PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 8, 2020

In the opinion of Bond Counsel, under present federal and State of Minnesota laws, regulations and rulings, the interest to be paid on the Bonds of this offering is not includible in gross income of the recipient for United States or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. Interest on the Bonds is includible in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. See "Tax Exemption" herein for a discussion of federal tax legislation.

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue **Rating Application Made: Moody's Investors Service, Inc.**

INDEPENDENT SCHOOL DISTRICT NO. 2174 (PINE RIVER-BACKUS), MINNESOTA

(Cass and Crow Wing Counties)

(Minnesota School District Credit Enhancement Program)

$2,535,000* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2020B

PROPOSAL OPENING: October 19, 2020, 10:00 A.M., C.T.
CONSIDERATION: October 19, 2020, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $2,535,000* General Obligation School Building Refunding Bonds, Series 2020B (the "Bonds") are authorized pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by Independent School District No. 2174 (Pine River-Backus), Minnesota (the "District"), for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota.

DATE OF BONDS: November 12, 2020

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2022	$180,000	2026	$230,000	2030	$255,000
2023	205,000	2027	235,000	2031	255,000
2024	210,000	2028	240,000	2032	260,000
2025	220,000	2029	245,000		

MATURITY ADJUSTMENTS: * The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2021 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2029 and thereafter are subject to call for prior optional redemption on February 1, 2028 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: $2,509,650.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $50,700 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Knutson, Flynn & Deans, P.A.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the District and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the District, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over $1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the District for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over $1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the District is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the District nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the District which indicates that the District does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT 1

THE BONDS 1
- GENERAL 1
- OPTIONAL REDEMPTION 2
- AUTHORITY; PURPOSE 2
- ESTIMATED SOURCES AND USES 3
- SECURITY 3
- RATING 3
- STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS 4
- CONTINUING DISCLOSURE 5
- LEGAL OPINION 5
- TAX EXEMPTION AND RELATED CONSIDERATIONS . 6
- QUALIFIED TAX-EXEMPT OBLIGATIONS 6
- MUNICIPAL ADVISOR 7
- MUNICIPAL ADVISOR AFFILIATED COMPANIES 7
- INDEPENDENT AUDITORS 7
- RISK FACTORS 7

VALUATIONS 10
- OVERVIEW 10
- CURRENT PROPERTY VALUATIONS 11
- 2019/20 NET TAX CAPACITY BY CLASSIFICATION . . . 12
- TREND OF VALUATIONS 12
- LARGER TAXPAYERS 13

DEBT 14
- DIRECT DEBT 14
- STATE AID FOR DEBT SERVICE 14
- SCHEDULE OF BONDED INDEBTEDNESS 15
- BONDED DEBT LIMIT 16
- OVERLAPPING DEBT 16
- DEBT PAYMENT HISTORY 16
- DEBT RATIOS 17
- FUTURE FINANCING 17
- LEVY LIMITS 17

TAX RATES, LEVIES AND COLLECTIONS 18
- TAX LEVIES AND COLLECTIONS 18
- TAX CAPACITY RATES 19

THE ISSUER 20
- EMPLOYEES 20
- PENSIONS; UNIONS 20
- POST EMPLOYMENT BENEFITS 20
- STUDENT BODY 21
- SCHOOL BUILDINGS 21
- FUNDS ON HAND 22
- LITIGATION 22
- MUNICIPAL BANKRUPTCY 22
- SUMMARY GENERAL FUND INFORMATION 23

GENERAL INFORMATION 24
- LOCATION 24
- LARGER EMPLOYERS 24
- U.S. CENSUS DATA 25
- EMPLOYMENT/UNEMPLOYMENT DATA 25

FINANCIAL STATEMENTS A-1

FORM OF LEGAL OPINION B-1

BOOK-ENTRY-ONLY SYSTEM C-1

FORM OF CONTINUING DISCLOSURE CERTIFICATE D-1

TERMS OF PROPOSAL E-1

PINE RIVER-BACKUS
SCHOOL BOARD

		Term Expires
Chris Cunningham	Chair	January 2021
Katy Botz	Member	January 2023
Leslie Bouchonville	Member	January 2023
Wanda Carlson	Member	January 2023
Dawn Rubner	Member	January 2021
Dave Sheley	Member	January 2021
Ryan Trumble	Member	January 2023

ADMINISTRATION

Jonathan Clark, Superintendent of Schools

Jolene Bengtson, Business Manager

PROFESSIONAL SERVICES

Knutson, Flynn & Deans, P.A., Bond Counsel, Mendota Heights, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(*Other offices located in Waukesha, Wisconsin and Denver, Colorado*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 2174 (Pine River-Backus), Minnesota (the "District") and the issuance of its $2,535,000* General Obligation School Building Refunding Bonds, Series 2020B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the Board of Education on October 19, 2020.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the District's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of November 12, 2020. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The District has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the District. If only part of the Bonds having a common maturity date are called for redemption, then the District or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by the District, for the purpose of effecting a current refunding of the District's $4,260,000 General Obligation School Building Bonds, Series 2012A, (the "Series 2012A Bonds) as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 722774
Series 2012A Bonds	3/7/12	2/1/21	Par	2022	1.750%	$210,000	BL9
				2023	1.875%	215,000	BM7
				2024	2.000%	220,000	BN5
				2025	2.150%	230,000	BP0
				2026	2.300%	235,000	BQ8
				2027	2.400%	240,000	BR6
				2028	2.500%	245,000	BS4
				2032 (term)	3.500%	1,050,000	BW5
Total Series 2012A Bonds Being Refunded						$2,645,000	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The District will pay the principal and interest payment due on February 1, 2021 from the Debt Service Fund for the Series 2012A Bonds.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount of Bonds	$2,535,000	
	Reoffering Premium	181,499	
	Total Sources		**$2,716,499**
Uses			
	Total Underwriter's Discount (1.000%)	$25,350	
	Costs of Issuance	45,695	
	Deposit to Current Refunding Fund	2,645,000	
	Rounding Amount	454	
	Total Uses		**$2,716,499**

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the District to which its full faith, credit and taxing powers are pledged. In accordance with Minnesota Statutes, the District will levy each year an amount not less than 105% of the debt service requirements on the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the District is required to levy additional taxes upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from Moody's Investors Service ("Moody's"). Moody's has a policy which assigns a minimum rating of "Aa2" to issuers participating in the MNCEP. The "Aa2" rating is based on the State of Minnesota's current "Aa1" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has a "Aa3" underlying rating from Moody's and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the District nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on September 21, 2020 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

Under the State Payment Law, if the District believes it may be unable to make a principal or interest payment for this issue on the due date, it must notify the Commissioner of Education as soon as possible, but not less than 15 working days prior to the due date (which notice is to specify certain information) that it intends to exercise the provisions of the Law to guarantee payment of the principal and interest when due. The District also covenants in the Resolution to deposit with the Paying Agent for the issue three business days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Commissioner of Education that it will be unable to make all or a portion of the payment.

The Law also requires the Paying Agent for this issue to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days prior to the payment date, there are insufficient funds to make the payment or deposit with the Paying Agent.

The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Paying Agent and District, and after verifying the accuracy of the information provided, the Commissioner of Education shall notify the Commissioner of Management and Budget of the potential default. The State Payment Law provides that "upon receipt of this notice . . . the Commissioner of Management and Budget shall issue a warrant and authorize the Commissioner of Education to pay to the Paying Agent for the debt obligation the specified amount on or before the date due. The amounts needed for purposes of subdivision are annually appropriated to the Department of Education from the state general fund."

The Law requires that all amounts paid by the State on behalf of any School District are required to be repaid by the District to the State with interest, either via a reduction in State aid payable to the District, or through the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education.

In its Official Statement dated August 11, 2020, for General Obligation State Bonds, Series 2020A, 2020B, 2020C, 2020D, 2020E, 2020F, and 2020G, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts.

> "As the date of this Official Statement, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2050, is approximately $17.35 billion. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of the date of this Official Statement is currently estimated at $1.26 billion, with the maximum amount of principal and interest payable in any one month being $975.9 million. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.
>
> The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the District shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the District shall execute and deliver a Continuing Disclosure Certificate, under which the District will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the District are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the District to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Prior continuing disclosure undertakings entered into by the District included language stating that the Annual Financial Statements would be filed “when available.” Although the District did not always comply with this requirement, the Annual Financial Statements were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent that the preceding is deemed to be material, the District believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota, Bond Counsel to the District, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION AND RELATED CONSIDERATIONS

In the opinion of Knutson, Flynn & Deans, P.A., as Bond Counsel, on the basis of laws in effect on the date of issuance of the Bonds, interest on the Bonds is not includible in gross income for federal income tax purposes or in taxable net income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is includible in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. Certain provisions of the Internal Revenue Code of 1986, as amended (the Code), however, impose continuing requirements that must be met after the issuance of the Bonds in order for interest thereon to be and remain not includible in federal gross income and in Minnesota taxable net income. Noncompliance with such requirements by the Issuer may cause the interest on the Bonds to be includible in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds becomes includible in federal gross income or Minnesota taxable net income.

Interest on the Bonds is not an item of tax preference includible in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts, and is not includible in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax, and the environmental tax imposed by Section 59A of the Code. Interest on the Bonds may be includible in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includible in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest on the Bonds that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account interest on the Bonds in determining the taxability of such benefits. Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Bonds. Prospective purchasers or Bondholders should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income. Except as stated in its opinion, no opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the District, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the District under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2020, have been audited by CliftonLarsonAllen LLP, Brainerd, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as “APPENDIX A – FINANCIAL STATEMENTS”. The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the District, the ultimate payment of which rests in the District's ability to levy and collect sufficient taxes to pay debt service should other revenue (state aids) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the District in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the District, the taxable value of property within the District, and the ability of the District to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the District and to the Bonds. The District can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the District or the taxing authority of the District.

Ratings; Interest Rates: In the future, the District's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the District to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the District to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the District, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the District may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The District is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the District and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the District, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency which is still in effect. On June 5, 2020, the Governor signed Emergency Executive Order 20-74 which outlines guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 peacetime emergency. This order is effective as of June 10, 2020 and outlines the guidelines for continuing to lift the restrictions that were identified in prior Executive Orders signed by the Governor. On July 22, 2020, the Governor signed Emergency Executive Order 20-81 which requires individuals to wear a face covering in certain settings across Minnesota to prevent the spread of COVID-19.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2017/18	2018/19	2019/20
Residential homestead[1]	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%
Agricultural homestead[1]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,940,000 - 0.50% [2] Over $1,940,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,900,000 - 0.50% [2] Over $1,900,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,880,000 - 0.50% [2] Over $1,880,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $121,000 - .75% Over $121,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $139,000 - .75% Over $139,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $150,000 - .75% Over $150,000 - .25%
Industrial/Commercial/Utility[5]	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%

1 A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

2 Applies to land and buildings. Exempt from referendum market value tax.

3 Exempt from referendum market value tax.

4 Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

5 The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2019/20 Economic Market Value $1,824,539,359[1]

2019/20 Assessor's Estimated Market Value

	Cass County	Crow Wing County	Total
Real Estate	$ 990,313,100	$ 655,745,000	$ 1,646,058,100
Personal Property	12,317,200	2,252,000	14,569,200
Total Valuation	$ 1,002,630,300	$ 657,997,000	$ 1,660,627,300

2019/20 Net Tax Capacity

	Cass County	Crow Wing County	Total
Real Estate	$ 9,073,223	$6,786,921	$ 15,860,144
Personal Property	254,875	44,898	299,773
Net Tax Capacity	$ 9,328,098	$6,831,819	$ 16,159,917
Less: Captured Tax Increment Tax Capacity[2]	(17,619)	0	(17,619)
Power Line Adjustment[3]	(1,555)	(287)	(1,842)
Taxable Net Tax Capacity	$ 9,308,924	$6,831,532	$ 16,140,456

---

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 91.06% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of $1,824,539,359.

2 The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts located in the District.

3 Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

2019/20 NET TAX CAPACITY BY CLASSIFICATION

	2019/20 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 5,009,251	31.00%
Agricultural	2,270,424	14.05%
Commercial/industrial	730,058	4.52%
Public utility	75,515	0.47%
Non-homestead residential	472,545	2.92%
Commercial & residential seasonal/rec.	7,302,351	45.19%
Personal property	299,773	1.86%
Total	$16,159,917	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2015/16	$1,436,926,100	$1,370,603,900	$13,843,408	$13,788,054	+ 0.77%
2016/17	1,467,694,900	1,401,177,309	14,110,629	14,087,130	+ 2.14%
2017/18	1,494,601,000	1,425,985,405	14,363,101	14,339,491	+ 1.83%
2018/19	1,556,141,300	1,487,446,862	15,043,394	15,018,912	+ 4.12%
2019/20	1,660,627,300	1,591,424,690	16,159,917	16,140,456	+ 6.71%

[1] Net Tax Capacity includes tax increment and power line values.

[2] Taxable Net Tax Capacity does not include tax increment or power line values.

LARGER TAXPAYERS

Taxpayer	Type of Property	2019/20 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Minnesota Power & Light Co.	Utility	$219,743	1.36%
Trail Properties, Inc.	Resort	59,767	0.37%
Great River Energy	Utility	53,169	0.33%
Potlatch Minnesota Timberlands	Rural Vacant Land	50,348	0.31%
Manhattan Beach, LLC	Commercial	36,954	0.23%
Individuals	Seasonal Residential	34,351	0.21%
Individuals	Agricultural	33,724	0.21%
Eveland's, Inc.	Commercial	31,200	0.19%
Rocking K Ranch, LLC	Res. Homestead, Ag Homestead	28,303	0.18%
Xcel Energy	Utility	27,348	0.17%
Total		$574,907	3.56%

District's Total 2019/20 Net Tax Capacity $16,159,917

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Cass and Crow Wing Counties.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	$ 5,077,484

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE

The Minnesota Debt Service Equalization program provides state aid to finance a portion of the principal and interest payments on most school district bonds. Bonds not eligible for the program include all alternative facilities bonds, facilities maintenance bonds, capital facilities bonds and OPEB bonds, as well as building bonds with relatively short maturities.

Under the Debt Service Equalization Formula (the Formula) adopted by the 2001 Minnesota State Legislature, each school district is responsible for the amount of its qualifying annual debt service which is equal to 15.74% of its Adjusted Net Tax Capacity (ANTC). The District does not currently qualify for debt service equalization aid.

In addition to debt service equalization aid, some school districts will qualify for state Long Term Facilities Maintenance Aid to finance a portion of the payments on Alternative Facilities Bonds and Facilities Maintenance Bonds, pursuant to the Long Term Facilities Maintenance Revenue (LTFMR) program approved by the State in 2015. If any aid is received, it is deposited into the District's debt service fund and must be used for payments on the bonds; any payment of state aid into the debt service fund causes a reduction in the tax levy for Alternative Facilities Bonds and Facilities Maintenance Bonds. The amount of aid received in the debt service fund will vary each year, depending on a number of factors. The District does not currently qualify for Long Term Facilities Maintenance Aid in the debt service fund.

Some Districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to Districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 40% for taxes payable in 2018 and 2019, 50% for 2020, 55% for 2021, 60% for 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, rural vacant land and managed forestland. The amount of agricultural credit received in the debt service fund for taxes payable 2021 is approximately 7.2 % of total annual debt service levies, based on the District's 2019/20 qualifying agricultural land valuation.

---

1 Outstanding debt is as of the dated date of the Bonds.

Independent School District No. 2174 (Pine River-Backus), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 11/12/2020)

	Capital Facilities Bonds (QZAB) Series 2009A		School Building Bonds Series 2012A		Facilities Maintenance Bonds Series 2017A		Facilities Maintenance and Capital Facilities Bonds Series 2020A		School Building Refunding Bonds 1) Series 2020B							
Dated Amount	09/03/2009 $721,816		03/07/2012 $4,260,000		03/07/2017 $1,985,000		06/11/2020 $500,000		11/12/2020 $2,535,000*							
Maturity	09/03		02/01		02/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2021	0	0	210,000	37,226	120,000	21,619	0	6,389	0	0	330,000	65,233	395,233	4,747,484	6.50%	**2021**
2022	48,121	0			120,000	40,538	45,000	10,000	180,000	80,361	393,121	130,899	524,020	4,354,363	14.24%	**2022**
2023	48,121	0			125,000	37,838	50,000	9,100	205,000	60,500	428,121	107,438	535,559	3,926,242	22.67%	**2023**
2024	48,121	0			125,000	35,025	50,000	8,100	210,000	54,350	433,121	97,475	530,596	3,493,121	31.20%	**2024**
2025	48,121	0			130,000	31,900	50,000	7,100	220,000	48,050	448,121	87,050	535,171	3,045,000	40.03%	**2025**
2026					135,000	28,650	50,000	6,100	230,000	41,450	415,000	76,200	491,200	2,630,000	48.20%	**2026**
2027					135,000	25,275	50,000	5,100	235,000	34,550	420,000	64,925	484,925	2,210,000	56.47%	**2027**
2028					140,000	21,563	50,000	4,100	240,000	27,500	430,000	53,163	483,163	1,780,000	64.94%	**2028**
2029					145,000	17,713	50,000	3,100	245,000	20,300	440,000	41,113	481,113	1,340,000	73.61%	**2029**
2030					150,000	13,725	50,000	2,100	255,000	15,400	455,000	31,225	486,225	885,000	82.57%	**2030**
2031					155,000	9,450	55,000	1,100	255,000	10,300	465,000	20,850	485,850	420,000	91.73%	**2031**
2032					160,000	4,800			260,000	5,200	420,000	10,000	430,000	0	100.00%	**2032**
	192,484	0	210,000	37,226	1,640,000	288,094	500,000	62,289	2,535,000	397,961	5,077,484	785,570	5,863,054			

* Preliminary, subject to change.

1) This issue is refunding the 2022 through 2032 maturities of the District's $4,260,000 General Obligation School Building Bonds, Series 2012A dated March 7, 2012.

BONDED DEBT LIMIT

Minnesota Statutes, Section 475.53, subdivision 4, presently limits the "net debt" of a school district to 15% of its actual market value. The actual market value of property within a district, on which its debt limit is based, is (a) the value certified by the county auditors, or (b) this value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value. The current debt limit of the District is computed as follows:

2019/20 Economic Market Value	$1,824,539,359
Multiply by 15%	0.15
Statutory Debt Limit	$ 273,680,904
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(5,077,484)
Unused Debt Limit*	$ 268,603,420

*Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2019/20 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Cass County	$ 74,389,987	12.5137%	$ 47,095	$ 5,893
Crow Wing County	118,423,505	5.7709%	182,500	10,532
City of Backus	204,527	100.0000%	1,274,240	1,274,240
City of Crosslake	14,048,730	5.2472%	6,815,000	357,597
City of Pine River	521,839	100.0000%	679,000	679,000
District's Share of Total Overlapping Debt				$ 2,327,262

DEBT PAYMENT HISTORY

The District has no record of default in the payment of principal and interest on its debt.

1 Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does ***not*** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

2 Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($1,824,539,359)	Debt/ Current Population Estimate (7,521)
Direct G.O. Debt Secured By Taxes and State Aids*	$ 5,077,484		
Less: State Agricultural Credit[1]	(365,579)		
Tax Supported General Obligation Debt*	$ 4,711,905	0.26%	$626.50
District's Share of Total Overlapping Debt	$ 2,327,262	0.13%	$309.44
Total*	$ 7,039,167	0.39%	$935.94

*Preliminary, subject to change.

FUTURE FINANCING

The District has no current plans for additional financing in the next 12 months.

LEVY LIMITS

Minnesota school district tax levies for most purposes are subject to statutory limitations. No limit, however, is placed on the debt service levy, and districts are required to levy 105% of actual principal and interest requirements to allow for delinquencies.

School districts receive a basic revenue amount per pupil unit from aid and levy proceeds in a variety of categorical state aids. They are also allowed to certify additional levies within limits for certain specified purposes. The State Department of Education and the applicable County Auditors review the levies of each school district to determine compliance with state levy limits.

---

1 Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 7.2% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $365,579.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2015/16	$ 1,594,799	$ 1,667,211	$ 1,590,129	99.71%
2016/17	1,487,689	1,449,315	1,482,529	99.65%
2017/18	1,713,449	1,665,638	1,705,725	99.55%
2018/19	1,695,117	1,649,357	1,676,605	98.91%
2019/20	1,662,382	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[3] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The District cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the District's finances and payment of debt obligations, including the Bonds.

---

1 This reflects the Final Levy Certification of the District after all adjustments have been made.

2 Collections are through July 15, 2020 for Cass County and through August 16, 2020 for Crow Wing County.

3 Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES[1]

	2015/16	2016/17	2017/18	2018/19	2019/20
I.S.D. No. 2174 (Pine River-Backus)	6.560%	5.447%	7.022%	6.741%	6.233%
Cass County	35.470%	36.165%	36.241%	35.146%	34.510%
Crow Wing County	33.574%	32.308%	31.741%	32.689%	33.154%
City of Pine River	105.896%	108.749%	105.936%	98.404%	95.507%
City of Backus	80.460%	83.107%	83.935%	72.512%	75.296%
Town of Pine River[2]	39.735%	38.869%	36.613%	32.859%	30.499%
Crow Wing County HRA	0.062%	0.103%	0.101%	0.098%	0.687%
Cuyuna Range Hospital	1.141%	1.114%	1.083%	1.052%	0.993%
Region 5	0.131%	0.131%	0.134%	0.133%	0.128%
Referendum Market Value Rates:					
I.S.D. No. 2174 (Pine River-Backus)	0.12980%	0.12989%	0.12916%	0.11801%	0.10468%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Cass and Crow Wing Counties.

1 After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 166, including 86 non-licensed employees and 80 licensed employees (76 of whom are teachers). The District provides education for 843 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

All teachers employed by the District are covered by defined benefit pension plans administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapter 354 and 356.

Public Employees' Retirement Association (PERA)

All full-time and certain part-time employees of the District (other than those covered by TRA) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Pine River-Backus Education Association	June 30, 2021
School Service Employees Local 284	June 30, 2020
Pine River-Backus Principals Association	June 30, 2022

Status of Contracts

The Contract which expired on June 30, 2020 is currently in negotiations.

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent actuarial study shows a total OPEB liability of $315,350 as of June 30, 2020. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent actuarial study.

STUDENT BODY

The number of students enrolled for the past four years and for the current year have been as follows:

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2016/17	74	429	375	878
2017/18	67	425	370	862
2018/19	59	421	379	859
2019/20	80	403	387	870
2020/21	57	374	412	843

Enrollments for the next three years are projected to be as follows:

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2021/22	60	377	408	845
2022/23	60	368	423	851
2023/24	60	367	412	839

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Pine River-Backus K-12 Building	1961	1973, 1981, 1991, 2010, 2013, 2017
Adult Basic Education/CLC	1980	--
Alternative Learning Center	2005	--
New Beginnings	2008	--
Bus Garage - Maintenance/Shop	1980	--
Bus Garage - Bus Storage	2010	--

FUNDS ON HAND (as of August 31, 2020)

Fund	Total Cash and Investments
General	$ 5,223,909
Food Service	(4,586)
Community Service	217,040
Debt Service	756,029
Building/Construction	416,064
Total Funds on Hand	$ 6,608,456

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the District or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

Currently there is no statutory authority for Minnesota school districts to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future while the Bonds are outstanding; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the District to file for relief under Chapter 9; or (c) whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. Such action could impact the rights of holders of the Bonds. Such modifications could be adverse to holders of the Bonds and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds.

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the District's 2020 audited financial statements.

	FISCAL YEAR ENDING JUNE 30				
COMBINED STATEMENT	**2017 Audited**	**2018 Audited**	**2019 Audited**	**2020 Audited**	**2020-21 Adopted Budget 1)**
Revenues					
Local property taxes	$1,377,658	$1,287,376	$1,333,526	$1,333,681	$1,268,546
Other local and county revenues	286,793	348,797	352,866	399,298	181,476
Revenues from state sources	8,793,223	8,677,043	8,909,822	9,076,578	9,271,286
Revenues from federal sources	371,565	346,550	356,411	373,224	376,050
Earnings on investments	28,624	50,693	90,111	70,975	68,835
Total Revenues	$10,857,863	$10,710,459	$11,042,736	$11,253,756	$11,166,193
Expenditures					
Current:					
Administration	433,276	422,136	508,825	451,274	468,111
District support services	245,257	230,524	256,859	249,413	296,131
Elementary & secondary regular instruction	4,404,269	4,712,683	4,989,320	5,333,787	5,444,860
Vocational education instruction	154,416	157,826	84,608	119,783	114,503
Special education instruction	1,849,973	1,847,434	1,984,863	1,997,185	1,988,620
Instructional support services	372,754	529,890	420,643	321,695	371,897
Pupil support services	1,033,756	1,105,942	1,229,386	1,249,249	1,204,386
Sites and buildings	789,533	1,212,933	1,043,381	1,306,204	1,019,593
Fiscal and other fixed cost programs	42,069	43,530	43,767	47,625	47,600
Capital outlay	465,942	393,455	257,559	267,401	302,414
Debt service	171,085	112,964	112,354	19,115	19,115
Total Expenditures	$9,962,330	$10,769,317	$10,931,565	$11,362,731	$11,277,230
Excess of revenues over (under) expenditures	$895,533	($58,858)	$111,171	($108,975)	($111,037)
Other Financing Sources (Uses)					
Operating transfers in	$0	$0	$0	$0	$0
Operating transfers out	(88,574)	(268,342)	(123,319)	($130,178)	($110,000)
Capital lease proceeds	55,846	90,024	0	0	0
Total Other Financing Sources (Uses)	($32,728)	($178,318)	($123,319)	($130,178)	($110,000)
Net changes in Fund Balances	$862,805	($237,176)	($12,148)	($239,153)	($221,037)
General Fund Balance July 1	3,314,026	4,176,831	3,939,655	3,927,507	
Prior Period Adjustment	0	0	0	627,934	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	$4,176,831	$3,939,655	$3,927,507	$4,316,288	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$2,114	$2,024	$2,334	$2,202	
Restricted	142,802	124,669	90,618	834,444	
Committed	500,000	200,326	251,912	0	
Unassigned	3,531,915	3,612,636	3,582,643	3,479,642	
Total	$4,176,831	$3,939,655	$3,927,507	$4,316,288	

1) The 2020-21 budget was adopted on June 22, 2020.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 7,315, and a current population estimate of 7,521, and comprising an area of 539 square miles, is located approximately 175 miles northwest of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 2174 (Pine River-Backus)	Elementary and secondary education	166
Good Samaritan Society - Pine River	Nursing home	100
West View SLS	Residential care home	90
Pine River Group Home Inc	Social Services & welfare organizations	75
Pine Mountaineer Senior	Assisted living facilities for the elderly	60
Pine River Family Market	Grocers - retail	50
Scamp Trailer Sales	Manufacture travel trailers and maintenance	40
Godfrey's True Value	Hardware store	35
Norbank Group Inc[2]	Banking services	30
Kimber Creek Ford	Automobile dealership	26

Source: *ReferenceUSA, written and telephone survey (September 2020), and the Minnesota Department of Employment and Economic Development.*

---

[1] This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

[2] Formally known as Pine River State Bank.

U.S. CENSUS DATA

Population Trend: The District

2000 U.S. Census population	7,305
2010 U.S. Census population	7,315
2018 Population Estimate	7,521
Percent of Change 2000 - 2010	+ 0.14%

Income and Age Statistics

	The District	Cass County	State of Minnesota	United States
2018 per capita income	$26,107	$29,053	$36,245	$32,621
2018 median household income	$47,398	$50,173	$68,411	$60,293
2018 median family income	$55,689	$59,755	$86,204	$73,965
2018 median gross rent	$670	$713	$944	$1,023
2018 median value owner occupied units	$156,000	$182,700	$211,800	$204,900
2018 median age	48.1 yrs.	48.9 yrs.	37.9 yrs.	37.9 yrs.

	State of Minnesota	United States
District % of 2018 per capita income	72.03%	80.03%
District % of 2018 median family income	64.60%	75.29%

Source: *2000 and 2010 Census of Population and Housing, and 2018 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (https://data.census.gov/cedsci).*

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Cass County	Cass County	State of Minnesota
2016	13,229	6.8%	3.9%
2017	13,500	5.9%	3.4%
2018	13,602	5.1%	2.9%
2019	13,866	5.6%	3.2%
2020, July	13,424	8.8%	7.4%

Source: *Minnesota Department of Employment and Economic Development.*

APPENDIX A

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the District's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The District has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the District requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the District since the date of the financial statements, in connection with the issuance of the Bonds, the District represents that there have been no material adverse change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020

INTRODUCTORY SECTION

- BOARD OF EDUCATION AND ADMINISTRATION

FINANCIAL SECTION

- INDEPENDENT AUDITORS' REPORT
- REQUIRED SUPPLEMENTARY INFORMATION
  - MANAGEMENT'S DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
  - STATEMENT OF NET POSITION
  - STATEMENT OF ACTIVITIES
  - BALANCE SHEET – GOVERNMENTAL FUNDS
  - RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
  - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
  - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
  - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
  - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – FOOD SERVICE FUND
  - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – COMMUNITY SERVICE FUND
- NOTES TO FINANCIAL STATEMENTS

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020

- REQUIRED SUPPLEMENTARY INFORMATION
  - SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS
  - SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
  - SCHEDULE OF DISTRICT CONTRIBUTIONS
  - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
- SUPPLEMENTARY INFORMATION
  - UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

OTHER REQUIRED REPORTS

- INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
- INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE
- SCHEDULE OF FINDINGS AND RECOMMENDATIONS

INTRODUCTORY SECTION

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2020

BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Chris Cunningham	January 1, 2021	Chairperson
Leslie Bouchonville	January 1, 2023	Vice-Chairperson
Katy Botz	January 1, 2023	Clerk/Treasurer
Dawn Rubner	January 1, 2021	Director
David Sheley	January 1, 2021	Director
Wanda Carlson	January 1, 2023	Director
Ryan Trumble	January 1, 2023	Director

ADMINISTRATION

Dave Endicott	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-Backus, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of Independent School District No. 2174 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District as of June 30, 2020, and the respective changes in financial position, and budgetary comparison for the General Fund, Food Service Fund, and Community Service Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2020, the District adopted GASB Statement No. 84 *Fiduciary Activities.* As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 11). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Uniform Financial Accounting and Reporting Standards Compliance Table 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2020, 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 result 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 2, 2020

REQUIRED SUPPLEMENTARY INFORMATION

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

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, 2020.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019 - 2020 fiscal years include the following:

- District-wide accrual basis net position decreased by $382,380 on revenues of $12,526,891 compared to expenses of $12,909,271.
- Total General Fund revenues and transfer in were approximately $11,254,000 as compared to $11,493,000 of expenditures and transfers out.
- The fund balance of the General Fund decreased from the prior year.

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.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was $1,874,327 on June 30, 2020.

Table A-1
The District's Net Position

	Governmental Activities 2020	as 2019	Percentage Change
Current and Other Assets	$ 8,696,962	$ 7,701,700	12.9 %
Capital and Noncurrent Assets	12,436,449	12,349,523	0.7
Total Assets	21,133,411	20,051,223	5.4
Deferred Outflows of Resources	5,669,402	8,339,480	(32.0)
Current Liabilities	1,866,602	1,744,457	7.0
Long-Term Liabilities	13,065,964	12,894,261	1.3
Total Liabilities	14,932,566	14,638,718	2.0
Deferred Inflows of Resources	9,995,920	12,123,212	(17.5)
Net Position			
Net Investment in Capital Assets	6,841,367	6,489,681	5.4
Restricted	934,824	740,021	26.3
Unrestricted	(5,901,864)	(5,600,929)	5.4
Total Net Position	$ 1,874,327	$ 1,628,773	15.1

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were $12,526,891 for the year ended June 30, 2020. Property taxes and state aid formula accounted for 63% of total revenue for the year. Another 32% came from other program-specific federal and state aid. Charges for services increased due to student activity revenues of approximately $159,000 being recorded in the current year.

Table A-2
Change in Net Position

	Governmental Activities for the Fiscal 2020	Governmental Activities for the Fiscal 2019	Total Percent Change
Revenues			
Program Revenues			
Charges for Services	$ 423,095	$ 225,495	87.6 %
Operating Grants and Contributions	3,780,058	3,597,027	5.1
Capital Grants and Contributions	228,841	223,236	2.5
General Revenues			
Property Taxes	1,899,730	1,921,322	(1.1)
Unrestricted Federal and State Aid	6,001,190	5,791,200	3.6
Investment Earnings	67,927	93,501	(27.4)
Other	126,050	151,953	(17.0)
Total Revenues	12,526,891	12,003,734	4.4
Expenses			
Administration	490,461	343,340	42.8
District Support Services	250,594	248,317	0.9
Regular Instruction	5,776,569	3,293,684	75.4
Vocational Education Instruction	132,536	23,606	461.5
Special Education Instruction	2,108,628	1,475,397	42.9
Instructional Support Services	335,950	344,379	(2.4)
Pupil Support Services	1,269,571	1,051,092	20.8
Sites and Buildings	1,185,318	1,252,640	(5.4)
Fiscal and Other Fixed Cost Programs	47,625	43,767	8.8
Food Service	681,470	713,755	(4.5)
Community Service	362,957	273,713	32.6
Unallocated - Depreciation	152,383	153,332	(0.6)
Interest and Fiscal Charges on Long-Term Liabilities	115,209	133,589	(13.8)
Total Expenses	12,909,271	9,350,611	38.1
Increase (Decrease) in Net Position	(382,380)	2,653,123	
Net Position - Beginning of Year	1,628,773	(1,024,350)	
Change in Accounting Principle	627,934	-	
Net Position - Beginning of Year, as Restated	2,256,707	(1,024,350)	
Net Position - End of Year	$ 1,874,327	$ 1,628,773	

Overall expenses increased due to negative pension expense being reported in the prior year and approximately $146,000 of student activity expenditures being recorded under regular instruction in the current year.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The cost of all governmental activities this year was $12,909,271.

- Some of the cost was paid by the users of the District's programs ($423,095).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions ($4,008,899).
- 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 2020

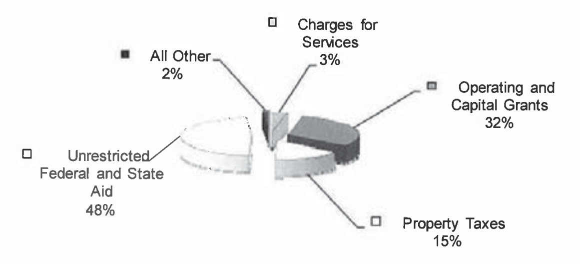
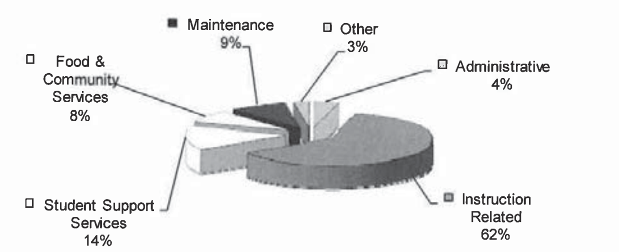


Figure A-2
District Expenses for Fiscal 2020



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 2020	Total Cost of Services 2019	Change	Net Cost of Services 2020	Net Cost of Services 2019	Change
Administration	$ 490,461	$ 343,340	42.8 %	$ 468,176	$ 365,586	28.1 %
District Support Services	250,594	248,317	0.9	250,594	248,317	0.9
Regular Instruction	5,776,569	3,293,684	75.4	4,578,546	2,325,675	96.9
Vocational Education Instruction	132,536	23,606	461.5	128,316	31,117	312.4
Special Education Instruction	2,108,628	1,475,397	42.9	887,894	373,294	137.9
Instructional Support Services	335,950	344,379	(2.4)	154,904	68,335	126.7
Pupil Support Services	1,269,571	1,051,092	20.8	243,385	144,084	68.9
Sites and Buildings	1,185,318	1,252,640	(5.4)	1,061,042	1,129,305	(6.0)
Fiscal and Other Fixed Cost Programs	47,625	43,767	8.8	47,625	43,767	8.8
Food Service	681,470	713,755	(4.5)	174,991	172,913	1.2
Community Service	362,957	273,713	32.6	232,842	134,772	72.8
Unallocated - Depreciation	152,383	153,332	(0.6)	152,383	153,332	(0.6)
Interest and Fiscal Charges on Long-Term Liabilities	115,209	133,589	(13.8)	96,579	114,356	(15.5)
Total	$ 12,909,271	$ 9,350,611	38.1	$ 8,477,277	$ 5,304,853	59.8

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 $5,500,598.

Revenues for the District's governmental funds were $12,536,578, while total expenditures were $12,745,050. Both the revenues and expenditures are excluding the other financing sources and uses.

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.

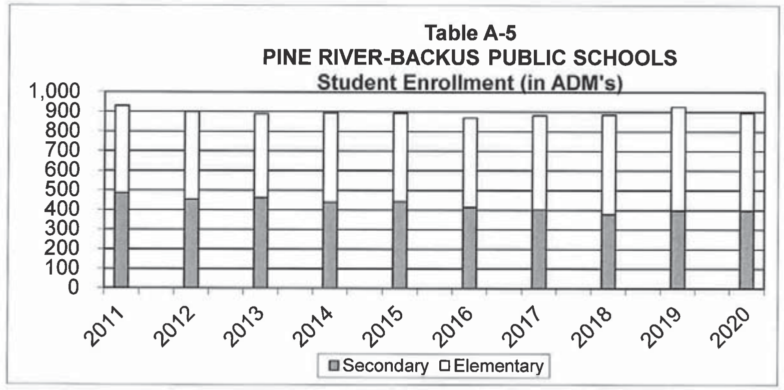
The following graph shows the trend in student counts over the past ten years:

Table A-4

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pre-K	12	1	14	9	8	9	11	25	33	32
HCP K	5	8	9	7	2	2	8	7	9	15
Reg K	57	55	61	65	56	61	60	63	44	63
Elementary	371	364	374	371	390	407	428	433	412	401
Secondary	453	460	437	441	414	402	379	398	396	411
Total Students for Aid	898	888	895	893	870	881	886	926	894	922
Percent Change	-3.44%	-1.11%	0.79%	-0.22%	-2.58%	1.26%	0.57%	4.51%	-3.46%	3.13%

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, 2020	Year Ended June 30, 2019	Change Amount Increase (Decrease)	Change Percent Increase (Decrease)
Local Sources				
Property Taxes	$ 1,333,681	$ 1,333,526	$ 155	0.0 %
Earnings on Investments	70,975	90,111	(19,136)	(21.2)
Other	399,298	352,866	46,432	13.2
State Sources	9,076,578	8,909,822	166,756	1.9
Federal Sources	373,224	356,411	16,813	4.7
Total General Fund Revenue	$ 11,253,756	$ 11,042,736	$ 211,020	1.9

Total General Fund revenue increased by $211,020 or 1.9% from the prior year as show above. The increase relates to the increase in general education aid due to the overall increase in funding from the state and an increase in students.

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-7
General Fund Expenditures

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 6,731,233	$ 6,598,262	$ 132,971	2.0 %
Employee Benefits	1,758,418	1,642,485	115,933	7.1
Purchased Services	1,725,138	1,583,330	141,808	9.0
Supplies and Materials	797,564	718,176	79,388	11.1
Capital Expenditures	267,401	257,559	9,842	3.8
Other Expenditures	63,862	19,399	44,463	229.2
Debt Service	19,115	112,354	(93,239)	(83.0)
Total Expenditures	$ 11,362,731	$ 10,931,565	$ 431,166	3.9

The increase in salaries and benefits is due to an increase in health premiums and due to salary adjustments and additions to staff.

General Fund Budgetary Highlights

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

- Generally speaking, the first budget amendment concentrates on students and staff. Actual student counts from the beginning of the school year are tracked and matched against the student enrollment estimates used to project many of the revenue components in the preliminary budget revenue categories. Actual staffing and respective assignments are verified for accuracy against the projected staffing costs used to establish the preliminary budget expense for salaries and benefits.

- Because it occurs further into the fiscal year, the second amendment of the budget has a heavier concentration on the review and tracking of both actual revenue and expense categories toward the annual budgeted amounts.

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

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights (Continued)

Actual results differed from budget as follows:

- While the District's final budget for the General Fund anticipated that expenditures and transfers out would exceed revenues by $585,405, actual expenditures and transfers out exceeded actual revenues by $239,153.

- Overall, actual revenues were $510,195 more than budgeted, representing more than a 4.7%variation from budget to actual. State revenues were $284,328 over budget due to higher than anticipated General Education Aid and TRA/PERA Aid and an increase in enrollment. Other revenues were over budget due to student activities being included in the General Fund. The revenues related to student activities for the current year was $158,938.

- The actual expenditures for current year were $143,765 more than budgeted, which represents about 1.2% of budgeted expenditures. Regular instruction was $161,685 due to an increase in purchased services. Student activity expenditures of $145,945 were recorded in the current year under regular instruction.

CONSTRUCTION PROJECTS AND DEBT SERVICE

An annual levy is made to fund the bond payments of approximately $320,000 in principal and $124,000 of interest.

CAPITAL ASSETS

As shown in the table below, the District has invested $24,793,413 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 3 to the financial statements. Total depreciation expense for the year was $664,088.

Table A-8
The District's Capital Assets

	2020	2019	Percentage Change
Land	$ 7,515	$ 7,515	- %
Construction-in-Progress	104,102	-	100.0
Land Improvements	1,601,254	1,318,523	21.4
Buildings and Improvements	18,711,967	18,576,682	0.7
Equipment	4,368,575	4,330,384	0.9
Less: Accumulated Depreciation	(12,356,964)	(11,883,581)	4.0
Total	$ 12,436,449	$ 12,349,523	0.7

LONG-TERM LIABILITIES

At year-end, the District had $5,890,000 in general obligation bonds outstanding and approximately $37,000 in capital leases as shown in Note 4 to the financial statements. The District also had an estimated $66,000 in severance payable at June 30, 2020.

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

	2020	2019	Percentage Change
General Obligation Bonds	$ 5,890,000	$ 5,710,000	3.2 %
Net Bond Premium and Discount	88,360	95,724	(7.7)
Obligations Under Capital Leases	36,599	54,118	(32.4)
Severance Payable	65,998	66,093	(0.1)
Total	$ 6,080,957	$ 5,925,935	2.6
Long-Term Liabilities			
Due Within One Year	$ 348,035	$ 337,519	
Due in More Than One Year	5,732,922	5,588,416	
Total	$ 6,080,957	$ 5,925,935	

FACTORS BEARING ON THE DISTRICT'S FUTURE

Student Enrollment
Pine River-Backus' student enrollment numbers appear to be increasing slightly. Current grades at the 10th - 12th levels are averaging 56 students per grade. Grades Kindergarten to 9th are averaging 70 students per grade. As graduating classes are replaced by larger classes the overall district enrollment is projected to increase slightly year to year. The District continues to respond to its changing population by accessing funding streams specific to poverty indicators and effective and planned financial management. The District is intentional in balancing staffing and facility needs with efforts to maintain a healthy and liquid fund balance. All efforts are made to secure additional funding opportunities when available.

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

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

Political Environment (Continued)
The political environment at the state level will have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. Currently, the general education basic allowance, from which the District receives the single largest state aid, is set at $6,438 per pupil unit. The District makes every effort to balance the need for revenue with the added impact to local taxpayers.

Labor Force
Exclusive of construction and debt service funds, the District's salaries, wages, and benefits account for 73% of the District's overall expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities 2020
ASSETS	
Cash and Investments	$ 6,222,491
Cash Held by Fiscal Agent	566,405
Receivables	
Property Taxes	864,656
Other Governments	1,015,833
Other	1,136
Inventories	26,441
Capital Assets	
Land	7,515
Construction-in-Progress	104,102
Other Capital Assets, Net of Depreciation	12,324,832
Total Assets	21,133,411
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	5,562,282
OPEB Related	107,120
Total Deferred Outflows of Resources	5,669,402
LIABILITIES	
Salaries and Payroll Deductions Payable	1,151,441
Accounts and Contracts Payable	189,661
Accrued Interest	50,735
Due to Other Governmental Units	110,481
Other Postemployment Benefits Liability	16,249
Long-Term Liabilities	
Portion Due Within One Year	348,035
Portion Due in More Than One Year	5,732,922
Net Pension Liability	7,033,941
Other Postemployment Benefits Liability, Net of Current Portion	299,101
Total Liabilities	14,932,566
DEFERRED INFLOWS OF RESOURCES	
Pension Related	8,284,157
OPEB Related	34,539
Property Taxes Levied for Subsequent Year	1,677,224
Total Deferred Inflows of Resources	9,995,920
NET POSITION	
Net Investment in Capital Assets	6,841,367
Restricted for:	
General Fund Operating Capital Purposes	64,379
General Fund State-Mandated Reserves	132,971
Food Service	30,337
Community Service	165,986
Debt Service	541,073
Capital Projects - Building Construction	78
Unrestricted	(5,901,864)
Total Net Position	$ 1,874,327

See accompanying Notes to Financial Statements.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	2020				
			Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Administration	$ 490,461	$ -	$ 22,285	$ -	$ (468,176)
District Support Services	250,594	-	-	-	(250,594)
Regular Instruction	5,776,569	241,708	956,315	-	(4,578,546)
Vocational Education Instruction	132,536	-	4,220	-	(128,316)
Special Education Instruction	2,108,628	-	1,220,734	-	(887,894)
Instructional Support Services	335,950	-	181,046	-	(154,904)
Pupil Support Services	1,269,571	-	921,610	104,576	(243,385)
Sites and Buildings	1,185,318	-	11	124,265	(1,061,042)
Fiscal and Other Fixed Cost Programs	47,625	-	-	-	(47,625)
Food Service	681,470	100,868	405,611	-	(174,991)
Community Service	362,957	80,519	49,596	-	(232,842)
Interest and Fiscal Charges on Long-Term Liabilities	115,209	-	18,630	-	(96,579)
Unallocated Depreciation	152,383	-	-	-	(152,383)
Total School District	$ 12,909,271	$ 423,095	$ 3,780,058	$ 228,841	(8,477,277)
General Revenues					
Property Taxes Levied for:					
General Purposes					1,317,688
Community Service					103,188
Debt Service					478,854
State Aid Not Restricted to Specific Purposes					6,001,190
Earnings on Investments					67,927
Miscellaneous					126,050
Total General Revenues					8,094,897
Change in Net Position					(382,380)
Net Position - Beginning of Year, as Previously Reported					1,628,773
Restatement - Change in Accounting Principle (See Note 11)					627,934
Net Position - Beginning of Year, as Restated					2,256,707
Net Position - End of Year					$ 1,874,327

See accompanying Notes to Financial Statements.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	$ 5,272,751	$ 32,838	$ 246,950
Cash and Investments in Escrow	-	-	-
Receivables			
Current Property Taxes	498,245	-	47,362
Delinquent Property Taxes	43,781	-	4,515
Accounts and Interest Receivable	1,136	-	-
Due from Other Minnesota School Districts	42,904	-	-
Due from Minnesota Department of Education	763,258	-	10,355
Due from Federal through Minnesota Department of Education	112,631	-	-
Due from Other Governmental Units	56,521	-	4,876
Inventory	2,202	24,239	-
Total Assets	$ 6,793,429	$ 57,077	$ 314,058
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Salaries and Payroll Deductions Payable	$ 1,086,791	$ 23,861	$ 40,789
Accounts and Contracts Payable	185,896	2,879	886
Due to Other Minnesota School Districts	109,865	-	-
Due to Other Governmental Units	616	-	-
Total Liabilities	1,383,168	26,740	41,675
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year	1,050,192	-	106,397
Unavailable Revenue - Delinquent Taxes	43,781	-	4,515
Total Deferred Inflows of Resources	1,093,973	-	110,912
Fund Balance			
Nonspendable:			
Inventory	2,202	24,239	-
Restricted:			
Operating Capital	64,379	-	-
Gifted and Talented	40,513	-	-
Basic Skills Programs	6,266	-	-
Safe Schools - Crime	54,822	-	-
Community Education Programs	-	-	43,845
Early Childhood and Family Educations Programs	-	-	102,894
School Readiness	-	-	12,048
QZAB and QSCB Payments	-	-	-
Long-Term Facilities Maintenance	(7,854)	-	-
Medical Assistance	39,224	-	-
Other Restricted	-	6,098	2,684
Student Activity Funds	184,890	-	-
Scholarship	452,204	-	-
Unassigned	3,479,642	-	-
Total Fund Balances	4,316,288	30,337	161,471
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,793,429	$ 57,077	$ 314,058

See accompanying Notes to Financial Statements.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2020

Major Funds		Total Governmental Funds
Capital Projects	Debt Service	2020
$ 419,955	$ 249,997	$ 6,222,491
-	566,405	566,405
-	251,492	797,099
-	19,261	67,557
-	-	1,136
-	-	42,904
-	3,654	777,267
-		
-	-	112,631
-	21,634	83,031
-	-	26,441
$ 419,955	$ 1,112,443	$ 8,696,962
$ -	$ -	$ 1,151,441
-	-	189,661
-	-	109,865
-	-	616
-	-	1,451,583
-	520,635	1,677,224
-	19,261	67,557
-	539,896	1,744,781
-	-	26,441
-	-	64,379
-	-	40,513
-	-	6,266
-	-	54,822
-	-	43,845
-	-	102,894
-	-	12,048
-	566,405	566,405
122,877	-	115,023
-	-	39,224
297,078	6,142	312,002
-	-	184,890
-	-	452,204
-	-	3,479,642
419,955	572,547	5,500,598
$ 419,955	$ 1,112,443	$ 8,696,962

See accompanying Notes to Financial Statements.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

		2020
Total Fund Balance for Governmental Funds	$	5,500,598
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
Construction-in-Progress		104,102
Land Improvements, Net of Accumulated Depreciation		863,303
Buildings and Improvements, Net of Accumulated Depreciation		10,421,737
Equipment, Net of Accumulated Depreciation		1,039,792
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		(7,033,941)
Deferred Inflows of Resources - Pension Related		(8,284,157)
Deferred Outflows of Resources - Pension Related		5,562,282
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		(315,350)
Deferred Outflows of Resources - OPEB Related		107,120
Deferred Inflows of Resources - OPEB Related		(34,539)
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.		67,557
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(50,735)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year-end are:		
Bonds Payable		(5,890,000)
Unamortized Premiums		(88,360)
Obligations Under Capital Leases		(36,599)
Severance Payable		(65,998)
Total Net Position of Governmental Activities	$	1,874,327

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, 2020

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local			
Property Taxes	$ 1,333,681	$ -	$ 103,188
Earnings on Investments	70,975	55	3,133
Other	399,298	101,352	84,313
State Sources	9,076,578	33,389	51,078
Federal Sources	373,224	372,222	-
Total Revenues	11,253,756	507,018	241,712
EXPENDITURES			
Current			
Administration	451,274	-	-
District Support Services	249,413	-	-
Regular Instruction	5,333,787	-	-
Vocational Education Instruction	119,783	-	-
Special Education Instruction	1,997,185	-	-
Instructional Support Services	321,695	-	-
Pupil Support Services	1,249,249	-	-
Sites and Buildings	1,306,204	-	-
Fiscal and Other Fixed Cost Programs	47,625	-	-
Food Service	-	515,175	-
Community Service	-	-	340,371
Capital Outlay	267,401	2,249	-
Debt Service			
Principal	17,519	-	-
Interest and Fiscal Charges	1,596	-	-
Total Expenditures	11,362,731	517,424	340,371
Excess (Deficiency) of Revenues Over (Under) Expenditures	(108,975)	(10,406)	(98,659)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	30,000	100,178
Transfers Out	(130,178)	-	-
Proceeds from Lease Purchase Bonds	-	-	-
Total Other Financing Sources (Uses)	(130,178)	30,000	100,178
NET CHANGE IN FUND BALANCE	(239,153)	19,594	1,519
Fund Balance - Beginning of Year, as Previously Reported	3,927,507	10,743	159,952
Restatement - Change in Accounting Principle (See Note 11)	627,934	-	-
Fund Balance - Beginning of Year, as Restated	4,555,441	10,743	159,952
FUND BALANCE - END OF YEAR	$ 4,316,288	$ 30,337	$ 161,471

See accompanying Notes to Financial Statements.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

Major Funds		Total Governmental
Capital Projects	Debt Service	Funds 2020
$ -	$ 478,854	$ 1,915,723
78	18,630	92,871
-	-	584,963
-	36,530	9,197,575
-	-	745,446
78	534,014	12,536,578
-	-	451,274
-	-	249,413
-	-	5,333,787
-	-	119,783
-	-	1,997,185
-	-	321,695
-	-	1,249,249
-	-	1,306,204
-	-	47,625
-	-	515,175
-	-	340,371
80,123	-	349,773
-	320,000	337,519
-	124,401	125,997
80,123	444,401	12,745,050
(80,045)	89,613	(208,472)
-	-	130,178
-	-	(130,178)
500,000	-	500,000
500,000	-	500,000
419,955	89,613	291,528
-	482,934	4,581,136
-	-	627,934
-	482,934	5,209,070
$ 419,955	$ 572,547	$ 5,500,598

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 ACTIVITIES
YEAR ENDED JUNE 30, 2020

		2020
Net Change in Fund Balance-Total Governmental Funds	$	291,528
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		757,302
Net Depreciated Value of Assets Sold		(6,288)
Depreciation Expense		(664,088)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the Statement of Net Position.		
Principal Payments - Capital Leases		17,519
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.		(3,003)
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.		(588,644)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
General Obligation Bond Proceeds		(500,000)
Net Bond (Premium) Discount Amortization		7,364
Repayment of Bond Principal		320,000
Change in Accrued Interest Expense - General Obligation Bonds		1,828
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.		(15,993)
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).		95
Change in Net Position of Governmental Activities	$	(382,380)

See accompanying Notes to Financial Statements.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources				
Property Taxes	$ 1,302,997	$ 1,299,129	$ 1,333,681	$ 34,552
Earnings on Investments	4,360	72,845	70,975	(1,870)
Other	231,760	205,050	399,298	194,248
State Sources	8,581,000	8,792,250	9,076,578	284,328
Federal Sources	330,000	374,287	373,224	(1,063)
Total Revenues	10,450,117	10,743,561	11,253,756	510,195
EXPENDITURES				
Current				
Administration	456,169	465,173	451,274	(13,899)
District Support Services	286,520	289,413	249,413	(40,000)
Elementary and Secondary Regular Instruction	5,052,218	5,172,102	5,333,787	161,685
Vocational Education Instruction	83,019	107,977	119,783	11,806
Special Education Instruction	2,014,418	1,936,545	1,997,185	60,640
Instructional Support Services	411,554	386,700	321,695	(65,005)
Pupil Support Services	1,325,829	1,275,974	1,249,249	(26,725)
Sites and Buildings	1,290,813	1,278,266	1,306,204	27,938
Fiscal and Other Fixed Cost Programs	43,762	43,762	47,625	3,863
Capital Outlay	253,200	263,054	267,401	4,347
Debt Service				
Principal	-	-	17,519	17,519
Interest and Fiscal Charges	-	-	1,596	1,596
Total Expenditures	11,217,502	11,218,966	11,362,731	143,765
Excess (Deficiency) of Revenues Over (Under) Expenditures	(767,385)	(475,405)	(108,975)	366,430
OTHER FINANCING SOURCES (USES)				
Transfers Out	(110,000)	(110,000)	(130,178)	(20,178)
NET CHANGE IN FUND BALANCE	$ (877,385)	$ (585,405)	(239,153)	$ 346,252
FUND BALANCE				
Beginning of Year, as Previously Reported			3,927,507	
Restatement - Change in Accounting Principle (See Note 11)			627,934	
Beginning of Year, as Restated			4,555,441	
END OF YEAR			$ 4,316,288	

See accompanying Notes to Financial Statements.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources				
Earnings on Investments	$ 220	$ 220	$ 55	$ (165)
Other - Primarily Meal Sales	90,180	112,180	101,352	(10,828)
State Sources	34,158	45,386	33,389	(11,997)
Federal Sources	441,802	378,819	372,222	(6,597)
Total Revenues	566,360	536,605	507,018	(29,587)
EXPENDITURES				
Current				
Food Service	539,452	539,146	515,175	(23,971)
Capital Outlay	10,000	10,000	2,249	(7,751)
Total Expenses	549,452	549,146	517,424	(31,722)
Excess (Deficiency) of Revenues Over Expenditures	16,908	(12,541)	(10,406)	2,135
OTHER FINANCING SOURCES				
Transfer In	-	-	30,000	30,000
NET CHANGE IN FUND BALANCE	$ 16,908	$ (12,541)	19,594	$ 32,135
FUND BALANCE				
Beginning of Year			10,743	
END OF YEAR			$ 30,337	

See accompanying Notes to Financial Statements.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources				
Property Taxes	$ 106,742	$ 106,742	$ 103,188	$ (3,554)
Earnings on Investments	115	2,400	3,133	733
Other - Primarily Tuition and Fees	92,450	71,855	84,313	12,458
State Sources	47,034	47,034	51,078	4,044
Total Revenues	246,341	228,031	241,712	13,681
EXPENDITURES				
Current				
Community Service	357,548	350,449	340,371	(10,078)
Capital Outlay	7,931	-	-	-
Total Expenditures	365,479	350,449	340,371	(10,078)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(119,138)	(122,418)	(98,659)	23,759
OTHER FINANCING SOURCES				
Transfer In	110,000	110,000	100,178	(9,822)
NET CHANGE IN FUND BALANCE	$ (9,138)	$ (12,418)	1,519	$ 13,937
FUND BALANCE				
Beginning of Year			159,952	
END OF YEAR			$ 161,471	

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. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is used for revenues other than property taxes.

2. Recording of Expenditures

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

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

Major Governmental Funds

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

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

Community Service Special Revenue Fund
The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs, or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

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

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

E. Budgeting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

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

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

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

Revenues	Original Budget	Amendments	Amended Budget
General Fund	$ 10,450,117	$ 293,444	$ 10,743,561
Special Revenue Funds			
Food Service Fund	566,360	(29,755)	536,605
Community Service Fund	246,341	(18,310)	228,031
Expenditures			
General Fund	11,217,502	1,464	11,218,966
Special Revenue Funds			
Food Service Fund	549,452	(306)	549,146
Community Service Fund	365,479	(15,030)	350,449

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

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

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. The Post-Secondary Scholarship Trust Fund is not included in this pool.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments (Continued)

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

G. Accounts Receivable

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

H. Inventories

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

I. Property Taxes

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflow of resources (property taxes levied for subsequent year).

The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes (Continued)

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2020, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District's capital asset threshold for building improvements is $25,000 and all other assets must have an individual cost of more than $5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for equipment.

Capital assets not being depreciated include land and construction in progress.

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

K. Deferred Outflows of Resources

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

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Employee Benefits

Vacation Pay

Certified staff and certain administrative employees do not receive paid vacations but are paid only for the number of days they are required to work, each in accordance with their respective contracts. Noncertified and other administrative employees are allowed vacation leave in varying amounts. In the event of termination most district employees are reimbursed for any unused accumulated vacation leave. Accrued vacation time must be taken within one year after the end of the fiscal year. Compensated absences payable for the amount representing the accumulated vacation payable at June 30, 2020 for these employees is reported in the District-wide financial statements.

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

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

N. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions

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

P. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to prepaid items and inventories. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Business Manager to assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance.

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

Q. Net Position

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

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 $100,178 during the year ended June 30, 2020. The transfer to the Community Service Fund to help cover the costs of a pre-kindergarten program run out of the Community Service Fund. The District also made an operating transfer from the General Fund to the Food Service Fund in the amount of $30,000 during the year ended June 30, 2020. The transfer to the Food Service Fund was to replenish a negative fund balance that occurred during the year.

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, 2020 was $2,238,166. At June 30, 2020, the District's deposits were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies;
- Shares of investment companies registered under the Investment Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less;
- General obligations rated "A" or better; revenue obligations rated "AA" or better;
- General obligations of the Minnesota Housing Finance Agency rate "A" or better;
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less;
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories and repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2020, the District had the following investments:

Type	Credit Quality Rating	Amount
MSDLAF+	AAAm	$ 8,876
MSDLAF Max	AAAm	5,023,177
Total		$ 5,032,053

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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's policy is that the obligations at the time of purchase must be rated at the highest classification by at least two of the four standard rating services. The following chart summarizes year-end ratings for the District's investments as rated by Moody's Investors Service:

The District's deposits ($1,756,843) and investments ($5,032,053) are presented in the financial statements.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	$ 7,515	$ -	$ -	$ 7,515
Construction-in-Progress	-	104,102	-	104,102
Total Capital Assets, Not Being Depreciated	7,515	104,102	-	111,617
Capital Assets, Being Depreciated				
Land Improvements	1,318,523	282,731	-	1,601,254
Buildings and Improvements	18,576,682	135,285	-	18,711,967
Equipment	4,330,384	235,184	(196,993)	4,368,575
Total Capital Assets, Being Depreciated	24,225,589	653,200	(196,993)	24,681,796
Accumulated Depreciation for				
Land Improvements	(682,641)	(55,310)	-	(737,951)
Buildings and Improvements	(7,876,879)	(413,351)	-	(8,290,230)
Equipment	(3,324,061)	(195,427)	190,705	(3,328,783)
Total Accumulated Depreciation	(11,883,581)	(664,088)	190,705	(12,356,964)
Total Capital Assets, Being Depreciated, Net	12,342,008	(10,888)	(6,288)	12,324,832
Governmental Activities Capital Assets, Net	$ 12,349,523	$ 93,214	$ (6,288)	$ 12,436,449

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
Administration	$ 1,577
District Support Services	2,053
Regular Instruction	41,793
Vocational Education Instruction	4,440
Special Education Instruction	68
Instructional Support Services	1,093
Pupil Support Services	164,046
Sites and Buildings	292,637
Community Service	3,998
Unallocated Depreciation	152,383
Total Depreciation Expense, Governmental Activities	$ 664,088

NOTE 5 LONG-TERM LIABILITIES

A. Components of General Long-Term Debt

Description of Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Outstanding
Facilities Maintenance Bonds					
Series 2017A	3/7/2017	2.44%	$ 1,985,000	2/1/2032	$ 1,640,000
Series 2020A	6/11/2020	2.00%	200,000	2/1/2031	200,000
Capital Facilities Bonds					
Series 2020A	6/11/2020	2.00%	300,000	2/1/2031	300,000
School Building Bonds					
Series 2012A	3/7/2012	0.4 - 3.5%	4,260,000	2/1/2032	2,855,000
Qualified Zone Academy Bonds					
Series 2009A	9/3/2009	0%	895,000	9/3/2024	895,000
Total General Obligation Bonds					5,890,000
Capital Lease Payable					
Bus Lease 2017	09/14/17	2.50%	53,425	09/01/21	36,599
Severance Payable					65,998
Total Long-Term Liabilities					$ 5,992,597

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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:

Year Ending June 30	General Obligation Bonds Payable Principal	General Obligation Bonds Payable Interest	Capital Leases Payable Principal	Capital Leases Payable Interest
2021	$ 330,000	$ 124,078	$ 18,035	$ 1,080
2022	375,000	121,629	18,564	551
2023	390,000	114,354	-	-
2024	395,000	106,510	-	-
2025	1,305,000	97,985	-	-
2026-2030	2,185,000	337,725	-	-
2031-2032	910,000	43,875	-	-
Total	$ 5,890,000	$ 946,156	$ 36,599	$ 1,631

C. Description of Long-Term Debt

1. General Obligation Capital Facilities Bonds

   On June 11, 2020, the District issued $300,000 General Obligation Capital Facilities Bonds, Series 2020A; due in annual installments of $25,000 to $35,000, through February 1, 2031 with interest rate at 2.0%.

2. General Obligation Capital Facilities Bonds

   On June 11, 2020, the District issued $200,000 General Obligation Facilities Maintenance Bonds, Series 2020A; due in annual installments of $20,000, through February 1, 2031 with interest rate at 2.0%.

3. Capital Lease Obligations

   Equipment
   On July 10, 2017, the District entered into a lease agreement to finance a school bus. The total lease was for $90,024 which matures September 1, 2021. The District is to make annual payments of $19,115 with an interest rate at 3.0%.

   The asset acquired through a capital lease, is summarized as follows:

Equipment	$ 95,575
Less: Accumulated Depreciation	(47,788)
Total	$ 47,787

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

D. Changes in Long-Term Debt

	June 30, 2019	Net Additions	Retirements	June 30, 2020	Due Within One Year
General Obligation Bonds	$ 5,710,000	$ 500,000	$ 320,000	$ 5,890,000	$ 330,000
Net Bond Premiums (Discount)	95,724	-	7,364	88,360	-
Capital Leases	54,118	-	17,519	36,599	18,035
Subtotal	5,859,842	500,000	344,883	6,014,959	348,035
Severance Payable	66,093	-	95	65,998	-
Total	$ 5,925,935	$ 500,000	$ 344,978	$ 6,080,957	$ 348,035

NOTE 6 RESTRICTED FUND BALANCES

A. Restricted for Operating Capital

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

B. Restricted for Gifted and Talented

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

C. Restricted for Basic Skills Program

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

D. Restricted for Safe Schools – Crime

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

E. Restricted for Community Education

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

F. Restricted for Early Childhood and Family Education

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

G. Restricted for School Readiness

Represents the resources available to provide for School Readiness Program.

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

H. Restricted for QZAB and QSCB Payments

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

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

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

J. Restricted for Medical Assistance

Represents available resources to be used for Medical Assistance expenditures.

K. Restricted for Student Activities

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

L. Restricted for Scholarship

Represents available resources to be used for scholarship funds.

M. Restricted for Other Purposes

Restricted for other purposes represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. See specific restrictions below:

Other Restricted:	
Restricted for Food Service	$ 6,098
Restricted for Community Service	2,684
Restricted for Capital Projects	297,078
Restricted for Bond Payments	6,142
Total Other Restricted	$ 312,002

NOTE 7 PENSION PLANS

A. Plan Description

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

NOTE 7 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

1. General Employees Retirement Plan (General Employees Plan)

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

2. Teachers Retirement Fund (TRA)

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities).

B. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

TRA Benefits

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

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

Tier 1 Benefits

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) 3.0% per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

TRA Benefits (Continued)

or

Tier II Benefits

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

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

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

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

C. Contributions

1. General Employees Fund Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020, were $140,885. The District's contributions were equal to the required contributions as set by state statute.

NOTE 7 PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 7.92% for the employer. Basic rates were 11.00% for the employee and 11.92% for the employer. The Districts contributions to TRA for the plan's fiscal year ended June 30, 2020 were $404,511. The District's contributions were equal to the required contributions for each year as set by state statue.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2020, the District reported a liability of $1,520,413 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 to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $47,165, for a total net pension liability of $1,567,578 associated with the District. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the District's proportionate share was 0.0275% which was a decrease of 0.0008% from its proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of $126,800 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $3,532 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, 2020, 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:

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. General Employees Plan Pension Costs (Continued)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 42,136	$ -
Changes in Actuarial Assumptions	-	119,506
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	154,112
Changes in Proportion	-	93,585
District Contributions Subsequent to the Measurement Date	140,885	-
Total	$ 183,021	$ 367,203

$140,885 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, 2021. 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
2021	$ (136,923)
2022	(147,711)
2023	(42,883)
2024	2,450

2. TRA Pension Costs

At June 30, 2020 the District reported a liability of $5,513,528 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2019, 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 .0865% at the end of the measurement period and .0866% 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:

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	$ 5,513,528
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	488,164

For the year ended June 30, 2020, the District recognized pension expense of $2,281,230. It also recognized $37,106 as an increase to pension expense and grant revenue for the support provided by direct aid.

At June 30, 2020, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 783	$ 133,871
Changes in Actuarial Assumptions	4,639,866	7,314,407
Net Difference Between Projected and Actual Investment Earnings	-	456,903
Changes in Proportion	334,101	11,773
District Contributions Subsequent to the Measurement Date	404,511	-
Total	$ 5,379,261	$ 7,916,954

$404,511 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, 2021. 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
2021	$ 403,463
2022	58,899
2023	(1,995,174)
2024	(1,397,587)
2025	(11,805)

The District's total pension expense for all plans for the year ended June 30, 2020 was $2,448,668.

NOTE 7 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	General Employees Plan	TRA
Inflation	2.50% per Year	2.50%
Active Member Payroll Growth	11.25% after 1 year of service decreasing to 3.25% per year after 26 years	2.85% for 10 years and 3.25%, thereafter
Investment Rate of Return	7.50%	7.50%

PERA Salary increases were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

TRA pre-retirement mortality rates were based on 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. Post-retirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions for PERA occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing 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.

NOTE 7 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions for TRA occurred in 2019:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 3 years, (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.

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

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

NOTE 7 PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund 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 7.50%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

G. 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	6.50%	7.50%	8.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	$ 2,499,478	$ 1,520,413	$ 712,001
TRA Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	$ 8,789,912	$ 5,513,528	$ 2,812,198

H. Pension Plan Fiduciary Net Position

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

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

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates 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 91 active participants and 6 retired participants. The Plan does not issue a publicly available financial report.

B. Funding Policy

The District does not have assets designated to pay for OPEB related costs. For the fiscal year 2020, the District contributed $32,228 to the plan.

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2018.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	3.00%
Health Care Trend Rates	6.3% decreasing to 4.4%

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018.

The discount rate used to measure the total OPEB liability was 3.13%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

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

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability

	Total OPEB Liability
Balances at June 30, 2019	$ 310,653
Changes for the Year:	
Service Cost	17,802
Interest	11,317
Change of Assumptions	7,235
Benefit Payments	(31,657)
Net Changes	4,697
Balances at June 30, 2020	$ 315,350

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 (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
OPEB Liability	$ 330,097	$ 315,350	$ 300,616

The following presents the OPEB liability of the District, as well as what the District's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.3% decreasing to 3.4% over several years) or 1% higher (7.3% decreasing to 5.4% over several years) than the current healthcare cost trend rates:

Medical Trend Rate	1% Decrease (5.3% decreasing to 3.4%)	Current Trend Rates (6.3% decreasing to 4.4%)	1% Increase (7.3% decreasing to 5.4%)
OPEB Liability	$ 286,222	$ 315,350	$ 349,470

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

At June 30, 2020, the District reported its proportionate share of the OPEB's deferred outflow of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	$ 68,520	$ -
Change of Assumptions	6,372	34,539
District Contributions Subsequent to the Measurement Date	32,228	-
Total	$ 107,120	$ 34,539

$32,228 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. 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
2021	$ 6,112
2022	6,112
2023	6,112
2024	6,112
2025	6,112
Thereafter	9,793
Total	$ 40,353

For the year ended June 30, 2020, the District recognized OPEB expense of $35,231.

NOTE 9 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 10 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.

NOTE 11 RESTATEMENT

During fiscal year ended June 30, 2020, the District adopted GASB Statement No. 84 Fiduciary Activities. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle of $627,934.

	Governmental Activities	General Fund	Post-Secondary Scholarships Trust Fund
Net Position/Fund Balance - Beginning of Year, as Previously Reported	$ 1,628,773	$ 3,927,507	$ 455,640
Restatement - Change in Accounting Principle	627,934	627,934	(455,640)
Net Position/Fund Balance - Beginning of Year, as Restated	$ 2,256,707	$ 4,555,441	$ -

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

Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability			
Service Cost	$ 17,802	$ 15,631	$ 17,186
Interest	11,317	9,075	7,385
Differences Between Expected and Actual Experience	-	90,000	-
Changes of Assumptions	7,235	(37,368)	(9,185)
Benefit Payments	(31,657)	(16,249)	(15,542)
Net Change in Total OPEB Liability	4,697	61,089	(156)
Total OPEB Liability - Beginning	310,653	249,564	249,720
Total OPEB Liability - Ending (a)	$ 315,350	$ 310,653	$ 249,564
Covered-Employee Payroll	$ 6,612,230	$ 6,258,832	$ 5,757,953
District's OPEB Liability as a Percentage of Covered-Employee Payroll	4.77%	4.96%	4.33%

Note 1: The District implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

Note 3: Changes in significant OPEB plan provisions, actuarial methods, and assumptions:

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.

See accompanying Note 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 YEARS

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017
PERA - General Employees Fund			
District's Proportion of the Net Pension Liability	0.0275%	0.0283%	0.0291%
District's Proportionate Share of the Net Pension Liability	$ 1,520,413	$ 1,569,968	$ 1,857,725
State's Proportionate Share of the Net Pension Liability Associated with the District	47,165	51,448	23,356
Total of District's and State's Proportionate Share of the Net Pension Liability	$ 1,567,578	$ 1,621,416	$ 1,881,081
District's Covered Payroll	$ 1,954,307	$ 1,898,480	$ 1,872,160
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	77.80%	82.70%	99.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.53%	75.90%
TRA			
District's Proportion of the Net Pension Liability	0.0865%	0.0866%	0.0830%
District's Proportionate Share of the Net Pension Liability	$ 5,513,528	$ 5,441,473	$ 16,568,306
State's Proportionate Share of the Net Pension Liability Associated with the District	487,931	511,380	1,601,194
Total of District's and State's Proportionate Share of the Net Pension Liability	$ 6,001,459	$ 5,952,853	$ 18,169,500
District's Covered Payroll	$ 4,949,689	$ 4,833,147	$ 4,536,947
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	111.39%	112.59%	365.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.07%	78.07%	51.57%

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

See accompanying Note 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 YEARS

Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
0.0311%	0.0314%	0.0351%
$ 2,525,166	$ 1,627,311	$ 1,648,822
33,078	-	-
$ 2,558,244	$ 1,627,311	$ 1,648,822
$ 1,941,757	$ 1,842,791	$ 1,861,892
130.05%	88.31%	88.56%
68.91%	78.20%	78.70%
0.0820%	0.0822%	0.0911%
$ 19,558,957	$ 5,084,883	$ 4,197,822
1,962,542	623,827	295,285
$ 21,521,499	$ 5,708,710	$ 4,493,107
$ 4,253,305	$ 4,183,985	$ 4,133,126
459.85%	121.53%	101.57%
44.88%	76.80%	81.50%

See accompanying Note to Required Supplementary Information.

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

	2020	2019	2018
PERA - General Employees Fund			
Contractually Required Contribution	$ 140,885	$ 146,573	$ 142,386
Contributions in Relation to the Contractually Required Contribution	(140,885)	(146,573)	(142,386)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 1,878,467	$ 1,954,307	$ 1,898,480
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%
TRA			
Contractually Required Contribution	$ 404,511	$ 381,621	$ 362,486
Contributions in Relation to the Contractually Required Contribution	(404,511)	(381,621)	(362,486)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 5,107,462	$ 4,949,689	$ 4,833,147
Contributions as a Percentage of Covered Payroll	7.92%	7.71%	7.50%

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

See accompanying Note to Required Supplementary Information.

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

2017	2016	2015	2014
$ 140,412	$ 145,575	$ 136,374	$ 134,987
(140,412)	(145,575)	(136,374)	(134,987)
$ -	$ -	$ -	$ -
$ 1,872,160	$ 1,941,757	$ 1,842,791	$ 1,861,892
7.50%	7.50%	7.40%	7.25%
$ 340,271	$ 319,097	$ 313,593	$ 292,160
(340,271)	(319,097)	(313,593)	(292,160)
$ -	$ -	$ -	$ -
$ 4,536,947	$ 4,253,305	$ 4,183,985	$ 4,133,126
7.50%	7.50%	7.50%	7.07%

See accompanying Note to Required Supplementary Information.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

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

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

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.

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.

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

2017 (Continued)
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.

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

Changes in 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:

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.

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

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

2018
Changes in Actuarial Assumptions
- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions
- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- 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%.

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

2017 (Continued)
Changes in Actuarial Assumptions (Continued)
- 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.

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.

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

2015
Changes in Actuarial Assumptions
- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

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

2014
Changes in Actuarial Assumptions
- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

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

SUPPLEMENTARY INFORMATION

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2020

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total Revenues	$ 11,253,756	$ 11,253,758	$ (2)
Total Expenditures	$ 11,362,731	$ 11,362,734	$ (3)
Non Spendable:			
460 Non Spendable Fund Balance	$ 2,202	$ 2,202	$ -
Restricted/Reserve:			
401 Student Activities	$ 184,890	$ 184,890	$ -
402 Scholarship	$ 452,204	$ 452,204	$ -
403 Staff Development	$ -	$ -	$ -
407 Capital Project Levy	$ -	$ -	$ -
408 Cooperative Rev.	$ -	$ -	$ -
409 Deferred Maintenance	$ -	$ -	$ -
414 Operating Debt	$ -	$ -	$ -
416 Levy Reduction	$ -	$ -	$ -
419 Encumbrances	$ -	$ -	$ -
423 Certain Teacher Programs	$ -	$ -	$ -
424 Operating Capital	$ 64,379	$ 64,379	$ -
426 $25 Taconite	$ -	$ -	$ -
427 Disabled Accessibility	$ -	$ -	$ -
428 Learning & Development	$ -	$ -	$ -
434 Area Learning Center	$ -	$ -	$ -
435 Contracted Alt. Programs	$ -	$ -	$ -
436 St. Approved Alt. Prog.	$ -	$ -	$ -
438 Gifted & Talented	$ 40,513	$ 40,513	$ -
440 Teacher Development & Eval	$ -	$ -	$ -
441 Basic Skills	$ 6,266	$ 6,266	$ -
443 Telecomm. Access Cost	$ -	$ -	$ -
446 First Grade Preparedness	$ -	$ -	$ -
449 Safe Schools Levy	$ 54,822	$ 54,822	$ -
450 Pre-Kindergarten	$ -	$ -	$ -
451 QZAB Payments	$ -	$ -	$ -
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
453 Unfunded Sev & Retirement Levy	$ -	$ -	$ -
461 Long-Term Facilities Maintenance	* $ (7,854)	$ (7,854)	$ -
472 Medical Assistance	$ 39,224	$ 39,224	$ -
Restricted:			
464 Restricted Fund Balance	$ -	$ -	$ -
Assigned:			
462 Assigned Fund Balance	$ -	$ -	$ -
Committed:			
461 Committed Fund Balance	$ -	$ -	$ -
Unassigned:			
422 Unassigned Fund Balance	* $ 3,479,642	$ 3,479,640	$ 2
02 FOOD SERVICE			
Total Revenues	$ 507,018	$ 507,019	$ (1)
Total Expenditures	$ 517,424	$ 517,425	$ (1)
Non Spendable:			
460 Non Spendable Fund Balance	$ 24,239	$ 24,239	$ -
Restricted			
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
464 Restricted Fund Balance	$ 6,098	$ 6,098	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
04 COMMUNITY SERVICE			
Total Revenues	$ 241,712	$ 241,711	$ 1
Total Expenditures	$ 340,371	$ 340,374	$ (3)
Non Spendable:			
460 Non Spendable Fund Balance	$ -	$ -	$ -
Restricted/Reserve:			
426 $25 Taconite	$ -	$ -	$ -
431 Community Education	$ 43,845	$ 43,845	$ -
432 E.C.F.E.	$ 102,894	$ 102,894	$ -
444 School Readiness	$ 12,048	$ 12,048	$ -
447 Adult Basic Education	$ -	$ -	$ -
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	$ 2,684	$ 2,681	$ 3
Unassigned			
463 Unassigned Fund Balance	$ -	$ -	$ -

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

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION			
Total Revenues	$ 78	$ 78	$ -
Total Expenditures	$ 80,123	$ 80,123	$ -
Non Spendable:			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
407 Capital Projects Levy	$ -	$ -	$ -
409 Alternative Fac. Program	$ -	$ -	$ -
413 Project Funded by COP	$ -	$ -	$ -
467 LTFM	$ 122,877	$ 122,877	$ -
Restricted:			
464 Restricted Fund Balance	$ 297,078	$ 297,078	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
07 DEBT SERVICE			
Total Revenues	$ 534,014	$ 534,012	$ 2
Total Expenditures	$ 444,401	$ 444,401	$ -
Non Spendable:			
460 Non Spendable Fund Balance	$ -	$ -	$ -
Restricted/Reserve:			
425 Bond Refundings	$ -	$ -	$ -
451 QZAB Payments	$ 566,405	$ 566,405	$ -
Restricted:			
464 Restricted Fund Balance	$ 6,142	$ 6,141	$ 1
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

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Pine River Backus Public Schools (the District), as of and for the year ended June 30, 2020, 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 2, 2020.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Recommendations as 2020-001, which we consider to be a material weakness.

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 determination of financial statement amounts. 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 Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations The District's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 2, 2020

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Pine River Backus Public Schools
Independent School District No. 2174
Underwood, 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 Pine River Backus Public Schools (the District) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 2, 2020.

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 and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 2, 2020

PINE RIVER BACKUS PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2174
SCHEDULE OF FINDINGS AND RECOMMEDATIONS
YEAR ENDED JUNE 30, 2020

A. FINDINGS AND RECOMMENDATIONS – FINANCIAL STATEMENT AUDIT

Finding 2020-001 - Segregation of Duties
Material weakness in Internal Control over Financial Reporting

Criteria: A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The District has a limited number of office personnel and accordingly, does not have adequate internal controls in certain areas because of a lack of segregation of duties.

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

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.

Repeat Finding: The finding was a repeat finding from the prior year identified as finding 2019-001.

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

Views of Responsible Officials and Planned Corrective Action: There is no disagreement with the finding. The District will continue to explore further segregation of duties within the District office.

B. FINDINGS AND RECOMMENDATIONS – MINNESOTA LEGAL COMPLIANCE

None noted

A member of Nexia International

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

KNUTSON, FLYNN & DEANS, P.A.
1155 Centre Pointe Drive, Suite 10
Mendota Heights, MN 55120
651.222.2811 fax 651.225.0600
www.kfdmn.com

$2,710,000*
GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2020B
INDEPENDENT SCHOOL DISTRICT NO. 2174
(PINE RIVER-BACKUS)
CASS AND CROW WING COUNTIES, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 2174 (Pine River-Backus), Cass and Crow Wing Counties, Minnesota (the "District"), of its General Obligation School Building Refunding Bonds, Series 2020B (the "Bonds"), in the aggregate principal amount of $2,710,000*, bearing a date of original issue of November 12, 2020. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

We have examined the law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other affidavits and certificates of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based upon our examination of these materials, assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and based upon present Minnesota and federal laws, regulations, rulings and decisions, it is our opinion that:

(1) The Bonds are in due form and the proceedings show lawful authority for their issuance according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the District enforceable in accordance with their terms except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion in accordance with general principles of equity, by the constitutional powers of the United States of America and by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted. All of the taxable property in the District is subject to the levy of ad valorem taxes to pay the principal and interest on the Bonds, which taxes are without limitation as to rate or amount.

(3) Interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes. Interest on the Bonds is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax measured by income. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals and other taxpayers under Section 55 of the Internal Revenue Code of 1986, as amended, (the "Code") or for purposes of the Minnesota alternative minimum tax applicable to individuals, trusts and estates Interest on the Bonds is not includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal and Minnesota alternative minimum taxes applicable to corporations.

(4) The opinion set forth in paragraph (3) above is subject to the condition that the District comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal and state income tax purposes. The District has covenanted in the resolution authorizing the issuance of the Bonds to comply with these continuing requirements. Noncompliance with these covenants by the District following the issuance of the Bonds may result in inclusion of interest on the Bonds in federal gross income and Minnesota taxable net income for federal and Minnesota income tax purposes retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds.

(5) The Bonds have been designated as "qualified tax-exempt obligations" for the purposes of Section 265 of the Code relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

DATED at Mendota Heights, Minnesota, this 12th day of November, 2020.

KNUTSON, FLYNN & DEANS
Professional Association

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

CONTINUING DISCLOSURE CERTIFICATE
(Full Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 2174 (Pine River-Backus), State of Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Refunding Bonds, Series 2020B (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on October 19, 2020 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bondholders or beneficial owners, if different, and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5). This Disclosure Certificate constitutes the written Undertaking required by the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" shall mean the District's financial statements which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) or as otherwise required by Minnesota law for the preceding Fiscal Year, including a balance sheet and statement of revenues, expenditures and changes in fund balances, which the District intends to continue to prepare in substantially the same form.

"Dissemination Agent" shall mean the District, or any successor Dissemination Agent which has been designated in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system: www.emma.msrb.org, established by the MSRB and which contains a component that includes a continuing disclosure service for the receipt and public availability of continuing disclosure documents and related information to be submitted by issuers, obligated persons, and their agents pursuant to continuing disclosure undertakings entered into consistent with the Rule.

“Financial Obligation” shall mean a: (i) debt obligation; (ii) derivative entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this Rule.

"Fiscal Year" shall mean the fiscal year of the District.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) The District shall provide, or shall cause the Dissemination Agent to provide, not later than June 30, 2022, and twelve (12) months after the end of each Fiscal Year during which the Bonds are outstanding, to the MSRB, in an electronic format through the use of EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If audited financial statements are not available by the date specified above, the District shall submit unaudited financial statements by that date to the MSRB and will submit the audited financial statements as soon as they are available.

(b) If the District is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a) above, the District shall send a timely notice to the MSRB in the format prescribed by the MSRB.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the required method of submission to the MSRB and (if the Dissemination Agent is other than the District)

(ii) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

1. An annual Audited Financial Statement.

2. Updates of the operating and financial data included in the Official Statement under headings substantially similar to the following or containing financial information directly relating to the following: "Current Property Valuations", "Tax Levies & Collections", "Student Body", "Direct Debt", and "Employment/Unemployment."

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must also be available from the Municipal Securities Rulemaking Board (MSRB). The District shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events, with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever a Listed Event occurs, the District shall in a timely manner not in excess of ten business days after the occurrence of the Listed Event file a notice of such occurrence with the MSRB.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, including but not limited to its duties under Sections 3 and 5 hereof, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

If this Disclosure Certificate is amended, the District will disclose such amendment, together with a narrative explanation of that amendment, to the MSRB with its annual financial information disclosure.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution or with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders from time to time of the Bonds or the beneficial owners, if different, and shall create no rights in any other person or entity.

SECTION 13. Reserved Rights. The District reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or to modify the Undertaking under this Disclosure Certificate if the District determines that such modification is required by the Rule, or by a court of competent jurisdiction

SECTION 14. District Contact Information.

Title:	Superintendent
Name of District:	Independent School District No. 2174
Address:	401 Murray Avenue – P.O. Box 610 Pine River, MN 56474
Telephone No.	(218) 587-8082

[Remainder of this page left blank intentionally]

This 12th day of November, 2020

INDEPENDENT SCHOOL DISTRICT NO. 2174
(PINE RIVER-BACKUS)
CASS AND CROW WING COUNTIES
STATE OF MINNESOTA

By: ______________________________________
Chair

And: _____________________________________
Clerk

[Signature Page for Continuing Disclosure Certificate]

APPENDIX E

TERMS OF PROPOSAL

$2,535,000* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2020B INDEPENDENT SCHOOL DISTRICT NO. 2174 (PINE RIVER-BACKUS), MINNESOTA

Proposals for the purchase of $2,535,000 General Obligation School Building Refunding Bonds, Series 2020B (the "Bonds") of Independent School District No. 2174 (Pine River-Backus), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on October 19, 2020, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Education for consideration for award by resolution at a meeting to be held at 5:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by the District, for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated November 12, 2020, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2022	$180,000	2026	$230,000	2030	$255,000
2023	205,000	2027	235,000	2031	255,000
2024	210,000	2028	240,000	2032	260,000
2025	220,000	2029	245,000		

ADJUSTMENT OPTION

* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The District has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the District. If only part of the Bonds having a common maturity date are called for redemption, then the District or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about November 12, 2020, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota, Bond Counsel to the District, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $2,509,650 plus accrued interest on the principal sum of $2,535,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the District nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of $50,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The District and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to $250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the District scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The District's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The District reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the District requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any rating agency fees not requested by the District are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The District will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the District will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the District under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the District by the District's municipal advisor identified herein and any notice or report to be provided to the District may be provided to the District's municipal advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the District shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the District agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) <u>If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule</u>, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5^{th}) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the District promptly after the close of the fifth (5^{th}) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The District acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) <u>If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test</u>, the winning bidder agrees to promptly report to the District, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of $10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Board of Education

Independent School District No. 2174
(Pine River-Backus), Minnesota

PROPOSAL FORM

The Board of Education **October 19, 2020**
Independent School District No. 2174 (Pine River-Backus), Minnesota

RE: $2,535,000* General Obligation School Building Refunding Bonds, Series 2020B (the "Bonds")
DATED: November 12, 2020

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $2,509,650) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2022	________	% due	2026	________	% due	2030
________	% due	2023	________	% due	2027	________	% due	2031
________	% due	2024	________	% due	2028	________	% due	2032
________	% due	2025	________	% due	2029			

* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $50,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about November 12, 2020.

This proposal is subject to the District's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the District with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: ______________________________ By: ______________________________
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from November 12, 2020 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 2174 (Pine River-Backus), Minnesota, on October 19, 2020.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________