Workshop of the School Board
Virtual/Eisenhower Community Center Boardroom
January 19, 2021 — 6 p.m.

ORDER OF BUSINESS

I. Citizen's Financial Advisory Committee (CFAC) Report **T. Chapinduka**

Revised 1/19/21

Report to the School Board

Citizen’s Financial Advisory Committee (CFAC) Report

January 19, 2021

Report Prepared by

Tariro Chapinduka, Director of Business Services

CFAC Members

Overview

The Citizen’s Financial Advisory Committee and District administration worked together to bring to the School Board recommendations that focus on the necessary issues needed to address district budgeting for the 2021-22 school year and beyond. CFAC has developed these recommendations to help guide the School Board in the budget development process.

Primary Issues to Consider

Whether to accept or approve the CFAC report as presented to the Board by CFAC members.

Supporting Documents

FY2022 CFAC Report

CFAC ANNUAL FINANCIAL REPORT

HOPKINS PUBLIC SCHOOLS

FOR THE BUDGET YEAR ENDING JUNE 30, 2022

INDEPENDENT SCHOOL DISTRICT 270
HOPKINS PUBLIC SCHOOLS

Serving Eden Prairie, Edina, Golden Valley, Hopkins, Minnetonka, Plymouth, and St. Louis Park

EDUCATIONAL SERVICES CENTER
1001 Highway 7
Hopkins, Minnesota 55305

Citizen's Financial Advisory Committee
Committee 2021-22 Budget Recommendations to the School Board
January 19, 2021

EXECUTIVE SUMMARY

The Citizens Financial Advisory Committee (CFAC) in partnership with Hopkins Public Schools administrators was established to leverage the financial experience and expertise of a group of community members and provide recommendations to the School Board regarding the financial planning and performance of the Hopkins School District. The recommendations will be used by Tariro Chapinduka, Director of Business Services, to develop the 2021-22 budget.

CFAC Members

Luke Jacobson
Valerie Dahlman
Molly Rutzick
Warren Goodroad
Elliot Berman

The committee has formally met four times with Superintendent Rhoda Mhiripiri-Reed, Assistant Superintendent Nik Lightfoot and Director of Business Services, Tariro Chapinduka. School Board members who serve on CFAC for 2020-21 are Directors Steve Adams and Katie Pederson.

The committee review has focused on the following information:

- Audited results for Fiscal year ending June 30, 2020
- General Fund Assigned/Unassigned fund balance as of June 30, 2020
- Budget Pro-Forma and Planning for (FY2022) thru FY 2025
- HEA and HASA contract negotiations.
- Number of students enrolled and future enrollment projections.
- COVID-19 Pandemic impact on actual and projected enrollment.
- Current and projected per student funding from the State.
- Staffing comparison with neighboring school districts.
- Salary and fringe benefit costs of teachers, support staff and administration
- Pension funding on a District and State level
- General discussion about other factors affecting the District's financial health.

Assumptions and Recommendations for FY22 Budget to the School Board:

- State per student funding in the projection years of FY22 and FY23 is flat based on current available information.
- Projected enrollment is declining in FY22 and the foreseeable future.
- 3.0% annual increase in FY20 AND FY21 in total salaries and wages.
- Fringe benefits to increase by 2% (36% of total compensation) for FY22.

- All other costs to increase at 0% on an annual basis except Utilities and Transportation which will increase at 4%
- General Fund Unassigned fund balance based on audited FY20 Financial statements is sitting at 7.8%

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CFAC Conclusion

The District has a total General Fund balance of $13.5 million or 13.19%, as of June 30, 2020 (See Appendix A). The General Fund Unassigned fund balance increased from $7,748,076 at June 30, 2019, to $8,004,529 (7.8%) at June 30, 2020. CFAC, however, will continue to recommend that additional funds need to be added to Unassigned Fund Balance to maintain an Unassigned fund balance at or near 10%. CFAC does acknowledge the difficulty in increasing the Unassigned balance in the current environment, but continues to recommend a level near 10%, which is in line with the District's auditor recommendation of 8-15%, and which is comparable with neighboring districts.

The COVID-19 Pandemic has presented enrollment challenges for the district after two consecutive years of increases in enrollment. The challenges are expected to impact revenue streams to the district for the current year and future years. As projected in the FY2021 revised budget, expenditures exceed projected revenues and it is necessary to find continued efficiencies in services and programs for both FY2021 and FY2022.

CFAC reviewed different scenarios for budget impacts based on changes in revenue and compensation, which has historically represented over 80% of expenditures. Due to expected lower revenues and increases in compensation, there is a projected budget shortfall. CFAC does not recommend utilizing Unassigned Fund balances to cover budget shortfalls. If budget shortfalls are covered with Unassigned Fund balances, the Unassigned balance will quickly go down below the board policy of 6% and further away from CFAC's recommended 10%.

Based on current enrollment projections and current state legislative outlook, CFAC recommends budgeting for FY2022 under a worst case scenario with a 0.0% increase in per student state funding and 5.0% in wages and benefits. The legislative outlook is extremely fluid, and if there are new developments to improve the budget, the District will be in a better financial position to adjust if it assumes no increase in state funding. The District is expected to receive additional federal funding related to the new CARES Act; however, these funds are expected to be restricted and not be available to cover budget shortfalls or increase the fund balance.

To assist with meeting budget objectives, CFAC has reviewed the revenue model to budget instead of the expenditure model as has been used in years past. The revenue model will assist to reimagine the District while aligning with the goals of Vision 2031. The revenue model is also expected to bring the District's average daily student membership (ADM) cost more in line with other districts.

CFAC also acknowledges the District's pension liabilities and recommends avoiding the practice of funding budget gaps using OPEB or Severance Trust Funds based on the current funded level of 76%, compared to actuarial recommended levels of 90%.

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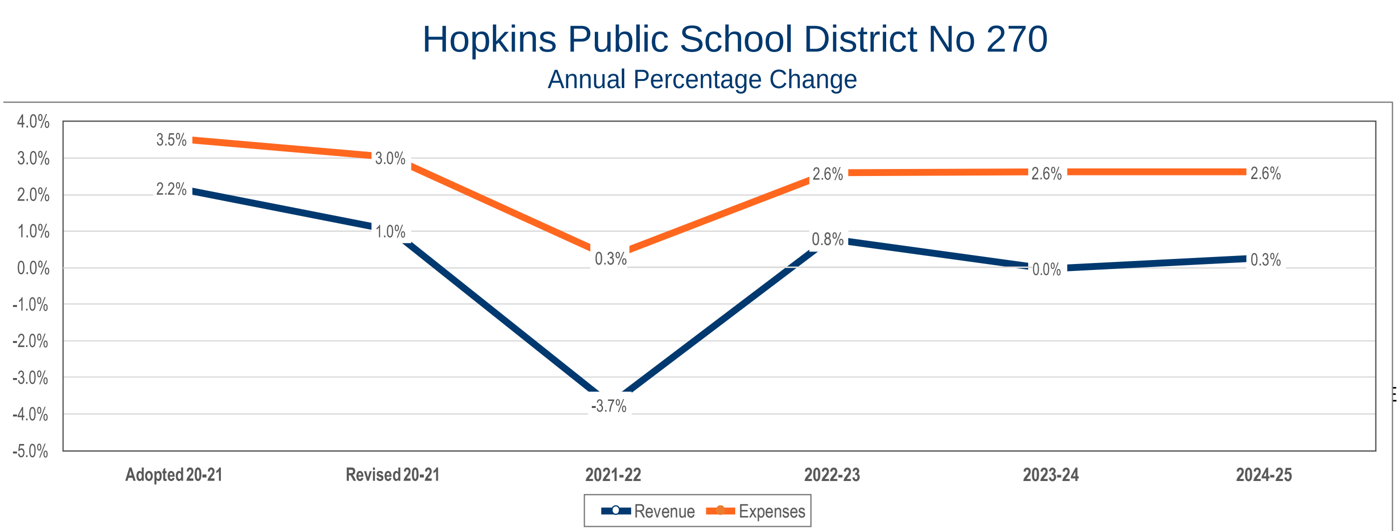
The Citizens Financial Advisory Committee (CFAC) has conducted an overview of the current and projected financial condition of the Hopkins School District. Our recommendations to the Hopkins School Board are based on consensus of the group to determine the underlying budget assumptions to form the budget projections for 2021-22 (and beyond). Hopkins is inspired by Vision 2031 which is moving the district from Great to World Class. The recommendations are based on current and near-term political and economic factors that impact the present and future financial situation of both the State of Minnesota and the Hopkins School District as well as the district's Strategic vision. Our recommendations are largely influenced by four primary conditions:

1. The outlook for any revenue increases remains pessimistic.
2. The need to reimagine the district while aligning with Vision 2031 goals.
3. Given that salary and fringe benefit costs make up 82% of the District's expenses for 2020-21 and beyond, any growth in this area in excess of the rate of state increases will seriously threaten the financial and programmatic viability of the District over a 3 to 5 year period.
4. The District is projecting decreasing enrollment in the near future which will not be sustainable in the long run. Projection years beginning in 2019-20 initially showed a slight increase of 191 students or 0.7%, over two years but due to the unprecedent COVID -19 pandemic that increase has turned into a negative outlook for the current year and future year. It should be noted that enrollment for FY2020-21 is below projected numbers and will remain likely for FY2022.

<u>Budget Projection Model</u>

The Budget Projection Model (BPM) that the district utilizes and that CFAC has reviewed currently has expenditure increases for 1) decreasing enrollment and 2) expenses exceeding revenues based on the assumptions provided in the areas highlighted later in the report. It should be noted that CFAC has looked at results in the BPM for both a 2% Revenue / 3%, Salary and 2% Fringe increase. All scenarios have expenses exceeding available revenue in FY21-22. Due to this outcome, District administration, as of this writing, will need to look at expenditure reductions in FY21-22 to present a balanced budget to the School Board.



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CFAC encourages the District to continue using the Budget Projection Model to monitor the 3 to 5 year projected Unassigned fund balance and make sure it is funded adequately at a minimal $8 million, or 10% of annual operating expenses. This is higher than School Board policy of a 6% floor; however, CFAC believes this is critical to assure the District can financially support and protect the quality curriculum/program offered its students as well as meet the Vision 2031 strategic goals.

CFAC believes the following suggestions should also be considered:

- In an era of historically flat or small increases in State revenue, the fund balance should not be used to simply cover ongoing cost increases because it will be quickly depleted.
- The District should avoid using OPEB and Severance Liability trust funds to cover the gap in the budgets.
- The District should continue to maintain the detailed BPM to show intermediate and long-term impact of different financial options.

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Analysis

Due to anticipated enrollment decreases in FY21 and FY22, we can expect district expense growth to outpace revenue. While we start from a structurally unbalanced budget in FY21, to structurally balance the budget going forward absent structural changes, we must have a mix of enrollment and funding increases sufficient to cover our outstanding labor commitments and the rising costs of supplies and materials. Unfortunately, we can only expect the formula amount through which we receive the bulk of our state aid to be flat. Even if enrollment were to hold steady without inflation increase on basic formula allowance it is difficult to fund our existing cost structure going forward. Our BPM assumes few structural changes so the ongoing cost increases quickly begin to show themselves as annual deficits.

Predictable Staffing Model

One of the tools that will help us engage in revenue-based budgeting is predictable staffing. The predictable staffing model will help us allocate resources to schools based on standardized allocation formulas informed by total school enrollment. This is different from schools getting what they got last year and/or getting what they want based on how savvy they are with resource allocations.

General Fund Balance Reserves, Local Retirement Funding and Teacher's Retirement Association (TRA)

General Fund Balance Reserves

The General Fund Unassigned fund balance is the cumulative sum of the annual excess or deficiency of revenues over expenses. Any fund balance, whether Unassigned, Committed, Assigned or Restricted can only be used once, thus the reason why there is always encouragement to use fund balance for one-time expenses such as equipment, curriculum, retirement funding or emergencies. Paying for ongoing labor contract costs that exceed available revenue does not constitute an emergency.

Hopkins General Fund Unassigned fund balance, after audited results for FY19-20, stands at $8,004,529, or 7.8% of FY20 total General Fund expenses. (See Appendix). District administration has communicated to CFAC that the District's auditor stated that she would prefer to see the Unassigned fund balance in the 8-15% range. The District is below that range in the Unassigned fund balance. When you factor in the Committed fund balance for Hopkins and other comparison districts Hopkins retains a healthy fund balance (See Appendix)

The Minnesota Department of Education (MDE) complicates this issue by reporting the sum of Unassigned, Committed, and Assigned fund balances divided by unrestricted expenses as an available fund balance percentage to spend. This confuses lay readers of financial statements, making them think the reporting district has all of these dollars available in their Unassigned fund balance, when in fact there may be very good reasons why a district assigns or commits fund balance dollars out of their Unassigned fund balance.

Local District Retirement Funding

In FY18-19 the District continued to try to keep pace with the funding of its local retirement liabilities. The combined liability amounts for OPEB and Severance of $38.7 million based on the actuarial valuation as of 7-1-19 and the funded amount of $29.5 million equals an 76% funded level.

The District transferred $1.0 million from the Severance fund to reimburse general fund for implicit and explicit costs in FY19-20. With that revenue coming out of the Severance fund the overall funded percentage dropped to under 76%. The District's actuarial firm recommends at least 90% funding. Further, the annual cost of one more year of service for retiree premiums and claims is approximately $2.3 million, of which the District budgets as part of fringe benefits. CFAC believes the District should continue to strive to fund its local retirement liabilities up to the 100% level.

CFAC has the following recommendations for the School Board regarding fund balances and funding of District retirement liabilities:

- Place any annual surplus amounts into the OPEB Revocable Trust Fund and the Internal Service Fund for Severance to continue the move to a 100% funded level.
- Avoid the practice of funding budget gaps using OPEB or Severance Trust Funds.
- Cost the annual local retirement obligations into future labor contracts on an ongoing basis.

It should be noted that the Internal Service Fund for Severance is an in-house fund, therefore the dollars in this fund can be re-directed back to the General Fund if necessary, still providing the District with emergency flexibility. Further, and importantly, the dollars in the Internal Service Fund for Severance provide cash flow for the District.

Defined Benefits Pension Plans

DEFINED BENEFIT PENSION PLANS
Substantially all employees of the School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. Plan Description

The District participates in the following cost sharing, multiple employers defined benefit pension plans administered by the Public Employees Retirement Association (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.

1. General Employees Retirement 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 University of Minnesota System).

B. Benefits Provided

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

1. **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. 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% 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.

2. **TRA Benefits**

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

CFAC Recommendation: CFAC recommends the Board consider striving to fund its local pension liabilities (OPEB and Severance) to the 100% level while keeping the Unassigned fund balance at or slightly under 10%. Using General Fund annual surpluses, if any, to fund local pension liabilities up to the 100% level is a prudent use of favorable audit results. Using General Fund reserves to fund ongoing expenses will result in a declining fund balance and can result in a downgrade of the District's bond rating, increasing interest costs to taxpayers when the District bonds for infrastructure maintenance or when the District refinances existing debt.

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Total General Fund Revenue Sources and History

Appendix shows the per pupil formula allowance increases from 2007-08 through 2019-20. It should be noted that at no point in these 12 fiscal years did the per pupil allowance increase more than 2.25%.

State funding comprises 67.2% of our revenue. Another 28.5% of District revenue comes from local property taxes and other local sources including activity participation fees, gate receipts, gifts, and interest income. Federal sources comprise only 4.2% of District revenue. CFAC notes that the District has fully maximized its operating referendum levy authority.

CFAC Recommendation: Since the legislature has not determined funding for FY2021-22, CFAC is recommending budgeting for a worst case scenario assuming a 0% increase in the per pupil allowance for projection years FY21-22 through FY22-23. The legislative situation remains fluid, and if new information develops the District will be in a better position to adjust its budget if the per pupil allowance is increased.

Student Enrollment and Impact on Revenue

CFAC recommends accepting the District's assumption that the District decrease its enrollment by approximately 152 students over two years. FY 2020-21 enrollment is expected to decrease by 113 students to 6,818 students and is projected to decrease by 39 students to 6,779 students in FY 2021-22. Enrollment is and should be monitored and the forecast is adjusted annually by District personnel.

Most Minnesota school districts are experiencing declining enrollment due to demographic changes and COVID-19 pandemic impacts. In the Hopkins District there is the additional impact of choice and competition. Flat revenue to the per pupil formula allowance and the declining student enrollment, results in overall declining gross revenues. Hopkins has been experiencing declining enrollment over the years at an annual decrease of 2.92%.

In a competitive, choice-driven environment, CFAC recognizes the investments the District is now making to stabilize enrollment and improve and increase academic performance and rigor. The District has launched a community-wide innovative strategic plan. Vision 2031 represents our strategic move from Great to World Class. While Hopkins is truly a great place to learn and work, the District aspires to improve to World Class in all that we do. World Class does not mean elite or exclusive. It means the best, and every Hopkins student deserves the best. Vision 2031 is a collective vision and is championed by students, staff, parents, and community members District-wide. Vision 2031 articulates six specific beliefs, six unique innovation drivers, and six compelling core values. District stakeholders have started implementing the strategic action plan that will operationalize our collective move to World Class.

Because every student deserves a brilliant future, the District's instructional and programming investments include the following, and changes in programming could also have a negative impact to enrollment:

- Predictable staffing to standardize resource allocation across all programs in all our buildings.
- Foreign Language in the Elementary Schools (FLES), including Immersion programs, Science, Technology, Engineering, Arts and Math (STEAM),
- Pre-K investments and outreach leveraging Community Education programs and dollars,
- International Baccalaureate (IB) at both Junior High schools
- Supplemental staffing at the High School to maintain choice and class size,
- Safety and security enhancements at all buildings.

CFAC Recommendation: Based upon the enrollment analysis and assumptions presented, CFAC supports the administration's recommendation for projecting enrollment for FY21 to FY25. It is also further recommended that enrollment projections and underlying assumptions continue to be updated on an annual basis. Further, CFAC recommends the District continue its strategic efforts to retain students and grow enrollment.

Total General Fund Summary

Fund Balance – The School's General Fund unassigned fund balance increased by $256,453 ending at $8,004,529 as of June 30, 2020. Total fund balance of the General Fund increased by $2,362,780, ending at $13,524,012 as of June 30, 2020. The ending unassigned fund balance represents 7.8% (last year 7.7%) of General Fund expenditures. A District's fund balance in the General Fund is an important aspect in considering the School's financial well-being since a healthy fund balance represents things such as cash flow, as a cushion against unanticipated expenditures, enrollment declines, funding deficiencies, and aid prorations at the state level and similar problems.

Budget to Actual – Total revenues in the General Fund were 1,148,559 (or 1.11%) higher than the final amended budget amount while total expenditures were $2,207,841 (or 2.11%) more than had been budgeted. Total General Fund Expenditures increased $1,341,655 or 1.3% from the previous year. The major factor driving the increase from 2018-19 to 2020-21 was an increase in Employee Benefits. There was a decrease in General Funds Expenditure Budget vs Actual of $1,893,174 or 1.8%. (See Appendix).

Salary and Fringe Benefit Expenses

School districts are labor intensive, with 80-85% (82% on an actual basis for Hopkins in FY19-20) of their expenses for salaries and benefits.

CFAC Recommendation: Estimated contract increases for all bargaining groups are factored into the Budget Projection Model for FY20-21 through FY22-23 that CFAC has reviewed at a rate of 3.0% for salaries and benefits, along with other scenarios that are higher and lower. This estimate of 3.0% will result in expenses exceeding revenues in FY21-22. Due to decreasing enrolment projections the district revenue and expenditure will see a negative shift for FY20-21 and FY21-22 that shift will be unsustainable. It should be noted that to achieve a balanced budget and for the District’s Unassigned fund balance to be replenished from FY20-21 to FY21-22 the district will need to restructure.

In FY19-20 THE Fringe Benefits were budgeted at 29% of compensation and the Actual Fringe Benefits expenditure were 37%. In FY20-21 we budgeted our Fringe Benefits at 34% of compensation and increasing the Fringe Benefits to 36% in FY21-22 will align us closer to what the district is expending on Fringe Benefits.

Other Costs

CFAC recognizes the amount of cost efficiencies that the District has implemented in past. The District has now finalized implementing more energy efficient lighting in all District buildings. The implementation of the contract for participation in a solar garden as a way to mitigate some of the future electric rate increases has been finalized and solar gardens have been erected at the High School as well as West Junior High. The district has also been automating some of the Procurement and Purchasing processes as well as work with vendor in price negotiations and strategic sourcing which will save costs in the long run.

CFAC Recommendation: CFAC recommends continuing to look for ways to bring additional efficiencies to control other costs. For budgeting purposes, after looking at the last five years of expenses, CFAC recommends projecting a 0% increase for Purchased Services, a 4% increase for utility and transportation costs, and a 0% increase for supply costs for FY21-22 through FY22-23. CFAC also recommends that the district implement the Predictable Staffing model and standardize staffing in the buildings.

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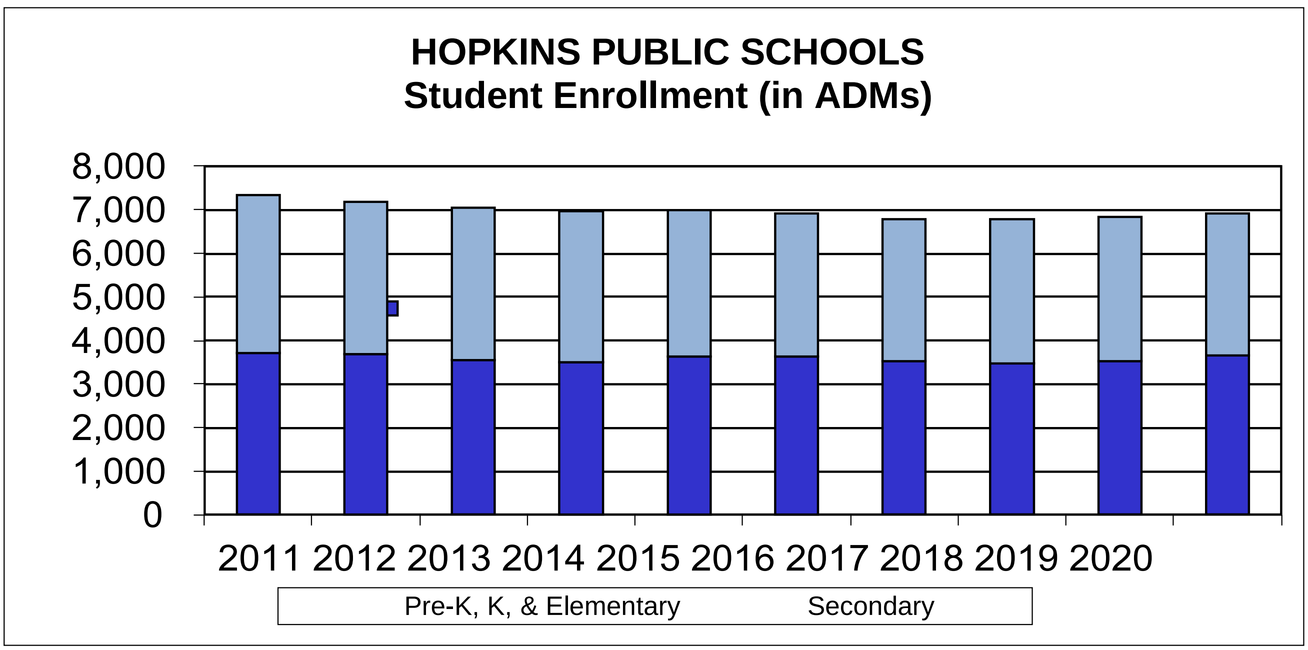
APPENDIX

ENROLLMENT

Enrollment is a critical factor in determining revenue with approximately 75% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has decreased slightly over the last 10 years.

Table A
Ten-Year Enrollment Trend
Average Daily Membership (ADM)



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pre-K & KH	91.45	72.74	67.19	74.35	91.51	101.71	110.70	120.03	133.02	176.14
Reg K	458.84	452.81	450.86	494.96	505.31	504.80	425.27	448.38	455.36	495.58
Pre-K, K, & Elementary	3,700.16	3,674.93	3,550.96	3,498.80	3,622.42	3,622.66	3,527.87	3,477.67	3,540.91	3,663.52
Secondary	3,625.53	3,517.28	3,486.77	3,473.61	3,370.47	3,302.99	3,251.02	3,292.46	3,286.16	3,250.18
Total Students for Aid	7,875.98	7,717.76	7,555.78	7,541.72	7,589.71	7,532.16	7,314.86	7,338.54	7,415.45	7,585.42
Percent Change	-0.59%	-2.01%	-2.10%	-0.19%	0.64%	-0.76%	-2.88%	0.32%	1.05%	2.29%

Over the last 10 years, the District has experienced a decline in average daily membership by 291 students or 3.7%. It is anticipated the trend will continue for the near term. The District continues to market and accept open enrollment students to mitigate some of this natural decline.

Citizen's Financial Advisory Committee

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APPENDIX

FINANCIAL RESULTS

Fund Balances

HOPKINS PUBLIC SCHOOLS

AUDITED FUND BALANCES THROUGH JUNE 30, 2020

FUND DESCRIPTION	6/30/2019 AUDITED BALANCE	2019-20 AUDITED REVENUES	TRANSFERS INTO FUNDS	2019-20 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/2020 AUDITED BALANCE
GENERAL FUND						
A. UNASSIGNED - OPERATING	**$7,748,076**	**$83,028,706**	**$1,042,509**	**$80,798,865**	**$3,015,897**	**$8,004,529**
B. NONSPENDABLE FOR						
PREPAID ITEMS	$230,096	$166,283		$230,096		$166,283
INVENTORY	$54,839	$87,108		$54,839		$87,108
TOTAL NONSPENDABLE	$284,935	$253,391	$0	$284,935	$0	$253,391
C. ASSIGNED FOR						
HEALTH & SAFETY CLOSEOUT	$312,132	$0		$312,132		$0
SPECIAL PROJECTS	$0	$220,102		$0		$220,102
ENROLLMENT CONTINGENCY	$0	$1,000,000		$0		$1,000,000
BUILDING RENOVATION	$500,000	$0		$17,101		$482,899
STRATEGIC VISIONING 2031	$467,429	$235,676		$467,429		$235,676
STRATEGIC TRANSPORTATION	$127,500	$0		$127,500		$0
TOTAL ASSIGNED	$1,407,061	$1,455,778	$0	$924,162	$0	$1,938,677
D. RESTRICTED FOR						
STUDENT ACTIVITIES	$0	$233,191		$0		$233,191
MEDICAL ASSISTANCE	$639,884	$439,320		$239,325		$839,879
ACHIEVEMENT & INTEGRATION	$0	$1,367,976	$38,690	$1,406,666	$0	$0
GIFTED AND TALENTED	$0	$153,756	$1,121,807	$1,275,563	$0	$0
CAREER AND TECHNICAL PROGRAMS	$0	$230,401	$622,401	$852,802	$0	$0
SAFE SCHOOLS PROGRAMS	$0	$586,308		$466,375		$119,933
STAFF DEVELOPMENT	$82,790	$974,116		$813,340		$243,566
LEARNING AND DEVELOPMENT	$0	$1,521,415		$1,502,947		$18,468
BASIC SKILLS	$0	$3,867,419	$1,232,999	$5,100,418	$0	$0
OPERATING CAPITAL	$1,809,951	$3,264,881		$2,906,496		$2,168,336
LONG-TERM FACILITIES MAINT (LTFM)	$0	$1,121,197		$481,869		$639,328
CAPITAL PROJECT LEVY	($811,465)	$5,322,292		$5,446,113		($935,286)
TOTAL RESTRICTED	$1,721,160	$19,082,272	$3,015,897	$20,491,914	$0	$3,327,415
BUDGET		$102,671,388		$105,400,517		$8,432,103
TOTAL GENERAL FUND	**$11,161,232**	**$103,820,147**	**$4,058,406**	**$102,499,876**	**$3,015,897**	**$13,524,012**
DIFFERENCE		$1,148,759		$115,256		$5,091,909
% VARIANCE		1.12%		0.11%		

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APPENDIX

FINANCIAL RESULTS (CONTINUED)

Fund Balances (Continued)

HOPKINS PUBLIC SCHOOLS

AUDITED FUND BALANCES THROUGH JUNE 30, 2020

FUND DESCRIPTION	6/30/2019 AUDITED BALANCE	2019-20 AUDITED REVENUES	TRANSFERS INTO FUNDS	2019-20 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/2020 AUDITED BALANCE
FOOD SERVICE						
NONSPENDABLE FOR PREPAID ITEMS	$0	$312		$0		$312
NONSPENDABLE FOR INVENTORY	$58,206	$177,701		$58,206		$177,701
RESTRICTED FOR FOOD SERVICE PROGRAM	$535,453	$4,797,342		$4,535,083		$797,712
BUDGET		$4,222,983		$4,371,900		$444,742
TOTAL FOOD SERVICE	**$593,659**	**$4,975,355**	**$0**	**$4,593,289**	**$0**	**$975,725**
DIFFERENCE		$752,372		$221,389		$530,983
% VARIANCE		17.82%		5.06%		
COMMUNITY EDUCATION						
NONSPENDABLE FOR PREPAID ITEMS	$0	$2,186		$0		$2,186
RESTRICTED FOR REGULAR COMMUNITY ED	$1,731,773	$6,950,911		$7,871,876		$810,808
RESTRICTED FOR EARLY CHILDHOOD FAMILY ED	$281,895	$600,709		$585,053		$297,551
RESTRICTED FOR SCHOOL READINESS	$12,735	$293,691		$278,436		$27,990
RESTRICTED FOR ADULT BASIC EDUCATION	$37,425	$1,162,786		$1,199,475		$736
RESTRICTED FOR NONPUBLIC PUPIL AID	$141,537	$588,722		$730,259		$0
BUDGET		$8,550,719		$10,497,991		$258,093
TOTAL COMMUNITY EDUCATION	**$2,205,365**	**$9,596,820**	**$0**	**$10,662,914**	**$0**	**$1,139,271**
DIFFERENCE		$1,046,101	$0	$164,923		$881,178
% VARIANCE		12.23%		1.57%		
BUILDING CONSTRUCTION FUND						
NONSPENDABLE FOR PREPAID ITEMS	$178,226	$84,467		$0		$262,693
RESTRICTED FOR LONG-TERM FAC MAINT (LTFM)	$10,887,869	$153,143		$11,771,513		($730,501)
RESTRICTED FOR TURF FIELDS LEASE	$0					$0
RESTRICTED FOR REFERENDUM PROJECTS	$9,701,320	$67,888		$8,988,787		$780,421
RESTRICTED FOR CAPITAL PROJECTS LEVY	$2,176,072	$3,824,291		$2,556,434		$3,443,929
RESTRICTED FOR FY17 CAPITAL PROJECTS LEVY SCHOOL NUTRITION KITCHEN IMPROVEMENTS	($4,213,046)	$1,946,706		$883,233		($3,149,573)
BUDGET		$5,549,177		$16,304,749		$7,974,869
TOTAL BUILDING FUND	**$18,730,441**	**$6,076,495**	**$0**	**$24,199,967**	**$0**	**$606,969**
DIFFERENCE		$527,318		$7,895,218		($7,367,900)
% VARIANCE		9.50%		48.42%		
DEBT SERVICE						
RESTRICTED FOR OPEB DEBT SERVICE	$830,056	$4,016,976		$3,895,985		$951,047
RESTRICTED FOR DEBT SERVICE	$2,551,180	$13,082,531		$13,425,192		$2,208,519
BUDGET		$17,252,288		$17,315,364		$3,318,160
TOTAL DEBT SERVICE	**$3,381,236**	**$17,099,507**	**$0**	**$17,321,177**	**$0**	**$3,159,566**
DIFFERENCE		($152,781)		$5,813		($158,594)
% VARIANCE		-0.89%		0.03%		
PROPRIETARY AND CUSTODIAL						
SCHOLARSHIP CUSTODIAL FUND	$33,046	$18,403		$26,084		$25,365
INTERNAL SERVICE FUND - OPEB REVOC TRUST	$17,679,206	$1,501,494		$120,977		$19,059,723
INTERNAL SERVICE FUND - SEVERANCE	$11,587,656	$114,521		$1,927,473		$9,774,704
INTERNAL SERVICE FUND - SELF-INSURANCE	$3,891,355	$11,206,744		$11,224,682		$3,873,417
TOTAL OTHER FUNDS	**$33,191,263**	**$12,841,162**	**$0**	**$13,299,216**	**$0**	**$32,733,209**

APPENDIX

FINANCIAL RESULTS (CONTINUED)

General Fund Operations and Financial Position

The following table presents five years of comparative operating results for the District's General Fund.

	Year Ended June 30,				
	2016	2017	2018	2019	2020
Revenues	$ 91,275,976	$ 93,928,751	$ 96,438,651	$ 99,698,593	$ 103,819,947
Expenditures	89,391,494	89,887,513	96,846,184	101,158,221	102,499,876
Excess of Revenues Over Expenditures	1,884,482	4,041,238	(407,533)	(1,459,628)	1,320,071
Other Financing Sources (Uses):					
Sale of Equipment Proceeds	-	-	-	31,500	200
Insurance Recovery Proceeds	473	-	17,862	42,066	-
Transfers In	-	-	-	2,100,416	1,042,509
Transfers (Out)	(6,721,373)	(3,361,612)	(2,137,175)	(1,050,000)	-
Total Other Financing Sources (Uses)	(6,720,900)	(3,361,612)	(2,119,313)	1,123,982	1,042,709
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,836,418)	679,626	(2,526,846)	(335,646)	2,362,780
Fund Balance:					
Beginning of Year	18,180,516	13,344,098	14,023,724	11,496,878	11,161,232
End of Year	$ 13,344,098	$ 14,023,724	$ 11,496,878	$ 11,161,232	$ 13,524,012
Nonspendable Fund Balance	$ 300,955	$ 559,320	$ 241,888	$ 284,935	$ 253,391
Restricted Fund Balance	1,263,154	2,738,192	1,163,529	1,721,160	3,327,415
Committed Fund Balance	2,428,627	-	-	-	-
Assigned Fund Balance	666,960	2,041,810	1,407,061	1,407,061	1,638,677
Unassigned Fund Balance	8,684,402	8,684,402	8,684,400	7,748,076	8,004,529
Total Fund Balance	$ 13,344,098	$ 14,023,724	$ 11,496,878	$ 11,161,232	$ 13,224,012
Unassigned Fund Balance as a Percentage of Expenditures	9.72%	9.66%	8.97%	7.66%	7.81%

The District's General Fund had an excess of revenue and other financing sources over expenditures other financing uses of $2,362,780 for fiscal 2020, bringing total fund balance to $13,524,012 at June 30, 2020. Total fund balance includes $8,004,529 in unassigned fund balance which represents 7.8% of General Fund expenditures.

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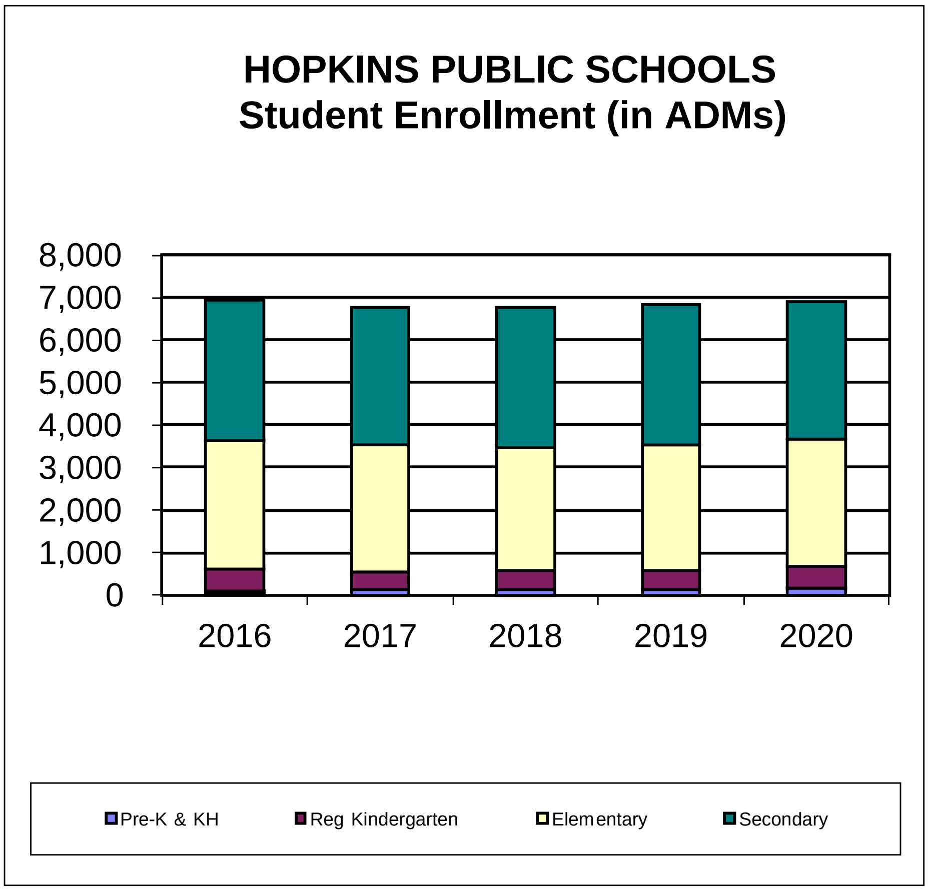
APPENDIX

FINANCIAL TRENDS OF HOPKINS PUBLIC SCHOOL DISTRICT

Student Enrollment



	2016	2017	2018	2019	2020
Pre-K & KH	101.71	110.70	120.03	133.02	176.14
Reg Kindergarten	504.80	425.27	448.38	455.36	495.58
Elementary	3,016.15	2,991.90	2,909.26	2,952.53	2,991.80
Secondary	3,302.99	3,251.02	3,292.46	3,286.16	3,250.18
Net ADM Served	6,925.65	6,778.89	6,770.13	6,827.07	6,913.70
Percent Change	-0.96%	-2.12%	-0.13%	0.84%	1.27%

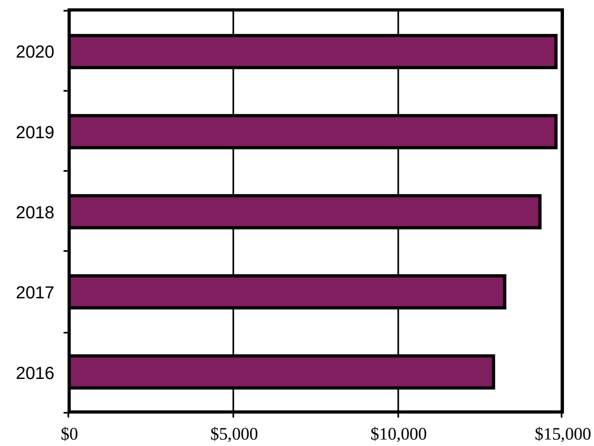
As noted in the above chart, the District's student count for fiscal 2019-20 was 86.63 students (or 1.27%) higher than for the prior year. Due to COVID-19 pandemic the district is experiencing declining enrollment for the FY202-21 and subsequent years.

APPENDIX (CONTINUED)

Expenditures Per Student

Expenditures per student (average daily membership) are summarized in the following graph.

General Fund Expenditures Per Student (Per ADM)



	2016	2017	2018	2019	2020
General Fund - All Expenditures	$12,907	$13,260	$14,305	$14,817	$14,826

General Fund Expenditures for fiscal 2020 were $102,499,876, which represents an increase of $1,340,655 or 1.3% from fiscal 2019.

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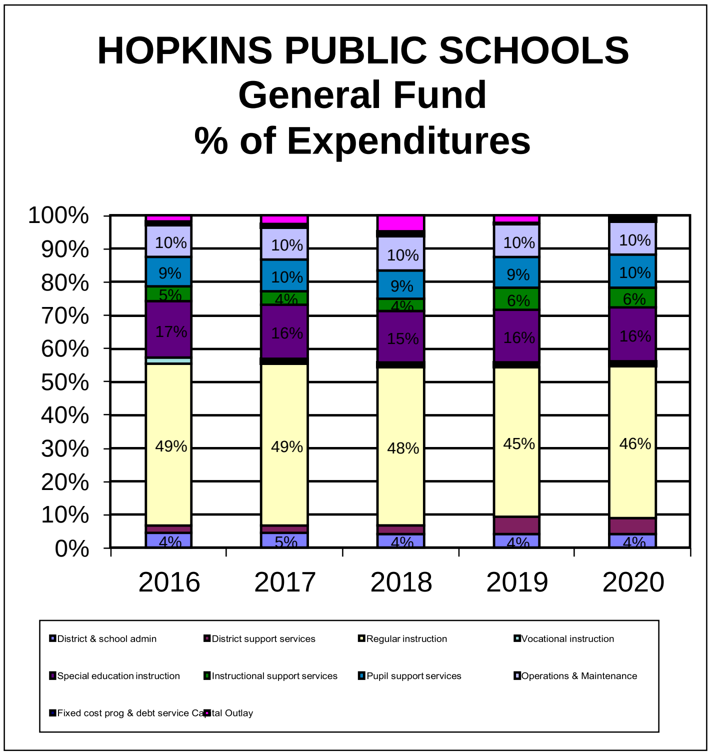
APPENDIX (CONTINUED)

The following schedule shows total expenditures of the General Fund by program type:



	2016	2017	2018	2019	2020
District and School Admin	$ 4,012,660	$ 4,138,586	$ 4,179,572	$ 4,158,956	$ 4,379,882
District Support Services	2,078,586	1,846,598	2,311,373	5,215,768	4,796,570
Regular Instruction	43,614,720	43,862,824	46,274,076	45,690,309	46,990,453
Vocational Instruction	1,405,443	1,314,391	1,279,959	1,297,841	1,316,860
Special Education Instruction	15,225,594	14,606,775	14,992,720	16,240,938	16,639,136
Instructional Support Services	4,140,524	3,599,280	3,604,288	6,476,852	6,236,585
Pupil Support Services	7,824,324	8,585,842	8,310,271	9,352,041	9,947,366
Operations and Maintenance	8,536,324	8,740,145	9,746,626	10,008,457	10,245,095
Capital Outlay	1,487,573	2,197,569	4,756,591	2,023,895	1,288,277
Fixed Cost Prog and Debt Service	1,065,746	995,503	1,390,708	693,164	659,652
Total Expenditures	$ 89,391,494	$ 89,887,513	$ 96,846,184	$ 101,158,221	$ 102,499,876

The following chart summarizes District General Fund expenditures by object type.

	2020				2019	2018
	Budget	Actual	Over (Under) Budget	%	Actual	Actual
Salaries	$ 64,204,914	$ 63,745,378	$ (459,536)	(0.7)%	$ 61,605,777	$ 56,003,918
Employee Benefits	17,735,050	19,221,707	1,486,657	8.4	18,478,019	17,237,100
Purchased Services	16,259,256	15,114,712	(1,144,544)	(7.0)	15,533,142	14,234,921
Supplies and Materials	2,622,727	2,224,856	(397,871)	(15.2)	2,364,851	2,902,686
Capital Expenditures	3,311,236	1,288,277	(2,022,959)	(61.1)	2,023,895	4,756,591
Other Expenditures	259,867	904,946	645,079	248.2	1,152,537	1,710,968
Total Expenditures	$ 104,393,050	$ 102,499,876	$ (1,893,174)	(1.8)%	$ 101,158,221	$ 96,846,184

The variances by object dimension are fairly well spread throughout the fund. Note that total expenditures were 1.8% lower than the final amended budget.

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The table below reflects the comparative data available from the Minnesota Department of Education for all expenditures incurred for the benefit of pre-elementary through secondary education, except expendable trust fund activity.

Expenditures Per Student (ADM) Served

	Statewide All Districts	Statewide Seven-county Metro Area	Statewide Enrollment > than 4,000	ISD No. 270 Hopkins	ISD No. 270 Hopkins	ISD No. 270 Hopkins
	2019	2019	2019	2018	2019	2020
District and School Admin and Support Services	$ 1,123	$ 1,079	$ 1,022	$ 949	$ 1,373	$ 1,327
Regular Instruction (including Co- & Extra-Curricular)	5,743	6,112	5,932	6,766	6,693	6,797
Vocational Instruction (Career & Technical)	168	165	170	187	190	190
Special Education Instruction	2,403	2,505	2,546	2,192	2,379	2,407
Instructional Support Services	650	751	746	527	949	902
Pupil Support Services (Including Transportation)	1,182	1,282	1,231	1,215	1,370	1,439
Operations and Maintenance and Other	950	907	917	1,628	1,507	1,517
Total Instruction, Support Services, and Operations/Maintenance	12,219	12,801	12,564	13,464	14,460	14,579
Food Service	559	556	553	604	611	631
Community Service	638	799	747	1,412	1,569	1,519
Capital Expenditure	806	675	714	714	326	243
Debt Service	1,354	1,454	1,433	2,234	5,559	2,565
Total Pre-K - 12 Operating Expenditures Before OPEB	$ 15,576	$ 16,285	$ 16,011	$ 18,428	$ 22,526	$ 19,538
Percent Change from Prior Year				3.89%	22.24%	-13.27%

Source of Statewide Data: School District Profiles published by the Dept. of Education

District and school admin and support services - all costs related to providing administration to the District (school board, superintendent, principals, assistant superintendents, directors of instructional areas, etc.) and all central office administration (business services, human resources, legal, data processing, other district-wide support activities)

Regular instruction - includes all activities dealing directly with the teaching of pupils including co-curricular and extra-curricular activities and the interaction between teachers and pupils in the classroom (excluding exceptional, vocational and community education instruction) and includes activities of aides or assistants of any type (paraprofessionals, clerks, graders, etc.) who assist in the educational process, except spec ed aides

Vocational instruction - consists of costs related to courses and activities which develop knowledge, skills, attitudes and behavioral characteristics for students seeking career exploration and employability

Special education instruction - consists of activities providing learning experiences for pupils of any age, who because of certain atypical characteristics or conditions, have been identified as requiring, or who would benefit by, educational programs differentiated from those provided pupils in regular or vocational instruction

Instructional support services - activities for assisting instructional staff with content and process of providing learning experiences for pupils in K-12 (curriculum, staff dev, educ media, libraries and media centers, etc.)

Pupil support services - all services to pupils not classified as instructional (counseling and guidance, health services, psychological services, social work, pupil transportation and safety, etc.)

Operations and maintenance - activities related to the operation, maintenance, repair and remodeling of all physical plant, facilities and grounds of the District

Food service - all costs of the Food Service Fund

Community service - all costs of the Community Service Fund

Capital expenditures - all capital expenditures charged to operating funds

Debt service - all Debt Service Fund costs (principal, interest and fiscal agent costs)