2028 Fund Balance (estimated)	77,167	87,035	20,125	0		
Projects						
Roof						
HVAC						
Classroom Remodels						
Elementary Flooring						
Parking Lots						
Tuckpointing						
Security Upgrades						
Annual Bus/Van Purchase						*If possible with available funds, otherwise will be covered under General Fund*
Annual Tech Capital	79,100					
Annual Classroom Furniture	15,000					
Annual Deferred Maintenance		30,000				
Annual H&S Mgmt, Fire, etc.		30,000				
Expenses	**94,100**	**60,000**	**0**	**0**		
Balance	**193,067**	**177,035**	**945,125**	**0**		

2027-2037 PROJECTS				
Roof Replacements (year due)				
	HS Gym	2027	*planned*	
	Performance Gym	2027	*planned*	
	ALC / New Beginnings	2028		
	District Office	2030		
	Commons / Classrooms	2032		
	Elementary	2034		
	2012 Additions - ECFE/Wrestling/Weight Room	2036		
	HS Office	2040		
High School				
	Additional Fencing - Baseball/Softball Fields			
	Auditorium			
	CTE Classroom Upgrades			
	Retrofit HS restrooms - supervision/safety, single stall			
	Fire Doors East West hall doors			
	HS locker room showers - retrofit fixtures/equipment			
	Storage			
	Common Spaces for Students			
Elementary				
	Exterior Paint, Stucco Repairs			
	Playground surfaces to ADA			
	Elem Hallways - ceiling tile, floors, paint			
	Replace floor tile in gym - asbestos abatement			
Commons				
	Replace Kitchen Floor			
	Sidewalk Repairs / Loading Dock			
	Food Service Director Office			
	Replace doors on Perf Gym x 6			
	Replace Bleachers Performance Gym - timeline to be based on inspection reports			
	Commons Stage - create usable space			
ALC / New Beginnings Buildings				
District Wide				
	Resurface Track - every 10 years	Last completed August 2017		
	Update sign on Murray & Main			
	Demo or repair outside buildings - needed for storage/equipment			
	Combo Field - grade, seed, sprinklers?			

	Fence Guards - baseball / softball fields			
	Additional Fencing - fields 3 & 4, dugouts			
	Replace LED lighting football field			
	Exhaust fans to teletrol replace if needed	Climate Makers List		
	AC units districtwide x 15	Climate Makers List		
	Parking Lot - North Side Commons			
	Hot Water Heaters - HS & Elem Boiler Rooms, Kitchen			
	Emergency Generator - necessary for technology?			
	School Forest - outdoor classroom, dock repairs			
Annual / Ongoing				
	Classrooms (annual) Upgrades			
	Carpet (annual)-10 year rotation if possible			
	Sidewalk Repairs (annual)			
	Equipment Custodial, Grounds (annual)			
	Furniture (annual)			
	Painting - Unify Colors Districtwide			
	Landscaping - trees/plants/etc.			
	Tuckpointing			