Hopkins School Board Workshop
Eisenhower Community Center — Boardroom
5 p.m. — Monday, February 5, 2018

I. Student Nutrition Primary Food Distributor
   J. Toop

II. Prime Vendor District Audit Results/School Finance 101
    J. Toop/D. Hoogeveen
**Overview**

School funding can be complex due to the numerous restrictions placed on the spending of the revenue that a school district receives in a given fiscal year. Having a solid foundation of how the school district can spend money is important for School Board members. This workshop will try to address a few key areas for School Board members to be aware of, and to start building that solid foundation for new members. Dennis Hoogeveen from the district audit firm of CliftonLarsonAllen will be presenting, along with John Toop, Director of Business Services to help new School Board members begin to gain this solid foundation.

**Primary Issues to Consider**

The workshop will address key areas for School Board members in the areas of school funding and fund accounting, audit results, budgeting on a micro and macro level, and interpretation of monthly financial reports presented in the Treasurer’s Report.

**Supporting Documents**

- FY16-17 Executive Audit Summary
  - Fund Accounting, interpretation of audited results, revenue restrictions
- 2015 Referendum Market Value per student table
- Budget Flowchart and Budget Cycles
- How does Hopkins budget in the General Fund? (Visual presentation)
- How to interpret the monthly Treasurer’s Report
- Financing Education in Minnesota 2017-18
December 15, 2017

School Board
Independent School District No. 270
Hopkins Public Schools

This Executive Audit Summary and Management Report presents information which we believe is important to you as members of the school board. We encourage you to review the sections of this report, the audited financial statements and the auditors’ reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the District for the courtesies, cooperation and assistance extended to us during the course of our work.

CliftonLarsonAllen LLP

Dennis Hoogeveen, CPA
Principal
<table>
<thead>
<tr>
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</tr>
</thead>
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</tr>
</tbody>
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We prepared this Executive Audit Summary and Management Report in conjunction with our audit of the District’s financial records for the year ended June 30, 2017. We appreciated the time that staff took to work with us to complete the engagement—especially the efforts of District Staff and John Toop.

**Audit Opinion** – The financial statements are fairly stated. We issued what is known as a “clean” or unmodified audit report.

**Yellow Book Compliance** – No compliance issues were noted in our review of laws, regulations, contracts and grants that could have significant financial implications to the District.

**Internal Controls** – One material weakness in controls over financial reporting was noted related to annual financial reporting under GAAP.

**Single Audit** – One material weakness was noted with regards to direct and material compliance requirements of the major federal programs relating to reporting for the Child Nutrition Cluster.

**Legal Compliance** – No legal compliance matters were noted with regards to our review of the District’s compliance with Minnesota Statutes applicable to school districts.

**Enrollment** – For fiscal 2016-2017, Hopkins Public Schools had an estimated total adjusted average daily membership of 6,744.70 (or 7,393.39 adjusted pupil units). For fiscal 2015-2016, the District had a total adjusted average daily membership of 6,928.92 (or 7,590.13 adjusted pupil units).

**Fund Balance** – The School’s General Fund unassigned fund balance (UFARS basis) remained unchanged ending at $8,684,402 as of June 30, 2017. Total fund balance of the General Fund increased by $679,626, ending at $14,023,724 as of June 30, 2017. The ending unassigned fund balance represents 9.66% (last year 9.72%) 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 $475,986 (or 0.51%) higher than the final amended budget amount while total expenditures were $3,316,440 (or 3.56%) less than had been budgeted. The net effect, including other financing sources, was an increase to total fund balance that was $3,792,426 more than had been reflected in the District’s budget, of which $1,229,353 related to capital outlay items impacted by timing only. As part of any budget update initiated for fiscal 2017-18, the Board will want to take these and other budget variances into consideration in order to limit future budget differences to every extent possible. We recommend that your goal for budget variances in your environment be limited to no more than 1% on either side of zero to the extent practical which may require additional budget updates to achieve. This would exclude those items where it is impractical to know the exact timing such as with capital items or federal expenditures or where the amounts not expended may be reappropriated in the following year such as with site carryover.
Statement of Net Position

The Statement of Net Position essentially tells you what your District owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the District has leftover to use for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how some of those resources can be used. Therefore, the statement divides the net position into three components: net investment in capital assets, restricted net position, and unrestricted net position. Beginning in fiscal 2015, the District was required to implement GASB Statement No. 68, which significantly impacted the District’s ending net position as a result of recording the District’s estimated share of the respective unfunded liability for the statewide pension plans for TRA and PERA. The ending balance of the Net Pension Liability at June 30, 2017, increased significantly as a result of GASB requirements related to the actuarial calculations. The following table presents components of the District’s net position at year-end, along with a simplified reconciliation of the difference between the governmental fund balances and total net position:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fund Balance of Governmental Funds</td>
<td>$31,518,384</td>
<td>$15,415,082</td>
</tr>
<tr>
<td>Capital Assets, Less Accumulated Depreciation</td>
<td>158,192,140</td>
<td>160,265,905</td>
</tr>
<tr>
<td>Net Pension Liabilities and Related Deferred Inflows and Outflows</td>
<td>(102,992,339)</td>
<td>(70,539,823)</td>
</tr>
<tr>
<td>Other Long-Term Liabilities</td>
<td>(174,500,953)</td>
<td>(162,961,798)</td>
</tr>
<tr>
<td>Other - Net</td>
<td>32,401,528</td>
<td>30,849,450</td>
</tr>
<tr>
<td>Total Net Position - Governmental Activities</td>
<td>$ (55,381,240)</td>
<td>$ (26,971,184)</td>
</tr>
</tbody>
</table>

Net Position:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Investment in Capital Assets</td>
<td>$28,641,741</td>
<td>$23,952,842</td>
</tr>
<tr>
<td>Restricted</td>
<td>10,098,439</td>
<td>4,471,490</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(94,121,420)</td>
<td>(55,395,516)</td>
</tr>
<tr>
<td>Total Net Position - Governmental Activities</td>
<td>$ (55,381,240)</td>
<td>$ (26,971,184)</td>
</tr>
</tbody>
</table>

Most of the District’s fund balances translate into restricted net position by virtue of external restrictions (statutory reserves) or by the nature of the fund they are in (e.g. unrestricted food service fund balance can only be spent for food service program costs). The unrestricted net position category consists mainly of the General Fund unreserved fund balances, offset against non-capital long-term obligations such as vacation or severance payable and beginning in fiscal 2015 the District’s estimated share of the unfunded portion of statewide pension plans. Consequently, many Minnesota school districts have accumulated deficits in this component of net position.
Statement of Activities

The Statement of Activities tracks the District’s yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing education. This statement provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation of long-lived capital assets, and other accrual-based expenses. As mentioned previously, the line item for “Change in Net Pension Liability – Defined Benefit Plans” was a new requirement beginning in fiscal 2015. The following table presents a simplified reconciliation of the change in the District’s governmental fund balances to the change in total net position for fiscal years 2017 and 2016:

<table>
<thead>
<tr>
<th>Year Ended June 30,</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Change in Fund Balance - Total Governmental Funds</td>
<td>$16,103,302</td>
<td>$(14,018,088)</td>
</tr>
<tr>
<td>Capital Asset Purchases</td>
<td>7,710,600</td>
<td>14,243,342</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(9,784,365)</td>
<td>(9,140,350)</td>
</tr>
<tr>
<td>Debt Proceeds</td>
<td>(18,684,020)</td>
<td>(20,468,565)</td>
</tr>
<tr>
<td>Repayment of Debt</td>
<td>9,060,000</td>
<td>29,390,000</td>
</tr>
<tr>
<td>Change in Net Pension Liability and Related Deferred Inflows and Outflows - Defined Benefit Plans</td>
<td>(27,400,314)</td>
<td>382,065</td>
</tr>
<tr>
<td>Change in Other Long-Term Liabilities</td>
<td>(938,371)</td>
<td>(798,659)</td>
</tr>
<tr>
<td>Internal Service Fund Change in Net Position</td>
<td>1,512,043</td>
<td>7,318,692</td>
</tr>
<tr>
<td>Other - Net</td>
<td>(4,408)</td>
<td>(238,087)</td>
</tr>
<tr>
<td>Change in Net Position - Governmental Activities</td>
<td>$ (22,425,533)</td>
<td>$ 6,670,350</td>
</tr>
</tbody>
</table>
## FINANCIAL RESULTS

### Fund Balances

<table>
<thead>
<tr>
<th>FUND DESCRIPTION</th>
<th>6/30/2016 AUDITED BALANCE</th>
<th>2016-17 AUDITED REVENUES</th>
<th>TRANSFERS INTO FUNDS</th>
<th>2016-17 AUDITED EXPENDITURES</th>
<th>TRANSFERS OUT OF FUNDS</th>
<th>6/30/2017 AUDITED BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. UNASSIGNED - OPERATING</td>
<td>$8,684,402</td>
<td>$78,793,863</td>
<td>($4,218,615)</td>
<td>$73,642,263</td>
<td>$932,985</td>
<td>$8,684,402</td>
</tr>
<tr>
<td>B. NONSPENDABLE FOR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PREPAID ITEMS</td>
<td>$229,673</td>
<td>$245,822</td>
<td>$0</td>
<td>$475,495</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INVENTORY</td>
<td>$71,282</td>
<td>$12,543</td>
<td>$0</td>
<td>$63,825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL NONSPENDABLE</td>
<td>$300,955</td>
<td>$258,365</td>
<td>$0</td>
<td>$659,320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. COMMITTED FOR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FOREIGN LANGUAGE IN ELEMENTARY (FLES)</td>
<td>$2,428,627</td>
<td>$0</td>
<td>$0</td>
<td>$2,428,627</td>
<td></td>
<td></td>
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<tr>
<td>D. ASSIGNED FOR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TURF FIELDS</td>
<td>$0</td>
<td>$750,000</td>
<td>$0</td>
<td>$750,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HEALTH &amp; SAFETY CLOSET</td>
<td>$0</td>
<td>$312,132</td>
<td>$0</td>
<td>$312,132</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT AUDIT</td>
<td>$0</td>
<td>$403,650</td>
<td>$0</td>
<td>$403,650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL NONSPENDABLE</td>
<td>$300,955</td>
<td>$258,365</td>
<td>$0</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### FOOD SERVICE

<table>
<thead>
<tr>
<th>FUND DESCRIPTION</th>
<th>6/30/2016 AUDITED BALANCE</th>
<th>2016-17 AUDITED REVENUES</th>
<th>TRANSFERS INTO FUNDS</th>
<th>2016-17 AUDITED EXPENDITURES</th>
<th>TRANSFERS OUT OF FUNDS</th>
<th>6/30/2017 AUDITED BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOOD SERVICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NONSPENDABLE FOR INVENTORY</td>
<td>$64,422</td>
<td>$1,444</td>
<td>$0</td>
<td>$65,866</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESTRICTED FOR FOOD SERVICE PROGRAM</td>
<td>$377,063</td>
<td>$4,473,320</td>
<td>$4,190,762</td>
<td>$656,390</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL FOOD SERVICE</td>
<td>$441,485</td>
<td>$4,474,764</td>
<td>$0</td>
<td>$722,256</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### COMMUNITY EDUCATION

<table>
<thead>
<tr>
<th>FUND DESCRIPTION</th>
<th>6/30/2016 AUDITED BALANCE</th>
<th>2016-17 AUDITED REVENUES</th>
<th>TRANSFERS INTO FUNDS</th>
<th>2016-17 AUDITED EXPENDITURES</th>
<th>TRANSFERS OUT OF FUNDS</th>
<th>6/30/2017 AUDITED BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMMUNITY EDUCATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NONSPENDABLE FOR PREPAID ITEMS</td>
<td>$0</td>
<td>$4,047</td>
<td>$0</td>
<td>$4,047</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESTRICTED FOR REGULAR COMMUNITY ED</td>
<td>$1,310,398</td>
<td>$7,070,869</td>
<td>$250,000</td>
<td>$6,811,436</td>
<td>$1,769,254</td>
<td>$17,249,764</td>
</tr>
<tr>
<td>RESTRICTED FOR EARLY CHILDHOOD FAMILY ED</td>
<td>$161,056</td>
<td>$510,060</td>
<td>$0</td>
<td>$448,016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESTRICTED FOR SCHOOL READINESS</td>
<td>$58,812</td>
<td>$271,345</td>
<td>$200,000</td>
<td>$280,162</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESTRICTED FOR ADULT BASIC EDUCATION</td>
<td>$49,165</td>
<td>$1,189,850</td>
<td>$1,201,225</td>
<td>$37,790</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESTRICTED FOR NONPUBLIC PUPIL AIDS</td>
<td>$48,812</td>
<td>$23,590</td>
<td>$1,189,850</td>
<td>$1,189,850</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESTRICTED FOR PRESCHOOL SCREENING</td>
<td>$48,812</td>
<td>$23,590</td>
<td>$1,189,850</td>
<td>$1,189,850</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESTRICTED FOR NONPUBLIC PUPIL AIDS</td>
<td>$48,812</td>
<td>$23,590</td>
<td>$1,189,850</td>
<td>$1,189,850</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL COMMUNITY EDUCATION</td>
<td>$1,713,069</td>
<td>$9,579,119</td>
<td>$0</td>
<td>$2,127,114</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**TOTALS:**

- **General Fund Budget:** $93,452,765
- **General Fund Difference:** $475,986
- **General Fund Variance:** 0.51%
- **Food Service Budget:** $4,476,327
- **Food Service Difference:** ($1,563)
- **Food Service Variance:** -0.03%
- **Community Education Budget:** $9,187,285
- **Community Education Difference:** $391,834
- **Community Education Variance:** 4.26%

**Note:** Variance percentages and differences are calculated based on the audited balances and budgeted amounts. 
### HOPKINS PUBLIC SCHOOLS

**AUDITED FUND BALANCES THROUGH JUNE 30, 2017**

<table>
<thead>
<tr>
<th>Fund Description</th>
<th>6/30/2016 Audited Balance</th>
<th>2016-17 Revenues</th>
<th>Transfers into Audited Funds</th>
<th>2016-17 Audited Expenditures</th>
<th>Transfers out of Audited Funds</th>
<th>6/30/2017 Audited Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BUILDING CONSTRUCTION FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonspendable for Prepaid Items</td>
<td>$232,123</td>
<td>0</td>
<td>$22,062</td>
<td>$210,061</td>
<td></td>
<td>$20,1061</td>
</tr>
<tr>
<td>Restricted for Long-Term FAC MAINT (LTFM)</td>
<td>$(1,977,682)</td>
<td>$15,049,359</td>
<td>$5,112,001</td>
<td>$7,966,676</td>
<td></td>
<td>$3,646,000</td>
</tr>
<tr>
<td>Restricted for Turf Fields Lease</td>
<td>0</td>
<td>$3,667,000</td>
<td>$21,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for Capital Projects Levy</td>
<td>$1,431,817</td>
<td>$7,724,075</td>
<td>$6,810,495</td>
<td>$2,345,197</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for FY17 Capital Projects Levy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Nutrition Kitchen Improvements</td>
<td>$(2,943,469)</td>
<td>$430,051</td>
<td>$1,385</td>
<td>$(2,514,803)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety and Security</td>
<td>0</td>
<td>$243,467</td>
<td>$243,467</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contingency</td>
<td>$324,113</td>
<td>$182,982</td>
<td>$48,683</td>
<td>$2,412</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Signage</td>
<td>$1,536</td>
<td>$25,000</td>
<td>$29,848</td>
<td>$(3,312)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security Cameras</td>
<td>$(9,836)</td>
<td>$118,500</td>
<td>$124,715</td>
<td>$(5,212)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DEBT SERVICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for OPEB Debt Service</td>
<td>$419,682</td>
<td>$4,401,013</td>
<td>$4,237,997</td>
<td>$582,698</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for Debt Service</td>
<td>$2,418,674</td>
<td>$10,267,516</td>
<td>$10,290,450</td>
<td></td>
<td>$2,395,740</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL DEBT SERVICE</strong></td>
<td>$2,838,356</td>
<td>$14,688,529</td>
<td>$14,530,497</td>
<td>$3,255,087</td>
<td></td>
<td>$2,978,438</td>
</tr>
<tr>
<td><strong>DIFFERENCE</strong></td>
<td>($279,599)</td>
<td>($2,050)</td>
<td>($277,549)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% VARIANCE</td>
<td>-1.87%</td>
<td>-0.01%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PROPRIETARY AND TRUST &amp; AGENCY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scholarship &amp; Other Trust Funds</td>
<td>$57,073</td>
<td>$24,425</td>
<td></td>
<td>$30,057</td>
<td></td>
<td>$51,441</td>
</tr>
<tr>
<td>Internal Service Fund - OPEB Revoc Trust</td>
<td>$17,111,915</td>
<td>$605,317</td>
<td></td>
<td>$779,246</td>
<td></td>
<td>$16,937,968</td>
</tr>
<tr>
<td>Internal Service Fund - Severance</td>
<td>$10,735,826</td>
<td>$81,432</td>
<td>$3,111,612</td>
<td>$940,890</td>
<td></td>
<td>$12,987,978</td>
</tr>
<tr>
<td>Internal Service Fund - Self-Insurance</td>
<td>$5,095,215</td>
<td>$9,458,699</td>
<td>$10,024,879</td>
<td></td>
<td>$4,529,035</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OTHER FUNDS</strong></td>
<td>$33,000,029</td>
<td>$10,169,871</td>
<td>$3,111,612</td>
<td>$11,775,072</td>
<td></td>
<td>$34,506,440</td>
</tr>
</tbody>
</table>

| **DIFFERENCE** | | | | | | |
| % VARIANCE | | | | | | |

**FINANCIAL RESULTS (CONTINUED)**

**Fund Balances (Continued)**
## 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.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 83,858,943</td>
<td>$ 83,493,597</td>
<td>$ 89,944,743</td>
<td>$ 91,275,976</td>
<td>$ 93,928,751</td>
</tr>
<tr>
<td>Expenditures</td>
<td>80,956,770</td>
<td>82,437,906</td>
<td>86,526,580</td>
<td>89,391,494</td>
<td>89,887,513</td>
</tr>
<tr>
<td>Excess of Revenues Over Expenditures</td>
<td>2,902,173</td>
<td>1,055,691</td>
<td>3,418,163</td>
<td>1,884,482</td>
<td>4,041,238</td>
</tr>
<tr>
<td>Other Financing Sources (Uses):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of Equipment Proceeds</td>
<td>23,200</td>
<td>3,450</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sale of Real Property Proceeds</td>
<td>-</td>
<td>28,836</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Insurance Recovery Proceeds</td>
<td>-</td>
<td>-</td>
<td>1,113</td>
<td>473</td>
<td>-</td>
</tr>
<tr>
<td>Transfers (Out)</td>
<td>(856,840)</td>
<td>(1,650,000)</td>
<td>(2,273,113)</td>
<td>(6,721,373)</td>
<td>(3,361,612)</td>
</tr>
<tr>
<td>Total Other Financing Sources (Uses)</td>
<td>(833,640)</td>
<td>(1,617,714)</td>
<td>(2,272,000)</td>
<td>(6,720,900)</td>
<td>(3,361,612)</td>
</tr>
<tr>
<td>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</td>
<td>2,068,533</td>
<td>(562,023)</td>
<td>1,146,163</td>
<td>(4,836,418)</td>
<td>679,626</td>
</tr>
<tr>
<td>Fund Balance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of Year</td>
<td>15,527,843</td>
<td>17,596,376</td>
<td>17,034,353</td>
<td>18,180,516</td>
<td>13,344,098</td>
</tr>
<tr>
<td>End of Year</td>
<td>$ 17,596,376</td>
<td>$ 17,034,353</td>
<td>$ 18,180,516</td>
<td>$ 13,344,098</td>
<td>$ 14,023,724</td>
</tr>
<tr>
<td>Nonspendable Fund Balance</td>
<td>$ 246,984</td>
<td>$ 235,209</td>
<td>$ 227,406</td>
<td>$ 300,955</td>
<td>$ 559,320</td>
</tr>
<tr>
<td>Restricted Fund Balance</td>
<td>232,818</td>
<td>387,226</td>
<td>748,198</td>
<td>1,263,154</td>
<td>2,738,192</td>
</tr>
<tr>
<td>Committed Fund Balance</td>
<td>6,041,951</td>
<td>6,041,951</td>
<td>5,735,000</td>
<td>2,428,627</td>
<td>-</td>
</tr>
<tr>
<td>Assigned Fund Balance</td>
<td>2,442,348</td>
<td>1,233,735</td>
<td>1,318,370</td>
<td>666,960</td>
<td>2,041,810</td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>$ 17,596,376</td>
<td>$ 17,034,353</td>
<td>$ 18,180,516</td>
<td>$ 13,344,098</td>
<td>$ 14,023,724</td>
</tr>
<tr>
<td>Unassigned Fund Balance as a Percentage of Expenditures</td>
<td>10.66%</td>
<td>11.08%</td>
<td>11.73%</td>
<td>9.72%</td>
<td>9.66%</td>
</tr>
</tbody>
</table>

The District’s General Fund had an excess of revenues over expenditures and other financing uses of $679,626 for fiscal 2017, bringing total fund balance to $14,023,724 at June 30, 2017. Total fund balance includes $8,684,402 in unassigned fund balance which represents 9.66% of General Fund expenditures.
FINANCIAL RESULTS (CONTINUED)

As a percentage of annual expenditures:

![Graph showing Fund Balance as a Percent of Expenditures in the General Fund]

Per student served for aid.

![Graph showing General Fund Unassigned Fund Balance Per ADM for Aid]
### Students Served for Aid

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Residents</td>
<td>7,203.96</td>
<td>7,051.32</td>
<td>7,039.04</td>
<td>7,019.03</td>
<td>6,970.28</td>
</tr>
<tr>
<td>Open Enrollment Out</td>
<td>(1,129.28)</td>
<td>(1,191.01)</td>
<td>(1,253.38)</td>
<td>(1,327.04)</td>
<td>(1,517.61)</td>
</tr>
<tr>
<td>Charter Schools Out</td>
<td>(417.09)</td>
<td>(340.89)</td>
<td>(336.40)</td>
<td>(349.95)</td>
<td>(349.95)</td>
</tr>
<tr>
<td>Net Residents Served</td>
<td>5,657.59</td>
<td>5,519.42</td>
<td>5,449.26</td>
<td>5,342.04</td>
<td>5,102.72</td>
</tr>
<tr>
<td>Open Enrollment In</td>
<td>1,379.99</td>
<td>1,452.99</td>
<td>1,543.80</td>
<td>1,586.88</td>
<td>1,641.98</td>
</tr>
<tr>
<td>Net ADM Served</td>
<td>7,037.58</td>
<td>6,972.41</td>
<td>6,993.06</td>
<td>6,928.92</td>
<td>6,744.70</td>
</tr>
<tr>
<td>Net Pupil Units Served</td>
<td>8,183.31</td>
<td>8,093.96</td>
<td>7,667.39</td>
<td>7,590.13</td>
<td>7,393.39</td>
</tr>
</tbody>
</table>

#### HOPKINS PUBLIC SCHOOLS

**Student Enrollment for Aid (in ADMs)**

Fiscal 2013 was the first year the District had more resident students attend elsewhere, including charter schools, than non-residents opting to attend the District.
APPENDIX A
FINANCIAL TRENDS OF YOUR DISTRICT

Within this report there are a number of areas where condensed financial statement data has been presented.

Student Enrollment

As noted in the above chart, the District’s student count for fiscal 2016-17 was 184 students (or 2.66%) lower than for the prior year.
General Fund Revenue

The following table and graph summarizes the District’s General Fund revenue sources for the last five years.

![Graph showing General Fund Revenue sources for 2013 to 2017]

The table below illustrates the fluctuation that occurs between the taxes and state aid categories based on legislative activity. The Legislature determines what portion of the general education funding formula will be paid by local taxpayers. In addition, when the tax shift percentage changes or the state provides property tax relief, this only impacts the mix between state aids and taxes and does not change total revenue. For example, in fiscal 2014, the Legislature repaid a total of approximately $8.2 million of the property tax shift buydown for the General Fund, which gives the appearance of a significant decrease in taxes for 2014. The decrease in taxes was not due to a levy decrease, but the repayment of state aid that had been withheld as part of the tax shift. For this and other reasons, school finance in Minnesota continues to be a very difficult subject to explain to the general public.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Property Taxes</td>
<td>$19,804,169</td>
<td>$11,441,543</td>
<td>$23,720,510</td>
<td>$23,687,302</td>
<td>$25,608,340</td>
</tr>
<tr>
<td>State Sources</td>
<td>57,434,006</td>
<td>65,449,897</td>
<td>59,904,963</td>
<td>61,641,459</td>
<td>61,072,518</td>
</tr>
<tr>
<td>Federal Sources</td>
<td>2,863,130</td>
<td>2,600,309</td>
<td>2,464,613</td>
<td>2,355,868</td>
<td>2,775,987</td>
</tr>
<tr>
<td>Other</td>
<td>3,757,638</td>
<td>4,001,848</td>
<td>3,854,657</td>
<td>3,591,347</td>
<td>4,471,906</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$83,858,943</td>
<td>$83,493,597</td>
<td>$89,944,743</td>
<td>$91,275,976</td>
<td>$93,928,751</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Property Taxes</td>
<td>23.6%</td>
<td>13.7%</td>
<td>26.4%</td>
<td>26.0%</td>
<td>27.3%</td>
</tr>
<tr>
<td>State Sources</td>
<td>68.5%</td>
<td>78.4%</td>
<td>66.6%</td>
<td>67.5%</td>
<td>65.0%</td>
</tr>
<tr>
<td>Federal Sources</td>
<td>3.4%</td>
<td>3.1%</td>
<td>2.7%</td>
<td>2.6%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Other</td>
<td>4.5%</td>
<td>4.8%</td>
<td>4.3%</td>
<td>3.9%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Expenditures Per Student
Expenditures per student (average daily membership) are summarized in the following graph.

General Fund Expenditures for fiscal 2017 were $89,887,513, which represents an increase of $496,019 or 0.55% from fiscal 2016.
The following schedule shows total expenditures of the General Fund by program type:

<table>
<thead>
<tr>
<th>Program Type</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>District &amp; School Admin</td>
<td>$3,702,143</td>
<td>$3,457,551</td>
<td>$3,800,920</td>
<td>$4,012,660</td>
<td>$4,138,586</td>
</tr>
<tr>
<td>District Support Services</td>
<td>1,753,551</td>
<td>1,960,920</td>
<td>2,176,186</td>
<td>2,078,586</td>
<td>1,846,598</td>
</tr>
<tr>
<td>Regular Instruction</td>
<td>39,772,620</td>
<td>40,454,347</td>
<td>42,182,408</td>
<td>43,614,720</td>
<td>43,862,824</td>
</tr>
<tr>
<td>Vocational Instruction</td>
<td>1,061,807</td>
<td>972,508</td>
<td>1,082,007</td>
<td>1,405,443</td>
<td>1,314,391</td>
</tr>
<tr>
<td>Special Education Instruction</td>
<td>14,068,452</td>
<td>14,399,228</td>
<td>14,820,763</td>
<td>15,225,594</td>
<td>14,606,775</td>
</tr>
<tr>
<td>Instructional Support Services</td>
<td>3,674,819</td>
<td>3,969,721</td>
<td>4,181,973</td>
<td>4,140,524</td>
<td>3,599,280</td>
</tr>
<tr>
<td>Pupil Support Services</td>
<td>7,030,543</td>
<td>7,507,772</td>
<td>7,824,549</td>
<td>8,536,324</td>
<td>8,740,145</td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>8,108,678</td>
<td>8,087,321</td>
<td>8,257,340</td>
<td>8,536,324</td>
<td>8,740,145</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>1,547,125</td>
<td>1,357,538</td>
<td>979,387</td>
<td>1,487,573</td>
<td>2,197,569</td>
</tr>
<tr>
<td>Fixed Cost Prog and Debt Service</td>
<td>237,032</td>
<td>271,000</td>
<td>1,221,047</td>
<td>1,065,746</td>
<td>995,503</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$80,956,770</td>
<td>$82,437,906</td>
<td>$86,526,580</td>
<td>$89,391,494</td>
<td>$89,887,513</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Object Type</th>
<th>2017 Budget</th>
<th>2017 Actual</th>
<th>2016 Actual</th>
<th>2015 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$56,849,422</td>
<td>$55,499,835</td>
<td>$55,414,902</td>
<td>$51,167,235</td>
</tr>
<tr>
<td>Purchased Services</td>
<td>13,258,035</td>
<td>13,027,130</td>
<td>12,429,567</td>
<td>12,768,108</td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td>2,141,679</td>
<td>1,980,618</td>
<td>1,580,262</td>
<td>1,842,025</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>3,426,922</td>
<td>2,197,569</td>
<td>1,487,573</td>
<td>1,357,538</td>
</tr>
<tr>
<td>Other Expenditures</td>
<td>905,161</td>
<td>1,196,980</td>
<td>936,366</td>
<td>148,460</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$93,203,953</td>
<td>$89,887,513</td>
<td>$89,391,494</td>
<td>$82,437,906</td>
</tr>
</tbody>
</table>

The variances by object dimension are fairly well spread throughout the fund. Note that total expenditures were 3.6% lower than the final amended budget but over one third of the variance relates to the timing of capital expenditures.
Food Service Fund

The following chart reflects the growth of the food service program over the past five years:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$4,221,792</td>
<td>$4,052,578</td>
<td>$4,386,370</td>
<td>$4,583,975</td>
<td>$4,473,766</td>
</tr>
<tr>
<td>Expenditures</td>
<td>4,071,970</td>
<td>4,004,146</td>
<td>4,357,110</td>
<td>4,437,815</td>
<td>4,193,995</td>
</tr>
<tr>
<td>Excess of Revenues Over Expenditures</td>
<td>149,822</td>
<td>48,432</td>
<td>29,260</td>
<td>146,160</td>
<td>279,771</td>
</tr>
<tr>
<td>Other Financing Sources:</td>
<td>-</td>
<td>-</td>
<td>2,986</td>
<td>7,991</td>
<td>1,000</td>
</tr>
<tr>
<td>Sale of Equipment Proceeds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Excess of Revenues and Other Financing Sources Over Expenditures</td>
<td>149,822</td>
<td>48,432</td>
<td>32,246</td>
<td>154,151</td>
<td>280,771</td>
</tr>
<tr>
<td>Fund Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of Year</td>
<td>56,834</td>
<td>206,656</td>
<td>255,088</td>
<td>287,334</td>
<td>441,485</td>
</tr>
<tr>
<td>End of Year</td>
<td>$206,656</td>
<td>$255,088</td>
<td>$287,334</td>
<td>$441,485</td>
<td>$722,256</td>
</tr>
</tbody>
</table>

Total revenues and other financing sources exceeded total expenditures in the District’s Food Service Fund by $280,771 for 2017, resulting in an ending fund balance of $722,256 at June 30, 2017. Total actual revenue was lower than the budgeted amount by $1,561. Total expenditures were lower than the budgeted amount by $203,825. The net impact of these variances and other financing sources resulted in the fund balance of the Food Service Fund being $202,264 higher than anticipated at year-end.

The following chart reflects the number and type of meals served to students over the past five years:
Community Service Fund

The following table presents five years of comparative operating results for the District’s Community Service Fund:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$9,669,417</td>
<td>$9,951,061</td>
<td>$9,887,233</td>
<td>$9,783,477</td>
<td>$9,579,119</td>
</tr>
<tr>
<td>Expenditures</td>
<td>9,773,855</td>
<td>10,508,900</td>
<td>9,839,863</td>
<td>10,051,559</td>
<td>9,415,074</td>
</tr>
<tr>
<td>Excess (Deficiency) of Revenues Over (Under) Expenditures</td>
<td>(104,438)</td>
<td>(557,839)</td>
<td>(152,630)</td>
<td>(268,082)</td>
<td>164,045</td>
</tr>
<tr>
<td>Other Financing Sources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers In</td>
<td>356,840</td>
<td>450,000</td>
<td>450,000</td>
<td>525,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</td>
<td>252,402</td>
<td>(107,839)</td>
<td>297,370</td>
<td>256,918</td>
<td>414,045</td>
</tr>
<tr>
<td>Fund Balance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of Year</td>
<td>1,014,218</td>
<td>1,266,620</td>
<td>1,158,781</td>
<td>1,456,151</td>
<td>1,713,069</td>
</tr>
<tr>
<td>End of Year</td>
<td>$ 1,266,620</td>
<td>$ 1,158,781</td>
<td>$ 1,456,151</td>
<td>$ 1,713,069</td>
<td>$ 2,127,114</td>
</tr>
<tr>
<td>Fund Balance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonspendable for Prepaid Items</td>
<td>$ 10,461</td>
<td>$ 995</td>
<td>$ 9,886</td>
<td>$</td>
<td>$ -</td>
</tr>
<tr>
<td>Restricted for Community Ed</td>
<td>996,151</td>
<td>868,877</td>
<td>1,024,671</td>
<td>1,310,398</td>
<td>1,670,241</td>
</tr>
<tr>
<td>Restricted for ECFE</td>
<td>56,153</td>
<td>48,526</td>
<td>129,072</td>
<td>161,056</td>
<td>223,074</td>
</tr>
<tr>
<td>Restricted for School Readiness</td>
<td>3,566</td>
<td>4,542</td>
<td>30,038</td>
<td>58,812</td>
<td>49,995</td>
</tr>
<tr>
<td>Restricted for Adult Basic Education</td>
<td>112,459</td>
<td>122,450</td>
<td>138,178</td>
<td>49,165</td>
<td>37,790</td>
</tr>
<tr>
<td>Restricted for Other Purposes</td>
<td>87,830</td>
<td>113,391</td>
<td>124,306</td>
<td>133,638</td>
<td>141,967</td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>$ 1,266,620</td>
<td>$ 1,158,781</td>
<td>$ 1,456,151</td>
<td>$ 1,713,069</td>
<td>$ 2,127,114</td>
</tr>
</tbody>
</table>

The District’s Community Service Fund had revenues and other financing sources over expenditures of $414,045 for fiscal 2017, bringing the combined fund balance to $2,127,114 at June 30, 2017. The District has done a good job of exercising control over the costs of programs and the fees being charged in order to ensure that programs are self-sustaining.

Total revenues of the District’s Community Service Fund for 2017 were $391,834 higher than the budgeted amount while total expenditures were over budget by $8,257. The net impact of these variances along with other financing sources resulted in the fund balance of the Community Service Fund being $383,577 higher than anticipated at year-end.
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.

<table>
<thead>
<tr>
<th>Expenditures Per Student (ADM) Served</th>
<th>Statewide</th>
<th>Districts</th>
<th>Seven-county Metro Area</th>
<th>ISD No. 270 Hopkins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures Per Student (ADM) Served</td>
<td></td>
<td>2016</td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>District and School Admin and Support Services</td>
<td>$1,016</td>
<td>$958</td>
<td>$920</td>
<td>$844</td>
</tr>
<tr>
<td>Regular Instruction (including Co- &amp; Extra-Curricular)</td>
<td>5,428</td>
<td>5,849</td>
<td>5,665</td>
<td>6,223</td>
</tr>
<tr>
<td>Vocational Instruction (Career &amp; Technical)</td>
<td>149</td>
<td>146</td>
<td>151</td>
<td>153</td>
</tr>
<tr>
<td>Special Education Instruction</td>
<td>2,179</td>
<td>2,330</td>
<td>2,357</td>
<td>2,094</td>
</tr>
<tr>
<td>Instructional Support Services</td>
<td>606</td>
<td>725</td>
<td>707</td>
<td>591</td>
</tr>
<tr>
<td>Pupil Support Services (Including Transportation)</td>
<td>1,021</td>
<td>1,103</td>
<td>1,072</td>
<td>1,105</td>
</tr>
<tr>
<td>Operations and Maintenance and Other</td>
<td>879</td>
<td>847</td>
<td>850</td>
<td>1,339</td>
</tr>
<tr>
<td>Food Service</td>
<td>539</td>
<td>539</td>
<td>536</td>
<td>611</td>
</tr>
<tr>
<td>Community Service</td>
<td>550</td>
<td>676</td>
<td>645</td>
<td>1,383</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>677</td>
<td>532</td>
<td>549</td>
<td>150</td>
</tr>
<tr>
<td>Debt Service</td>
<td>1,433</td>
<td>1,453</td>
<td>1,521</td>
<td>2,064</td>
</tr>
<tr>
<td>Total Pre-K - 12 Operating Expenditures Before OPEB</td>
<td>$14,477</td>
<td>$15,158</td>
<td>$14,973</td>
<td>$16,293</td>
</tr>
</tbody>
</table>

Percent Change from Prior Year: 2.39% 3.89% 2.00%

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 special education 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, edc 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)
APPENDIX C

LEGISLATIVE ACTIVITY

What follows are some education-related highlights of recent legislative sessions as summarized from information made available by the Minnesota Department of Education, the Minnesota School Boards Association, and the Minnesota House of Representatives.

Long-Term Facilities Maintenance Revenue (2015 Legislative Session)
Effective for fiscal year 2017, the long-term facilities maintenance revenue program was reestablished in response to the Capital Facilities Work Group recommendations. All school districts were given access to alternative facilities funding so school buildings and grounds can be responsibly and efficiently maintained. School facilities levies and bonds were made more affordable in low-wealth districts by increasing the equalization.

- Establishes the long-term facilities maintenance equalization levy and aid programs.
- Requires that a district or intermediate district have a ten-year facilities maintenance plan adopted by its board and approved by the commissioner.
- Repeals Alternative Facilities Program, Deferred Maintenance Revenue Program, and Health and Safety Levy, while retaining a list of allowed expenditures for health and safety revenue.
- Authorizes a district that is a member of an intermediate district or other cooperative unit to levy for its proportionate share of the costs of long-term facilities maintenance costs. Requires approval of each member board and the Commissioner of Education.
- All districts are held harmless in that all districts are guaranteed to receive at least as much revenue and at least as much state aid as they would have received under existing law.

Long-term facilities maintenance revenue may be used for exactly the same purposes as the old revenue categories it replaces: health & safety; deferred maintenance, and alternative facilities. As was true under the old law, Long-Term Facilities Maintenance Revenue may not be used for the following:

1. For construction of new facilities, remodeling of existing facilities, or the purchase of portable classrooms;
2. To finance a lease purchase agreement, installment purchase agreement, or other deferred payments agreement;
3. For energy-efficiency projects under section 123B.65, for a building or property or part of a building or property used for postsecondary instruction or administration or for a purpose unrelated to elementary and secondary education; or
4. For violence prevention and facility security, ergonomics, or emergency communication devices.

Fund Transfer Extension through FY2017 (2015 Legislative Session)
The authorization for a school district to transfer money among accounts (if the transfer doesn’t change the district’s state aid or local levy authority) was extended through fiscal 2017. Does not include transfers from the Community Service fund, the Food Service Fund or from the restricted account for staff development.
Voluntary Pre-Kindergarten Program (2016 Legislative Session)
A school district, charter school, or combination thereof is authorized to operate a voluntary prekindergarten program for four-year-old pupils to prepare students for kindergarten entry. The school calendar for prekindergarten, if offered by the district, must include at least 350 hours of instruction for the school year. The commissioner is required to proportionally allocate the funds available among four groups of applicants: (1) Minneapolis and Saint Paul; (2) metro-region school districts; (3) rural region school districts; and (4) charter schools. Within each of the four applicant groups, priority is required to be given to applicants based on (1) the concentration of kindergarten students who qualify for free or reduced price lunch, and (2) the availability of three- or four-star Parent Aware rated programs within or near the district. The number of prekindergarten pupil units for a district is limited to no more than 60% of that district’s kindergarten pupil units. The statewide aid entitlement for the prekindergarten program is limited to $27,092,000 for fiscal year 2017, $27,239,000 in fiscal year 2018, and $26,399,000 for fiscal year 2019 and later which equates to approximately 6.2% of Minnesota four year olds or about 3,700 participants in each of the three years.

Home Visiting Revenue (2016 Legislative Session)
The home visiting levy program was modified into a home visiting revenue program. Makes districts that are eligible to levy for early childhood family education eligible to receive home visiting revenue. The amount for home visiting was increased from $1.60 per person under five residing in the district to $3.00 per person under five residing in the district effective for revenue in fiscal year 2018 and later.

Equity Revenue (2016 Legislative Session)
The equity revenue bump was extended to all school districts in the state (this increase is currently available only to school districts with their administrative offices located in the metro area). Sets the bump at 16% for fiscal years 2017, 2018, and 2019 and 25% for fiscal years 2020 and later. The equity revenue increase is payable entirely in state aid for fiscal year 2017 only.

Special Education Aid (2016 Legislative Session)
The Department of Education is required to include procedures in the Uniform Financial and Reporting Standards (UFARS) system to track third-party billing proceeds at the school building level. Requires third-party billing revenue to be included in the cross-subsidy report and excluded from the calculation of special education excess cost aid. Beginning in fiscal 2017, school districts are required to reserve third-party revenue and spend the revenue only for the following purposes: 1) Administrative costs of obtaining reimbursement; 2) Training to improve the district’s ability to access third-party payments; 3) Other expenditures to benefit students with IEPs or IFSPs.

The following provisions were part of the “Teacher Shortage Initiatives” from the 2017 legislative session.

Alternative Teacher Professional Pay System (QComp)
Allows QComp revenue to be used for the following: (1) hiring bonuses to provide students with equitable access to teachers who have demonstrated skills for being effective at closing achievement gap; working in high-need positions; (2) incentives for teachers to obtain credits for required concurrent enrollment courses; and (3) funding a “Grow Your Own” new teacher initiative.

Alternative Teacher Preparation Grants Program
Establishes a $750,000 grant program for alternative teacher programs working to fill teacher shortage areas. School districts, charter schools, or nonprofits may seek approval to run a program. The grant must be used to get approval to become a program; recruit, select and train teachers who reflect the racial or ethnic diversity of students; and establish professional development programs for teachers.
Paraprofessional Pathway to Teacher Licensure
Provides up to $1.0 million for grants, to school districts with more than 30% minority students, for a Board of Teaching-approved, nonconventional, teacher preparation residency program. The program must provide tuition scholarships or stipends to enable school district employees or community members affiliated with the school district who seek an education license to participate. School districts that receive funds under this program are encouraged to recruit candidates of color and American Indian candidates to participate in the “Grow Your Own” new teacher program.

The remainder of items was the result of the 2017 legislative session.

General Education Formula Increase
The General Education Revenue formula allowance was increased by 2% (by $121 per pupil unit to $6,188) for fiscal year 2018 and by another 2% (by $124 per pupil unit to $6,312) for fiscal year 2019 and later.

Compensatory Education Pilots
The five pilot compensatory grants totaling $9,268,000 were permanently rolled into the compensatory revenue.

Restricted Use of Compensatory Education Revenue
There is a new requirement that each school site is required to set aside increases in compensatory revenue relative to fiscal year 2017 for extended time activities. Extended time revenue may be used for extended day or week programs, summer school, vacation break academies, and other programming authorized under the learning year programs (alternative extended day or year programs).

Pupil Transportation Sparsity Revenue
A new permanent funding component of $3.8 million was created for districts whose pupil transportation expenses greatly exceed their transportation revenue. Funding is set to 18.2% of the difference between each school district’s transportation costs and the sum of its transportation sparsity revenue. This impacts 85 school districts.

Payments to Schools for Non-operating Funds
Debt service equalization payments will go from twelve monthly payments to six payments beginning in July. School districts will receive their debt service equalization aid sooner, which better aligns with their payments to bondholders.

Operating Referendum Notification
Notices to residents are no longer required to be delivered by first class mail.

Innovation Research Zones Pilot Program
One or more schools may join to form an innovation zone partnership. This partnership can include postsecondary institutions, other units of local government, nonprofit, and for-profit organizations and can include personalized learning, collaborative leadership, and real-world models. An innovation plan must be submitted to MDE and innovation zones can get exemptions from certain state law. This pilot program is initially limited to three innovation zone plans in the seven-county metro and three in greater Minnesota.
APPENDIX C (CONTINUED)

Child Nutrition Exception to Contract Limits
An exception to the rule limiting school district contracts to two years was provided. A contract between a school board and a food service management company may be renewed annually after the initial term, but not more than four additional years.

E-Learning Days
School boards may offer online instruction due to inclement weather to be counted as a day of instruction. A plan must be developed and adopted by the school board in consultation with teachers. Requirements are: parent notification of the E-Learning Plan at the beginning of each school year; accommodations for students without internet access at home; must not exceed five days; parent notification of at least two hours prior to the normal school start time in which a student needs to participate in an E-Learning Day; and teachers must be accessible online and via telephone during the normal school hours.

Special Education 3rd Party Reimbursement
Districts must provide notice to a parent of a child enrolled in medical assistance or MinnesotaCare of its intent to seek reimbursement from the public health coverage plan for evaluations required as part of the IEP or family service plan (FSP) process, and for health-related services provided by the district in accordance with the IEP or FSP. A district may enroll as a provider in the medical assistance program and receive medical assistance payments for covered evaluations and special education services provided to persons eligible for medical assistance.

Early Learning Scholarships
Prioritizes scholarship awards to children who have a parent under age 21 who is pursuing a diploma, are in foster care or need protection, or have experienced homelessness in the previous two years. The Pathway II scholarships were capped to no more than those granted in fiscal year 2017. The date by which a program must have a three-star or four-star rating is delayed by four years to 2020.

School Readiness Plus (SR+)
A new four-year-old program was created to prepare children for kindergarten. Both school districts and charter schools are authorized to contract for the delivery of an SR+ program. The new School Readiness Program was created for fiscal years 2018 and 2019 only ($50 million for each year). All school district applicants meeting program requirements will be rank-ordered based on three criteria: free and reduced lunch concentration of students in kindergarten as of October 1 of the previous fiscal year; proximity of a three-star or four-star Parent Aware rated program; and whether the district has implemented a mixed delivery program. The cap on the Voluntary PreK program was changed from a limit on the state total aid entitlement to a limit on the number of participants.

ECFE Funding
The ECFE Allowance remains linked to General Ed formula allowance. ECFE allowance was increased from $139.54 to $142.32 for fiscal year 2018 and $145.18 for fiscal year 2019 and later due to formula allowance increase.

American Indian Tribal Contract Aid
The maximum aid per pupil unit was continued at the fiscal 2017 level of $3,230 for fiscal years 2018 and 2019 only, instead of allowing it to decrease to $1,500 beginning in fiscal 2018 as provided in current law. The decrease to $1,500 will now occur beginning in fiscal year 2020 unless a change is enacted before that.
Lead in School Drinking Water
The Commissioner of Health and Education is required to develop a model plan to require school districts to test for lead in school drinking water. School boards may adopt the model plan or develop an alternative plan to test water in the schools for lead. The plan requires testing at least every five years, testing must begin by July 1, 2018, and be completed within five years. School districts are allowed to include the costs for lead testing and remediation in their long-term facilities maintenance plan. School districts must make lead test results available to the public and notify parents that this information is available.
APPENDIX D

TECHNICAL UPDATE

TECHNICAL UPDATES

GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

The issuance of GASB Statement No. 73 completes the suite of pension standards. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). Plans not covered by GASBS No. 68 were previously measured under GASB No. 27. The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016.

GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB Statement No. 74 addresses reporting by OPEB plans that administer benefits on behalf of governments and replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The provisions in GASB Statement No. 74 are effective for financial statements for fiscal years beginning after June 15, 2016.

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB Statement No. 75 addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. GASB 75 replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and requires governments to report a liability on the face of the financial statements for the OPEB that they provide: Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.

Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.
GASB 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government’s actual OPEB contributions to its contribution requirements.

Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances—called special funding situations—GASB 75 requires these governments to recognize in their financial statements a share of the other government’s net OPEB liability. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77 – Tax Abatement Disclosures
The objective of this Statement is to require governments that enter into tax abatement agreements to disclose information about a reporting government’s own tax abatement agreements and information about those that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

GASB Statement No. 79 – Certain External Investment Pools and Pool Participants
This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool’s participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended. In Minnesota, the Board of Trustees of the MSDLAF+ Portfolio approved the adoption of GASB 79 requirements at a meeting held on May 25, 2016. As a result of this adoption, the Board determined that it will manage the MSDLAF+ Portfolio in accordance with GASB 79 requirements, as applicable, for continued use of amortized cost.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.
APPENDIX D (CONTINUED)

GASB Statement No. 80 – Component Units
The objective of this Statement requires the blending of component units of not-for-profit (NFP) corporations in which the government is the sole member. This requirement does not apply if the component unit (CU) is included under GASBS No. 39. If a reporting entity's component unit is organized as a NFP corporation in which the primary government is the sole corporate member, as identified in the CU’s articles of incorporation or bylaws, the blending method should be used. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 82 – Pensions
Addresses issues regarding the presentation of payroll-related measures in required supplementary information (RSI), the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee/plan member contribution requirements. Effective for reporting periods beginning after June 15, 2016 or June 15, 2017 for the requirements associated with assumptions where the pension liability measurement date is other than the most recent year-end. This statement impacts clients who report pension information in accordance with GASB Statements No. 67, No. 68, and No. 73.
APPENDIX E

FORMAL REQUIRED COMMUNICATIONS

Board of Education
Independent School District No. 270
Hopkins Public Schools
Hopkins, Minnesota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hopkins Public Schools (the School) as of and for the year ended June 30, 2017, and have issued our report thereon dated December 12, 2017. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, Government Auditing Standards, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 1 to the financial statements.

As described in Note 1, during the fiscal year ended June 30, 2017, the District changed accounting policies related to its accounting for pensions by adopting Statement of Governmental Accounting Standards (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Statement No. 73 established requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. Plans not covered by GASB No. 68 were previously measured under GASB No. 27.

We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Due from Minnesota Department of Education
- Due from federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Claims Incurred but Not Reported
- Severance Benefits Payable
- Other Postemployment Benefits Payable
- Estimated proportionate share of PERA's and TRA's pension items

Management’s estimate of the due from Minnesota Department of Education is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2017. The most significant of these is the aid portion of general education revenue. General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the school. Student attendance is accumulated in a statewide database, Minnesota Automated Reporting Student System (MARSS). Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2017 is not finalized until well into the next fiscal year. MDE calculates amounts owed to the School for special education excess cost tuition billing and adds the amount to the School's special education aid. Because the tuition amounts are based on estimated information, final entitlements are not expected to be known until well into the following fiscal year. Management expects any differences between estimated and actual data will be insignificant.

Management’s estimate of due from federal through the Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal 2017. Many federal entitlements require that supporting financial reporting information be provided both in the Uniform Financial Accounting and Reporting Standards (UFARS) accounting system and also the SERVS and EDRS reporting systems. To the extent that these two separate systems are not in agreement and reported in a timely manner, the estimated aid entitlement may be adversely affected. Management expects any differences between estimated and actual data will be insignificant.

Management’s estimate of the useful lives for depreciable capital assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable capital asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

Management’s estimate of Claims Incurred but Not Reported in its Self-Insurance Fund is based on data reported to the District by the plan administrator.
Qualitative aspects of accounting practices (continued)

Accounting estimates (continued)

Management’s estimate of Severance Benefits Payable is based on certain assumptions made by the District. As required by GASB Statement No. 16, the District has recorded a liability in long-term debt for accumulated sick leave convertible to early retirement pay for which it is probable the employees will be compensated. The “vesting method” used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits (vesting), and the potential use of accumulated sick leave prior to termination.

Management’s estimate of other postemployment benefits payable is based on an actuarially determined calculation, less actual payments incurred on behalf of retirees and an actuarially determined estimate of implicit rate subsidy, which is the estimated increased cost of premiums due to inclusion of retirees in the same plan as the District’s active employees.

Management’s estimates of the District’s proportionate share of PERA’s and TRA’s net pension liability and related deferred inflows and deferred outflows are based on guidance from GASB Statement No. 68 and each plan’s respective allocation tables. Each plan’s allocation tables allocate a portion of the plan’s net pension liability and related deferred inflows and deferred outflows based on the District’s prior fiscal year contributions as a percentage of the total contributions received for the related year by the plan.

We reviewed and tested management’s procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures. The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We noted one uncorrected misstatement related to recording pharmacy claims payable in the amount of $42,493.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We recognize that for management purposes, the District maintains its accounting records primarily using the cash basis during the year. There may be adjustments which we propose while assisting your finance staff in the closing of the year-end accounting records. These types of adjustments, if any, are not considered to be “audit adjustments” for purposes of this communication.
**Disagreements with management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. No such disagreements arose during our audit.

**Management representations**

We have requested certain representations from management that are included in the management representation letter dated December 12, 2017.

**Management consultations with other independent accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the School’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Significant issues discussed with management prior to engagement**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the School’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

**Other information in documents containing audited financial statements**

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 12, 2017.
Other information in documents containing audited financial statements (continued)
With respect to the individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 12, 2017.

The introductory and statistical sections accompanying the financial statements, which is the responsibility of management, were prepared for purposes of additional analysis and are not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * * * * *

This information is intended solely for the use of the Board of Education and management of the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 12, 2017
<table>
<thead>
<tr>
<th>Counties and Districts</th>
<th>District Number</th>
<th>Average Home Value</th>
<th>Average School District Property Tax Per Home</th>
<th>District Property Tax Per 100K Home Value After Credits</th>
<th>ANTC Per AMCPU</th>
<th>RMV Per RMCPU</th>
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Hopkins School District Budgeting Process
# Student Enrollment Count by Month

<table>
<thead>
<tr>
<th>District Name</th>
<th>Hopkins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days Remaining in School Year</td>
<td>175 155.5556 136.11 116.67 97.222 77.778 58.333 38.889</td>
</tr>
<tr>
<td>% of School Yr. @ Beginning of Mo.</td>
<td>100.00% 88.89% 77.78% 66.67% 55.56% 44.44% 33.33% 22.22% 11.11%</td>
</tr>
<tr>
<td>Cumulative Days in School Year</td>
<td>19.444 38.88889 58.333 77.778 97.222 116.67 136.11 155.56 175</td>
</tr>
<tr>
<td>Percent of School Yr. Completed</td>
<td>11.11% 22.22% 33.33% 44.44% 55.56% 66.67% 77.78% 88.89% 100.00%</td>
</tr>
</tbody>
</table>

## Grade Level

<table>
<thead>
<tr>
<th>Grade Level</th>
<th>EOY ADM</th>
<th>Original Budget</th>
<th>Fall Seat Count</th>
<th>Budget</th>
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<tr>
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<td>496</td>
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<tr>
<td>2</td>
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<td>522</td>
<td>498</td>
<td>500</td>
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<td>3</td>
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<td>474</td>
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<tr>
<td>12</td>
<td>558</td>
<td>551</td>
<td>541</td>
<td>540</td>
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</table>

### Enrollment EC-12 including ALC

| 6,656.00 | 6,618.00 | 6,580.00 | 6,582.00 | 6,583.00 | 6,586.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

### Weighted ADM - WADM in Current Year

| 7,297.60 | 7,261.20 | 7,222.80 | 7,222.60 | 7,222.60 | 7,224.80 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

### Estimated APU

| 7,297.60 | 7,261.20 | 7,222.80 | 7,222.60 | 7,222.60 | 7,224.80 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

### Estimated EOY APU's

| 7,297.60 | 7,261.20 | 7,222.80 | 7,222.60 | 7,222.60 | 7,224.07 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
## Hopkins ISD 270

### Investment Schedule

**FY18**

As of December 31, 2017

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<tr>
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<th>Depository Bank</th>
<th>CP/CD/REPO</th>
<th>DEPOSITORY ACCOUNT #</th>
<th>DEPOSITED BEGINNING PRINCIPAL</th>
<th>ACTUAL ENDING NUMBER</th>
<th>END DATE</th>
<th>EST. TOTAL</th>
<th>ACTUAL PRINCIPAL</th>
<th>EST. PRINCIPAL</th>
<th>EST. INTEREST PERCENTAGE</th>
<th>ACTUAL INTEREST</th>
<th>DEPOSIT WITHDRAWAL</th>
<th>ACTUAL INCOME</th>
<th>INVESTED RATE</th>
<th>INVESTED DAYS</th>
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<tbody>
<tr>
<td>7/1/2017</td>
<td>06-101-00</td>
<td>CONSTRUCTION 2015C REFUNDING BONDS</td>
<td>MSDLAF-LIQ/MAX</td>
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<td>0</td>
<td>109</td>
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<td>9,343,286</td>
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<td>9/1/2017</td>
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<tr>
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<td>Variable</td>
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</tr>
<tr>
<td>11/1/2017</td>
<td>06-101-00</td>
<td>CONSTRUCTION 2015C REFUNDING BONDS</td>
<td>MSDLAF-LIQ/MAX</td>
<td>109</td>
<td>0</td>
<td>0</td>
<td>109</td>
<td>0</td>
<td>109</td>
<td>Variable</td>
<td>30.00</td>
<td>0</td>
<td>0</td>
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<tr>
<td>11/1/2017</td>
<td>16-101-00</td>
<td>CONSTRUCTION 2017A LONG TERM FAC MAINT BOND</td>
<td>MSDLAF-LIQ/MAX</td>
<td>10,205,099</td>
<td>0</td>
<td>870,253</td>
<td>8,440</td>
<td>9,343,286</td>
<td>Variable</td>
<td>30.00</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>12/1/2017</td>
<td>06-101-00</td>
<td>CONSTRUCTION 2015C REFUNDING BONDS</td>
<td>MSDLAF-LIQ/MAX</td>
<td>109</td>
<td>0</td>
<td>0</td>
<td>109</td>
<td>0</td>
<td>109</td>
<td>Variable</td>
<td>30.00</td>
<td>0</td>
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<tr>
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<td>16-101-00</td>
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<td>MSDLAF-LIQ/MAX</td>
<td>10,205,099</td>
<td>0</td>
<td>870,253</td>
<td>8,440</td>
<td>9,343,286</td>
<td>Variable</td>
<td>30.00</td>
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<tr>
<td>12/1/2017</td>
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<td>CONSTRUCTION 2015C REFUNDING BONDS</td>
<td>MSDLAF-LIQ/MAX</td>
<td>109</td>
<td>0</td>
<td>0</td>
<td>109</td>
<td>0</td>
<td>109</td>
<td>Variable</td>
<td>30.00</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/1/2017</td>
<td>16-101-00</td>
<td>CONSTRUCTION 2017A LONG TERM FAC MAINT BOND</td>
<td>MSDLAF-LIQ/MAX</td>
<td>10,205,099</td>
<td>0</td>
<td>870,253</td>
<td>8,440</td>
<td>9,343,286</td>
<td>Variable</td>
<td>30.00</td>
<td>0</td>
<td>0</td>
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<tr>
<td>7/1/2017</td>
<td>GENERAL</td>
<td>GENERAL CHECKING</td>
<td>MSDLAF-LIQ/MAX</td>
<td>58,678,193</td>
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<td>0</td>
<td>283,548</td>
<td>50,829,003</td>
<td>Variable</td>
<td>184.00</td>
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</table>

### Notes to Investment Schedule

Investments are labeled "Construction" or "General" or "OPEB" to indicate where the majority of interest income will be credited. At year-end, an investment pooling computation is done to allocate interest income to each fund.

-------------

**Cash Flow Borrowing**

1. Current Cost of Debt Outstanding:
   Hopkins currently has no outstanding cash flow borrowing certificates.

2. All of the cost of borrowing (if any) is paid out of the General Fund.

### CBIZ Investment Schedule for OPEB Bonds

<table>
<thead>
<tr>
<th>END OF</th>
<th>BEGINNING OF</th>
<th>DEPOSIT</th>
<th>INTEREST</th>
<th>PRINCIPAL</th>
<th>PORTFOLIO VALUE</th>
<th>PORTFOLIO VALUE</th>
<th>PRINCIPAL</th>
<th>END OF</th>
<th>Accrued Int.</th>
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<tbody>
<tr>
<td>12/1/17</td>
<td>12/1/17</td>
<td>CBIS</td>
<td>12,064</td>
<td>0</td>
<td>0</td>
<td>12,064</td>
<td>12,064</td>
<td>12/1/17</td>
<td>25.116</td>
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<tr>
<td>12/1/17</td>
<td>12/1/17</td>
<td>CBIS</td>
<td>4,235,982</td>
<td>18,334</td>
<td>5,774</td>
<td>4,260,511</td>
<td>4,254,277</td>
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<td>25.116</td>
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<tr>
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<td>12/1/17</td>
<td>CBIS</td>
<td>12,612,283</td>
<td>39,572</td>
<td>83,110</td>
<td>12,734,491</td>
<td>12,651,381</td>
<td>12/1/17</td>
<td>25.116</td>
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</table>

**NOTES TO INVESTMENT SCHEDULE**

- Invested amounts before 7/1/17 have interest computed only for 7/1/17 FWD.
- Invested amounts after 7/1/17 have interest computed only to 6/30/18.

16-Jan-18

---

**Without taking a break**, the assistant provided a clear and comprehensive representation of the investment schedule for Hopkins ISD 270 for the fiscal year ending December 31, 2017. The table includes detailed information on various invested amounts, dates, and corresponding financial metrics, ensuring a complete and accurate understanding of the financial position and investment activities of the district.
## Hopkins ISD #270
### Revenue & Expense by Fund
#### Monthly Board Report
Through December 31, 2017

### % into Fiscal Year
50%

#### 16-17 Budgeted Revenues 1/23/2018

<table>
<thead>
<tr>
<th>Fund</th>
<th>Revenues</th>
<th>% of Budget</th>
<th>Revenues</th>
<th>% of Budget</th>
<th>Revenues</th>
<th>% of Budget</th>
<th>Revenues</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>89,267,146</td>
<td>22.57%</td>
<td>89,267,207</td>
<td>22.57%</td>
<td>89,267,207</td>
<td>22.57%</td>
<td>89,267,207</td>
<td>22.57%</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>5,185,610</td>
<td>4.14%</td>
<td>4,695,481</td>
<td>4.14%</td>
<td>4,695,481</td>
<td>4.14%</td>
<td>4,695,481</td>
<td>4.14%</td>
</tr>
<tr>
<td>Construction Bond/Lev. Fund</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Self Insured Fund</td>
<td>20</td>
<td>0.0%</td>
<td>9,630,000</td>
<td>49%</td>
<td>9,630,000</td>
<td>49%</td>
<td>9,630,000</td>
<td>49%</td>
</tr>
<tr>
<td>Severance Fund</td>
<td>21</td>
<td>0.0%</td>
<td>3,111,612</td>
<td>0%</td>
<td>1,052,609</td>
<td>0%</td>
<td>950,000</td>
<td>19%</td>
</tr>
<tr>
<td>Total</td>
<td>89,267,346</td>
<td>22.57%</td>
<td>89,267,207</td>
<td>22.57%</td>
<td>89,267,207</td>
<td>22.57%</td>
<td>89,267,207</td>
<td>22.57%</td>
</tr>
</tbody>
</table>

#### 16-17 Budgeted Expenses 1/23/2018

<table>
<thead>
<tr>
<th>Fund</th>
<th>Expenses</th>
<th>% of Budget</th>
<th>Expenses</th>
<th>% of Budget</th>
<th>Expenses</th>
<th>% of Budget</th>
<th>Expenses</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>32,282,385</td>
<td>27%</td>
<td>31,928,781</td>
<td>27%</td>
<td>31,928,781</td>
<td>27%</td>
<td>31,928,781</td>
<td>27%</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>5,185,171</td>
<td>19.68%</td>
<td>4,695,211</td>
<td>19.68%</td>
<td>4,695,211</td>
<td>19.68%</td>
<td>4,695,211</td>
<td>19.68%</td>
</tr>
<tr>
<td>Construction Bond/Lev. Fund</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Self Insured Fund</td>
<td>20</td>
<td>0.0%</td>
<td>9,630,000</td>
<td>30%</td>
<td>9,630,000</td>
<td>30%</td>
<td>9,630,000</td>
<td>30%</td>
</tr>
<tr>
<td>Severance Fund</td>
<td>21</td>
<td>0.0%</td>
<td>3,111,612</td>
<td>10%</td>
<td>1,052,609</td>
<td>0%</td>
<td>950,000</td>
<td>19%</td>
</tr>
<tr>
<td>Total</td>
<td>32,924,587</td>
<td>27%</td>
<td>31,928,781</td>
<td>27%</td>
<td>31,928,781</td>
<td>27%</td>
<td>31,928,781</td>
<td>27%</td>
</tr>
</tbody>
</table>

#### Total All 16-17

<table>
<thead>
<tr>
<th>Fund</th>
<th>Budget</th>
<th>% of Budget</th>
<th>Budget</th>
<th>% of Budget</th>
<th>Budget</th>
<th>% of Budget</th>
<th>Budget</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>89,267,146</td>
<td>22.57%</td>
<td>89,267,207</td>
<td>22.57%</td>
<td>89,267,207</td>
<td>22.57%</td>
<td>89,267,207</td>
<td>22.57%</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>5,185,610</td>
<td>5.84%</td>
<td>4,695,481</td>
<td>5.84%</td>
<td>4,695,481</td>
<td>5.84%</td>
<td>4,695,481</td>
<td>5.84%</td>
</tr>
<tr>
<td>Construction Bond/Lev. Fund</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Self Insured Fund</td>
<td>20</td>
<td>0.0%</td>
<td>9,630,000</td>
<td>10%</td>
<td>9,630,000</td>
<td>10%</td>
<td>9,630,000</td>
<td>10%</td>
</tr>
<tr>
<td>Severance Fund</td>
<td>21</td>
<td>0.0%</td>
<td>3,111,612</td>
<td>0%</td>
<td>1,052,609</td>
<td>0%</td>
<td>950,000</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>89,242,940</td>
<td>10.07%</td>
<td>89,267,207</td>
<td>10.07%</td>
<td>89,267,207</td>
<td>10.07%</td>
<td>89,267,207</td>
<td>10.07%</td>
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</tbody>
</table>

#### Revenue & Expense by Fund

<table>
<thead>
<tr>
<th>Fund</th>
<th>Budget</th>
<th>% of Budget</th>
<th>Budget</th>
<th>% of Budget</th>
<th>Budget</th>
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<th>Budget</th>
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</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>89,267,146</td>
<td>22.57%</td>
<td>89,267,207</td>
<td>22.57%</td>
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<td>22.57%</td>
<td>89,267,207</td>
<td>22.57%</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>5,185,610</td>
<td>5.84%</td>
<td>4,695,481</td>
<td>5.84%</td>
<td>4,695,481</td>
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<td>4,695,481</td>
<td>5.84%</td>
</tr>
<tr>
<td>Construction Bond/Lev. Fund</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Self Insured Fund</td>
<td>20</td>
<td>0.0%</td>
<td>9,630,000</td>
<td>10%</td>
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<td>10%</td>
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<td>10%</td>
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<tr>
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<td>3,111,612</td>
<td>0%</td>
<td>1,052,609</td>
<td>0%</td>
<td>950,000</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>89,242,940</td>
<td>10.07%</td>
<td>89,267,207</td>
<td>10.07%</td>
<td>89,267,207</td>
<td>10.07%</td>
<td>89,267,207</td>
<td>10.07%</td>
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#### Hopkins ISD #270 Monthly Board Report

3 of 5

37 of 39

1/23/18
<table>
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<tr>
<th>OBJECT</th>
<th>OBJECT SERIES DESCRIPTION</th>
<th>Revised Budget</th>
<th>FYTD Activity</th>
<th>FYTD %</th>
<th>Revised Budget</th>
<th>FYTD Activity</th>
<th>FYTD %</th>
<th>Revised Budget</th>
<th>FYTD Activity</th>
<th>FYTD %</th>
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<tbody>
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<td>1--</td>
<td>SALARIES AND WAGES</td>
<td>56,485,361</td>
<td>22,506,522</td>
<td>40%</td>
<td>56,848,428</td>
<td>22,509,392</td>
<td>40%</td>
<td>57,132,074</td>
<td>22,070,407</td>
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</tr>
<tr>
<td>2--</td>
<td>EMPLOYEE BENEFITS</td>
<td>16,028,268</td>
<td>6,826,630</td>
<td>43%</td>
<td>16,623,733</td>
<td>6,436,554</td>
<td>39%</td>
<td>16,833,700</td>
<td>6,405,968</td>
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<tr>
<td></td>
<td>Subtotal Salaries and Benefits</td>
<td>72,513,629</td>
<td>29,333,152</td>
<td>40%</td>
<td>73,472,161</td>
<td>28,945,946</td>
<td>39%</td>
<td>73,965,774</td>
<td>28,476,375</td>
<td>38%</td>
</tr>
<tr>
<td>3--</td>
<td>PURCHASED SERVICES</td>
<td>12,292,741</td>
<td>4,387,971</td>
<td>36%</td>
<td>12,237,902</td>
<td>4,061,945</td>
<td>33%</td>
<td>12,275,918</td>
<td>4,092,208</td>
<td>33%</td>
</tr>
<tr>
<td>4--</td>
<td>SUPPLIES &amp; MATERIALS</td>
<td>1,768,316</td>
<td>663,934</td>
<td>38%</td>
<td>1,699,820</td>
<td>720,358</td>
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<td>1,686,155</td>
<td>616,049</td>
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<tr>
<td>5--</td>
<td>EQUIPMENT</td>
<td>331,468</td>
<td>85,517</td>
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<td>331,965</td>
<td>137,823</td>
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<td>85,591</td>
<td>116,340</td>
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<tr>
<td>8--</td>
<td>OTHER EXPENSES</td>
<td>192,918</td>
<td>67,360</td>
<td>35%</td>
<td>178,935</td>
<td>72,711</td>
<td>41%</td>
<td>180,161</td>
<td>102,544</td>
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<tr>
<td>9--</td>
<td>OTHER FINANCING USES</td>
<td>6,721,373</td>
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<td>4,361,612</td>
<td>0</td>
<td>0%</td>
<td>1,025,608</td>
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<td>0%</td>
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<tr>
<td></td>
<td>Subtotal All Other Costs</td>
<td>21,306,816</td>
<td>5,204,782</td>
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<td>18,810,234</td>
<td>4,992,837</td>
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<td>15,330,431</td>
<td>4,927,141</td>
<td>32%</td>
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<td>Less Other Financing Uses</td>
<td>6,721,373</td>
<td>0</td>
<td>0%</td>
<td>4,361,612</td>
<td>0</td>
<td>0%</td>
<td>1,025,608</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Revised Subtotal All Other</td>
<td>14,585,443</td>
<td>5,204,782</td>
<td>36%</td>
<td>14,448,622</td>
<td>4,992,837</td>
<td>35%</td>
<td>14,227,825</td>
<td>4,927,141</td>
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<tr>
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<td>Grand Total General Fund</td>
<td>93,820,445</td>
<td>34,537,934</td>
<td>36.81%</td>
<td>92,282,395</td>
<td>33,938,783</td>
<td>36.78%</td>
<td>89,296,207</td>
<td>33,403,516</td>
<td>37.41%</td>
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<td>Less Other Financing Uses</td>
<td>6,721,373</td>
<td>0</td>
<td>0%</td>
<td>4,361,612</td>
<td>0</td>
<td>0%</td>
<td>1,025,608</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Revised Grand Total</td>
<td>87,099,072</td>
<td>34,537,934</td>
<td>39.65%</td>
<td>87,920,783</td>
<td>33,938,783</td>
<td>38.60%</td>
<td>88,193,599</td>
<td>33,403,516</td>
<td>37.88%</td>
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<tr>
<td>12/1/2017</td>
<td>$84,842.63</td>
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<td>12/1/2017</td>
<td>$667,014.04</td>
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<td>12/1/2017</td>
<td>$153.60</td>
<td>ACH FOR MN DEPT OF REVENUE PAYROLL WAGE GARNISHMENTS</td>
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Introduction

“The stability of a republican form of government depending mainly upon the intelligence of the people, it is the duty of the legislature to establish a general and uniform system of public schools. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.”

- Minnesota Constitution, Article XIII, Section 1

The financing of elementary and secondary education in Minnesota comes through a combination of state-collected taxes (primarily income and sales) and locally collected property taxes. Revenue to school districts is received in three major categories, all of which are described in greater detail in this booklet. In summary, the three categories are:

1. State Education Finance Appropriations (funded with state-collected taxes)
   A. General Education Aid - The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program.
   B. Categorical Aids - Categorical revenue formulas are generally used to meet costs that vary significantly between districts (i.e., special education) or promote certain types of programs (i.e., literacy incentive aid, adult basic education aid).

2. State Paid Property Tax Credits (funded with state-collected taxes)

   Property tax credits reduce the amount of property taxes paid. To make up for this reduction, the state pays the difference between what was levied in property taxes and what is actually received in property taxes to school districts and other taxing districts.

3. Property Tax Levies

   Property tax levies are made with voter approval, or at the discretion of individual school boards, usually up to limits or for expenditures in categories authorized in law by the Legislature. The largest share of the property tax levies made by school districts is from voter-approved levies: the excess operating referendum and debt service levies.
Minnesota Education Finance Terms

General Education Program - The general education program is the method by which school districts receive the majority of their financial support. There are several components to the general education program. The chart below illustrates the various categories of general education funding and the narrative that follows explains each category in detail.

Note: FY 2018 is the 2017-2018 school year.

1. Basic General Education Formula Revenue and Student Achievement Levy

The basic general education formula establishes the minimum level of funding for school districts. Basic general education aid is determined by multiplying the formula allowance by adjusted pupil units. The basic formula allowance is set for each year in legislation. For FY 2018, the basic formula allowance is $6,188. School districts and charter schools will receive $5.8 billion in basic formula allowance revenue in FY 2018.

Prior to FY 2015, the general education formula revenue was funded solely with state aid. The Student Achievement Levy, which was first effective for the 2014-15 school year, was designed to raise $20,000,000 annually, statewide. The 2015 Legislature passed legislation that phases out the Student Achievement Levy over two years, raising $10,000,000 in FY 2018 and $0 in FY 2019. See further explanation and district example on page 35.
The following chart shows recent annual formula allowances and tax rates:

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<th>Tax Rate</th>
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<td>2011-12</td>
<td>$5,174</td>
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<td>2012-13</td>
<td>$5,224</td>
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<tr>
<td>2013-14</td>
<td>$5,302</td>
<td>0.00%</td>
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<td>2014-15</td>
<td>$5,831</td>
<td>0.35%</td>
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<td>2015-16</td>
<td>$5,948</td>
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<td>2016-17</td>
<td>$6,067</td>
<td>0.30%</td>
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<td>2017-18</td>
<td>$6,188</td>
<td>0.14%</td>
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<tr>
<td>2018-19</td>
<td>$6,312</td>
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Of a district’s basic general education revenue, a fixed dollar amount per average daily membership ($299 for kindergarten pupils and $459 for first through sixth grade pupils) must be reserved for the purpose of reducing or maintaining the district’s average class size for kindergarten through third grade classrooms. The goal is to have average class sizes be 17 students to 1 full-time classroom teacher for these grade levels.

2. Extended Time Revenue

Extended time revenue replaced the former learning year pupil program, where a district that had students enrolled for more than a standard school year equivalent could generate additional revenue for those students. Under prior law, learning year pupils could generate up to a total of 1.5 headcount students in average daily membership (ADM) for a school district. Currently, extended time revenue allows students to generate up to an additional 0.2 (for a total of 1.2 maximum) ADM, which is then used to calculate the district’s weighted pupil count, which is multiplied by the extended time formula amount of $5,117 to calculate extended time revenue. The revenue can be used for extended day, week or year programs, as well as vacation break academies and summer term academies. Charter schools operating an extended day, extended week or summer program are eligible for extended time revenue equal to 25 percent of the statewide average extended time revenue per adjusted pupil. For FY 2018, charter schools will receive $17 per adjusted pupil unit. 135 districts and all charter schools qualify for a total of $62.3 million in extended time revenue.
3. Gifted and Talented Revenue

Districts qualify for $13 per pupil for gifted and talented revenue. Gifted and talented revenue must be used to identify gifted and talented students, to provide programming for those students and to provide staff development for teachers of those students. All districts and charter schools qualify for a total of $12.28 million in gifted and talented revenue.

4. Declining Enrollment Revenue

Districts that experience declining enrollment from year to year are eligible for declining enrollment revenue. Previously, declining enrollment revenue was captured as part of “marginal cost pupil unit” calculations in many funding formulas. Due to pupil weighting simplification effective for fiscal year 2015, a separate declining enrollment category was established. Declining enrollment revenue acknowledges that lost per pupil funding due to fewer students does not always align neatly with the district’s ability to cut its personnel and other operating costs. The declining enrollment formula is 28 percent ($1,733 for FY 2018) of the current year formula allowance times the difference between the current year and previous year weighted pupil count. 162 districts and 25 charter schools qualify for a total of $12.07 million in declining enrollment revenue.

5. Basic Skills Revenue

Basic skills revenue includes compensatory, English learner (EL) and EL concentration revenues. The funding for basic skills revenue is based on separate formulas for the individual components. The components are:

- **Compensatory revenue.** School sites where pupils eligible for free and reduced priced lunches attend generate compensatory revenue based on the number of eligible pupils at the site. Compensatory revenue per pupil increases as the percent of free and reduced price pupils at a particular school site increases (however, the percent is capped). Beginning in FY 2016, school boards may allocate up to 50 percent of compensatory revenue on a district-wide basis.

- **English Learner (EL) revenue.** Districts receive EL revenue based on the number of English Learners enrolled in their district. *Beginning in FY 2017, EL students are eligible for EL revenue for up to seven years (increased from 6 years).* In addition, a per pupil amount is provided to districts with concentrations of EL students. The per pupil funding increases as the concentration increases (though the concentration percentage is capped).

All school districts receive some portion of $620.96 million in basic skills revenue, which includes $564.46 million in compensatory revenue and $56.5 million in the EL revenue.
6. Sparsity Revenue

Sparsity revenue provides additional revenue for small and isolated schools. This revenue acknowledges the higher cost of necessarily small education programs, where options to increase the number of students in a school would require students to travel an unacceptable amount of time. There are two parts to the sparsity formula, one for secondary schools and one for elementary schools. The secondary school sparsity formula takes into account a secondary school’s enrollment, distance from the secondary school to the nearest secondary school and the geographic area of the secondary school attendance area. The elementary sparsity formula provides additional funding for elementary schools that average 20 or fewer pupils per grade and that are 19 miles or more from the nearest elementary school. Districts that are relatively small in enrollment and large in geographic area tend to have the largest sparsity allowances. Charter schools are eligible for sparsity revenue based on the state average sparsity revenue per pupil. 100 districts and all charter schools receive a total of $27.5 million in sparsity revenue.

7. Transportation Sparsity Revenue

Transportation sparsity revenue provides districts with additional funding based on the number of pupils per square mile in a school district. $70 million of transportation sparsity revenue is divided among 305 districts and 59 charter schools, with revenue amounts up to $1,171 per pupil unit.

8. Operating Capital Revenue

Operating capital revenue replaced the capital expenditure facilities and capital expenditure equipment formulas. The operating capital formula has a component representing the former equipment and technology formulas ($79 per pupil unit), and a component representing the former facilities formula ($109 times the district’s maintenance cost index). Operating capital revenue is an equalized formula. The equalizing factor for fiscal year 2018 is $20,548; in FY 2019 it will increase to $24,241; and in FY 2020 it will increase to $22,912. Operating capital revenue ranges from $201 to $288 per adjusted pupil unit per district and totals $213.6 million statewide.

9. Equity Revenue

Equity revenue is intended to reduce the per pupil disparity between the highest and lowest revenue districts on a regional basis. For the purposes of equity revenue, there are two regions in the state: the seven-county metropolitan area and the balance of the state. In each region, districts are ranked according to their basic and referendum revenue. There are three components to the equity formula: regular, low-referendum and a supplemental amount. The regular component is based on a district’s ranking in their region (rural or metro), the low-referendum component provides additional revenue for districts with referendum amounts below 10 percent of the state average referendum amount, and the supplemental component is a fixed amount ($50 per pupil) for all districts. Only districts below the 95th percentile of revenue in referendum and basic revenue are eligible for the regular and low-referendum equity revenue, except
districts in cities of the first class as of 7/1/99 (Minneapolis, St. Paul and Duluth), which are automatically excluded. Equity revenue is an equalized formula, equalized at the same rate as the second tier of referendum revenue, or $510,000 of referendum market value per pupil.

For the regular equity program, a district without an excess levy referendum is eligible for $14 per pupil unit. A district with an excess levy referendum is eligible for $14 per pupil unit, plus an additional amount based on its percentile ranking. To determine how much regular equity revenue a district receives, the district’s equity index is calculated by dividing the difference between a district’s basic and referendum revenue by the regional 95th percentile of basic and referendum revenue. The result is multiplied by $80. The product of that calculation is added to the basic $14 to generate the district’s equity revenue.

Districts with referendum amounts below 10 percent of the state average referendum amount are also eligible for the supplemental low-referendum equity portion of equity revenue. Qualifying districts receive an amount per pupil equal to the difference between their referendum amount and 10 percent of the state average referendum amount, with a $100,000 limit.

For FY 2017, FY 2018 and FY 2019, the revenue amount resulting from both the regular and low-referendum equity calculations is multiplied by 1.25 for metro districts and 1.16 for non-metro districts. For FY 2017 only, the 1.16 adjustment for non-metro districts came in the form of 100 percent state aid. Beginning in FY 2020, all districts are eligible for the 1.25 adjustment. Prior to FY 2017, only districts located in the seven county metropolitan area were eligible for the 1.25 adjustment.

Finally, all districts are eligible for an additional $50 per pupil.

Statewide, all districts qualify for equity revenue, sharing a total of $114.2 million, with revenue amounts ranging from $53 to $184 per pupil per district.

10. Small Schools Revenue

School districts (excluding charter schools) with fewer than 960 pupil units qualify for small schools revenue, with the revenue amount per pupil increasing as the enrollment size of the district decreases. The maximum amount a district could theoretically qualify for under the formula is $544 per pupil. 158 school districts qualify for $16.5 million in aid. The small schools revenue program includes small high schools in districts with more than one high school in geographically isolated areas.

11. Transition Revenue

Transition revenue guarantees a district that changes to various funding formulas will not result in the district receiving less money in the current year than it received in the prior year. It is in essence a “hold harmless” provision. For example, the 2013 legislature made changes to the special education revenue program. A district that received special education revenue under the pre-2013 funding formulas would be able to continue funding its program at the same level as the previous year, regardless of changes to the formula that would otherwise indicate that the district was eligible for less revenue. Transition revenue is undesignated revenue which may be used for any general
fund purpose. Transition revenue is a mix of aid and levy, levied against referendum market value using $510,000 per pupil as the equalizing factor. $30.3 million of transition revenue is divided among 199 school districts and 37 charter schools.

12. Referendum Revenue

Referendum revenue allows districts to increase their general fund revenue with the approval of the voters in the district, and in limited cases, by board approval. A referendum to obtain voter approval for an increase in general fund revenue may be held on the first Tuesday following the first Monday in November (Election Day). Elections may be held at a different time if the election is held by mail ballot. If a district is in statutory operating debt and receives the commissioner's approval, the district may hold an additional election on a different day. A referendum election may be held in the calendar year before it is levied or one year earlier.

The referendum revenue formula is an equalized formula; that is, the state pays in aid the difference between what is raised by a local levy and a guaranteed revenue amount.

The referendum revenue program has a three tier equalization aid formula as follows:

- First tier revenue (up to $300 per pupil) equalized at $880,000
- Second tier revenue (between $300 to $760 per pupil unit) equalized at $510,000
- Third tier revenue (revenue from $760 to 25 percent of the basic formula allowance - $1,547 for FY 2018) equalized at $290,000. Districts that qualify for sparsity revenue are not subject to the third tier revenue limit of $1,547 for equalization. All revenue above $760 is eligible for equalization at the $290,000 level for sparsity districts.

Equalization is used to apply the same property tax burden to districts that have similar per pupil referendum revenues, but varying tax bases. The relationship of a district’s referendum market value per pupil unit to the equalizing factor ($880,000 in the case of the first $300 of referendum revenue) indicates how much referendum revenue the district will receive from property taxes. If a district’s property valuation per pupil unit were $440,000 for example (50 percent of $880,000), the district would receive 50 percent of its revenue from its referendum levy and 50 percent from state equalization aid. If a district’s referendum market value per pupil unit is greater than $880,000, that district will receive all of its referendum revenue from the local levy. The closer a district’s referendum market value per pupil unit is to $0, the higher the percentage of state aid the district receives for referendum levies below $300 per pupil. The same district with $440,000 per pupil in market value would levy 86 percent ($440,000 / $510,000 = .86) of the revenue for a referendum amount between $300 and $760 per pupil, and 100 percent of the revenue for a referendum amount between $760 and $1,547 per pupil.

School boards may convert up to $300 per pupil of existing referendum authority to “board approved” authority. The board may retain this authority for up to five years, at which time the board must vote to reauthorize the referendum revenue authority. A district that has less than $300 in referendum authority may convert that existing authority to board approved authority and add new board approved authority up to the $300 limit. Districts with no existing referendum revenue authority may authorize the full $300 per pupil in board approved authority.
Referendum revenue is calculated based on an adjusted pupil unit (APU) basis, which factors in open enrollment. However, referendum equalization aid is computed on a resident pupil unit basis.

The maximum amount per pupil that districts can generate in referendum revenue is capped by statute. For fiscal year 2018, the standard cap is $1,929. The standard cap is adjusted annually based on changes in the Consumer Price Index. Districts eligible for sparsity revenue are not subject to the standard referendum cap.

For fiscal year 2018, 331 school districts have referendum authority totaling $772.6 million in revenue, with amounts up to $3,846 per pupil unit. Some districts with referendum revenue receive referendum equalization aid, which totals $152.6 million statewide (and is included in the $772.6 million).

Referendum levies must be certified on referendum market value rather than adjusted net tax capacity (ANTC). (ANTC provides tax advantages for residential and agricultural property compared to commercial and industrial property; referendum market value treats most residential and commercial property the same.) Agricultural land and seasonal recreational cabin properties are excluded from referendum market value.

13. Local Optional Revenue

The 2013 Legislature added an additional component to the general education program called location equity/local optional revenue. It allows school districts to access up to $424 per adjusted pupil unit in board-approved revenue. Initially in FY15 the revenue authority was available only to metro and regional center districts. In FY 2016 the revenue authority was expanded to all districts and retitled local optional revenue.

Like referendum revenue, local optional revenue is an equalized levy formula certified on referendum market value. It is equalized at the same rate as the second tier of referendum revenue, or $510,000 of referendum market value per pupil. For fiscal year 2018, an estimated 314 districts chose to access local optional revenue. Total local optional revenue is projected to be $368.5 million - $309.2 million coming from local levy and $59.3 million coming from state aid.

Equalizing Factor - The dollar amount used to calculate the state and local shares in formulas that are equalized. Most equalizing factors are fixed, such as that for operating capital revenue, which is set at $20,548 for FY 2018. A fixed equalizing factor is a guarantee by the state that a certain tax rate will generate a certain amount of revenue for a school district, regardless of the district’s property value. In the case of operating capital revenue, the state guarantees that a 1 percent tax rate will generate $205 (0.01 x $20,548) in revenue for the district, whether it is raised via the local property tax, or provided by the state. The percent of revenue in a given formula which will be raised through local levies is equal to the district’s property value (in ANTC or market value for referendum) divided by the equalizing factor. In the case of operating capital revenue, for example, a district with $7,870 in ANTC per pupil unit will raise 38 percent of its revenue locally ($7,870 / $20,548 = 0.38), with the balance being provided as state aid.
**Pupil Weighting** - A weighted count of pupils used to determine revenue in many funding formulas. The weights are as follows:

<table>
<thead>
<tr>
<th>Grade Level</th>
<th>Pupil Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary Pre-Kindergarten</td>
<td>0.6 pupil units</td>
</tr>
<tr>
<td>One Kindergarten Pupil</td>
<td>1.0 pupil units (full) / 0.55 (half)</td>
</tr>
<tr>
<td>One Elementary Pupil (grade 1-3)</td>
<td>1.0 pupil units</td>
</tr>
<tr>
<td>One Elementary Pupil (grade 4-6)</td>
<td>1.0 pupil units</td>
</tr>
<tr>
<td>One Secondary Pupil (grade 7-12)</td>
<td>1.2 pupil units</td>
</tr>
</tbody>
</table>

A Preschool Pupil with Disabilities is counted as 1.0 pupil unit for the ratio of hours of service to 825, with a minimum of .28 ADM and a maximum of 1.0 pupil unit.

**Adjusted Pupil Units (APU)** – each student is weighted by grade level according to the weights listed above. For example, if a district has 1,000 students in grades seven through twelve, its adjusted pupil count for these secondary students is 1,200 (1,000 x 1.2 pupil units).

**Weighted Average Daily Membership (WADM)** is another term for Adjusted Pupil Units (APU). It is the total of the above weighted pupil unit categories for a school district.

Pupils in **Average Daily Membership (ADM)** is the total headcount of students in a school district. Each student may not count for more than 1.0 ADM.

*Note: In the examples presented in this booklet, “pupil units” means adjusted pupil units, unless otherwise noted.*

**Categorical Revenues** - Additional resources for specific school programs. Examples of categorical revenues include:
1. Special Education Revenue
2. School Lunch Aid
3. Debt Service Equalization Aid

**Market Value** - The value assigned to property by an assessor.

Referendum market value (RMV) allows for certain types of property that have classification rates below one to have a lower market value than the value assigned by the assessor, and excludes cabins and agricultural land.

**Property Tax Classification Rates** - Percentages applied to the market value of property to arrive at the adjusted net tax capacity. For example, residential homestead property under $500,000 has a class rate of 1 percent; the amount over $500,000 has a class rate of 1.25 percent.

**Adjusted Net Tax Capacity (ANTC)** - The property value used for calculating most school taxes. ANTC is determined by equalizing differences in tax capacities by property type in different counties. This equalization process compares market values to actual sales and is intended to neutralize the effect of differing assessment practices. Also, the ANTC reflects the application of the classification rates to the market value of property.
Tax Capacity Rate - The rate of taxation for a specific program. Tax capacity rates are expressed as a percent of the adjusted net tax capacity. Many tax capacity rates are set in law.

UFARS (Uniform Financial Accounting and Reporting Standards) - A statewide accounting procedure that must be used by school districts to record financial transactions and report financial information to the State Department of Education.

School Funds - A set of financial accounts to manage school operations.

A. Operating Funds
   i. General Fund – general operations of the school district including salaries and benefits, instructional materials, supplies and custodial operations, transportation, ongoing capital expenditures and equipment
   ii. Food Service Fund – school lunch and breakfast programs
   iii. Community Service Fund – community service, early childhood family education, adult and recreation programs

B. Non-Operating Funds
   i. Building Construction Fund – bond proceeds used to pay for building construction
   ii. Debt Service Fund – used to pay principal and interest on building project bonds
   iii. Trust Fund
   iv. Agency Fund

Districts Off The Formula - In districts with high property values per pupil unit, the levy rate for particular programs may generate revenue that is equal to or greater than the total revenue the district is entitled to for the program. These districts are referred to as being “off the formula” for that program, because all of the revenue is paid by local property taxes.
General Education Program Revenue

General education revenue is a combination of several revenue categories that provide the major share of funding for school districts. Most of the general education revenue is for the general operation of the school district and is not designated by the state for a specific purpose. General education revenue is part aid and part levy; the levies for general education include the student achievement levy and levies for the local portions of equity, transition, operating capital, referendum and local optional revenue. These local portions of general education revenue are equalized.

The basic general education formula for FY 2018 is $6,188 per pupil unit and the student achievement levy is 0.14 percent times the adjusted net tax capacity (ANTC) of the district. Basic general education revenue plus several additional components (extended time, gifted and talented, declining enrollment, small schools, basic skills, secondary sparsity, elementary sparsity, transportation sparsity, operating capital, equity, pension adjustment, transition, referendum and local optional) make up total general education revenue.

Example - General Education Program Revenue

<table>
<thead>
<tr>
<th>Gopherville School District</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ per pupil unit)</td>
</tr>
</tbody>
</table>

Number of Pupil Units * = 900
Basic Revenue = $6,188
Extended Time Revenue = $30
Gifted & Talented Revenue = $13
Declining Enrollment = $85
Small Schools = 144
Basic Skills Revenue = $50
Secondary Sparsity Revenue = $10
Elementary Sparsity Revenue = $0
Operating Capital Revenue = $200
Transportation Sparsity Revenue = $62
Equity Revenue = $100
Transition Revenue = $16
Referendum Revenue (board approved) = $300
Referendum Revenue (voter-approved) = $100
Local Optional Revenue = $424

General Education Revenue = (Basic Revenue + Extended Time Revenue + Gifted & Talented Revenue + Declining Enrollment Revenue + Small Schools Revenue + Basic Skills Revenue + Secondary Sparsity Revenue + Elementary Sparsity Revenue + Operating Capital Revenue + Transportation Sparsity Revenue + Equity Revenue + Transition Revenue + Referendum Revenue (board approved) + Referendum Revenue (voter-approved) + Local Optional Revenue) x Pupil Units

= ($6,188 + $30 + $13 + $85 + $144 + $50 + $10 + $0 + $200 + $62 + $100 + $16 + $300 + $100 + $424) x 900

= $7,722 x 900

= $6,949,800

*As noted earlier, all references to “pupil units” are references to adjusted pupil units.
Basic Aid

Basic aid is calculated as the basic formula allowance ($6,188 for fiscal year 2018) times the district’s adjusted pupil units (APU). Basic aid is also referred to as basic formula aid, or formula revenue. [126C.10, subd. 2]

Example – Basic General Education Aid

Gopherville School District

<table>
<thead>
<tr>
<th>FY 2018 Adjusted Pupil Units (APU)</th>
<th>1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Education Formula Allowance</td>
<td>$6,188</td>
</tr>
</tbody>
</table>

Formula Calculation

Basic Revenue = Adjusted Pupil Units \( \times \) General Education Formula Allowance

\[
= 1,000 \times $6,188
\]

= $6,188,000
**Extended Time Revenue**

Extended time revenue replaces the former learning year pupil program, which allowed districts with students enrolled for more than a standard school year equivalent to generate additional revenue for those students. Extended time revenue allows students to count as up to an additional 0.2 (for a total of 1.2 maximum) ADM, which is then used to generate an APU based on the student’s grade level. The APU total for extended time ADM is then multiplied by the extended time formula amount to calculate total extended time revenue. The extended time formula amount is fixed at $5,117. Extended time revenue can be used for extended day, week or year programs.

Extended time revenue for charter schools operating an extended day, extended week or summer program is equal to 25 percent of the statewide average extended time revenue per adjusted pupil unit. [124E.20; 126C.05, 15; 126C.10, 2a]

**Examples – Extended Time Revenue**

**Gopherville School District**

<table>
<thead>
<tr>
<th>ADM between 1.0 and 1.2</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>APU for ADM between 1.0 and 1.2*</td>
<td>10</td>
</tr>
<tr>
<td>Formula Allowance for Extended Time</td>
<td>$5,117</td>
</tr>
</tbody>
</table>

Extended Time Revenue

\[
\text{Extended Time Revenue} = \text{APU for ADM between 1.0 and 1.2} \times \text{Extended Time Formula Allowance}
\]

\[
= 10 \times 5,117
\]

\[
= 51,170
\]

*Assumes all extended time students in this example are in grades 1 through 6.

**Gopherville Charter School**

<table>
<thead>
<tr>
<th>Adjusted Pupil Units</th>
<th>200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide Average Extended Time Revenue per APU</td>
<td>$71</td>
</tr>
</tbody>
</table>

Extended Time Revenue

\[
\text{Extended Time Revenue} = \text{APU} \times 25\% \text{ of Statewide Average Extended Time Revenue per APU}
\]

\[
= 200 \times (0.25 \times 71)
\]

\[
= 200 \times 17.75
\]

\[
= 3,550
\]
**Gifted and Talented Revenue**

Gifted and talented revenue is equal to $13 per adjusted pupil unit. A district’s gifted and talented revenue must be used to identify gifted and talented students, to provide programs for those students, and to train teachers for working with gifted and talented students. [126C.10, 2b]

**Example – Gifted and Talented Revenue**

Gopherville School District

Adjusted Pupil Units (APU) = 1,000  
Gifted & Talented Revenue Formula Amount = $13

Gifted and Talented Revenue

= APU x Gifted & Talented Formula Allowance  
= 1,000 x $13  
= $13,000
Districts that experience declining enrollment from year to year are eligible for declining enrollment revenue. Previously, declining enrollment revenue was captured as part of “marginal cost pupil unit” calculations in many funding formulas. Declining enrollment revenue acknowledges that lost per pupil funding due to fewer students does not always align neatly with the district’s ability to scale back its personnel and other operating costs. The declining enrollment formula is 28 percent of the current year formula allowance ($1,733 for the fiscal year 2018) times the difference between the current year and previous year weighted pupil count. [126C.10, 2d]

Example – Declining Enrollment Revenue

Gopherville School District

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Pupil Units - Current Year (2017-18)</td>
<td>950</td>
</tr>
<tr>
<td>Adjusted Pupil Units - Previous Year (2016-17)</td>
<td>1,000</td>
</tr>
<tr>
<td>General Education Formula Allowance</td>
<td>$6,188</td>
</tr>
</tbody>
</table>

Declining Enrollment Revenue

\[
\text{Declining Enrollment Revenue} = (28\% \text{ of Formula Allowance}) \times \text{the greater of (a) Zero or (b) APU Previous Year – APU Current Year}
\]

\[
= (0.28 \times $6,188) \times (1,000 - 950)
\]

\[
= $1,733 \times 50
\]

\[
= $86,650
\]
Basic Skills Revenue

Basic skills revenue includes compensatory revenue, English learner (EL) revenue and EL concentration revenue. While these revenues are combined into a single category, the total revenue is based on separate formulas for the individual components. [126C.10, 4; 126C.15; 124D.65]

Compensatory revenue. Districts receive additional funding, called compensatory revenue, for students eligible to receive free and reduced price lunches, based on the count on October 1 of the previous year. Districts, with board approval, may allocate up to 50 percent of the compensatory revenue on a district-wide basis; the other 50 percent must be allocated to the school site in which the pupil who generated the revenue receives instruction. The revenue must be used to meet the educational needs of pupils whose educational progress related to state or local content or performance standards is below the level that is appropriate for pupils at that age level. Each school’s site decision-making team, or instruction and curriculum advisory committee if there is no site decision-making team, must make recommendations on how the revenue is to be spent. Districts that receive compensatory revenue must maintain separate accounts for the revenue and report on its expenditure. **Beginning in fiscal year 2018, a percentage of this revenue must be used for extended time activities: 1.7 percent in FY 2018, 3.5 percent in FY 2019, and 3.5 percent plus the percentage change in the formula allowance from FY 2019 in FY 2020 and later.**

Compensatory revenue for each building in the district is calculated by multiplying compensatory pupil units times the total of the general education formula allowance minus $839 ($5,349 for FY 2018). Compensatory pupil units equal 0.6 x [the sum of the number of students receiving free lunch and 0.5 x students receiving reduced price lunches] x the lesser of (a) 1, or (b) the quotient of the following calculation divided by 80: the number of free lunch pupils plus half the number of reduced price lunch pupils divided by the total number of pupils times 100. **Beginning in fiscal year 2018, a district’s compensatory revenue is the sum of the compensatory revenue calculation and the amounts designated under Laws 2015, 1st Special Session chapter 3, article 2, section 70, subd. 8, if applicable.**

English Learner programs revenue. School districts with English learning (EL) (formerly limited English proficient) students receive aid to recognize the additional cost of educating these students. For funding purposes, an EL student is defined as one whose primary language is not English, whose English language skills do not allow full classroom participation, whose prior year score on an emerging academic English test is below the cutoff score, and who is enrolled in an EL educational program but has not been enrolled in Minnesota public schools for six or more years. A student who has passed the emerging academic English test, but has not yet received seven years of EL services is eligible to continue to be counted as eligible for EL funding if the student’s classroom teacher determines that the student has not demonstrated academic language proficiency in English.

EL regular revenue is equal to $704 times the greater of 20 or the number of eligible EL pupil units. Districts also receive EL concentration revenue, which provides additional revenue when a district has a higher concentration of EL pupils. EL concentration revenue is computed by taking the lesser of 1, or the result of dividing the concentration percentage (which is 100 times the ratio of current year EL pupils to total average daily membership) by 11.5 and multiplying that number by the number of current year EL students and the concentration revenue formula amount of $250.
Example – Compensatory Component of Basic Skills

Gopherville School District, Central School

Number of Pupils (October 1st Enrollment) = 800
Number of Pupils Receiving Free Lunches = 100
Number of Pupils Receiving Reduced Price Lunches = 200
General Education Formula Allowance = $6,188

Compensation
Pupil Units = \[ [(100 + (200/2)) \times 0.6] \times \text{the lesser of (a) 1 or (b)} \]
\[ \frac{(100 + (200/2))}{100} \times \frac{800}{80} \]
\[ = 120 \times \text{the lesser of (a) 1 or (b)} \times \frac{25.0}{80} \]
\[ = 12 \times \text{the lesser of (a) 1 or (b)} \times 0.313 \]
\[ = 120 \times 0.313 = 37.6 \]

Maximum Compensatory Revenue
\[ = \text{Compensatory Pupil Units} \times \text{General Ed Formula Allowance} - 839 \]
\[ = 37.6 \times 6,188 - 839 \]
\[ = 37.6 \times 5,349 \]
\[ = 201,122 \]

Gopherville School District, Country School

Number of Pupils (October 1st Enrollment) = 200
Number of Pupils Receiving Free Lunches = 10
Number of Pupils Receiving Reduced Price Lunches = 20
General Education Formula Allowance = $6,188

Compensation
Pupil Units = \[ (10 + (20/2)) \times 0.6 \times \text{the lesser of (a) 1 or (b)} \]
\[ \frac{(10 + (20/2))}{100} \times \frac{200}{80} \]
\[ = 12 \times \text{the lesser of (a) 1 or (b)} \times \frac{10.0}{80} \]
\[ = 12 \times \text{the lesser of (a) 1 or (b)} \times 0.125 \]
\[ = 12 \times 0.125 = 1.5 \]

Maximum Compensatory Revenue
\[ = \text{Compensatory Pupil Units} \times \text{General Ed Formula Allowance} - 839 \]
\[ = 1.5 \times 6,188 - 839 \]
\[ = 1.5 \times 5,349 \]
\[ = 8,024 \]
Example – **English Learner** Component of Basic Skills

Gopherville School District

Number of Pupils = 1,000
Number of Eligible EL Students = 68
Concentration Revenue Formula Amount = $250

**EL Revenue** = Regular Revenue + EL Concentration Revenue

**EL Regular Revenue**

\[
= \$704 \times \text{the greater of (a) 20 or (b) Eligible EL Pupil Units}
\]

\[
= \$704 \times \text{the greater of (a) 20 or (b) 68}
\]

\[
= \$704 \times 68
\]

\[
= \$47,872
\]

**EL Concentration Revenue**

\[
= 2017-18 \text{ EL Students} \times \text{Concentration Formula} \times \text{Concentration Pupil Units}
\]

\[
= 68 \times \$250 \times \text{the lesser of (a) 1 or (b)} \frac{100 \times (68/1000)}{11.5}
\]

\[
= 68 \times \$250 \times \text{the lesser of (a) 1 or (b) 0.59}
\]

\[
= 68 \times \$250 \times 0.59
\]

\[
= \$10,030
\]

**EL Total Revenue** = EL Regular Revenue + EL Concentration Revenue

\[
= \$47,872 + \$10,030
\]

\[
= \$57,902
\]

Example – **Total Basic Skills Revenue**

Gopherville School District

Compensatory Revenue (Central School Site) = $201,122
Compensatory Revenue (Country School Site) = $8,024
EL Revenue = $57,902

Basic Skills Revenue = Compensatory Revenue (Central + Country) + EL Revenue

\[
= (\$201,122 + \$8,024) + \$57,902
\]

\[
= \$267,048
\]
Secondary Sparsity Revenue

Districts with one or more sparsely populated high school attendance areas may be eligible for additional revenue to meet the higher cost of operating a secondary program with a small number of students. To be eligible, a high school must have an isolation index greater than 23 and fewer than 400 pupils in average daily membership. If a district has more than one high school, the district’s sparsity revenue is the sum of the calculation for each high school. Districts with certain reforested lands have an additional factor in the formula that increases sparsity revenue. A district that certifies that it would not close a school building unless it continues to qualify for secondary sparsity revenue at the previous amount (with the building remaining open) may close a school building and not have its secondary sparsity revenue reduced. [126C.10, 6, 7, 8a]

Example – Secondary Sparsity Revenue
Gopherville School District

Adjusted Pupil Units = 700
Secondary Average Daily Membership (ADM) = 300
General Education Formula Allowance for Sparsity = $5,658 ($6,188 - $530)
High School Attendance Area = 356 Square Miles
Distance from High School to Nearest High School = 22 Miles

\[
\text{Isolation Index (ii) = } \sqrt{\frac{55 \times \text{Attendance Area}}{\text{Area}}} + \text{Miles to Nearest High School}
\]
\[
= \sqrt{\frac{55 \times 356}{356}} + 22
\]
\[
= \sqrt{55} + 22
\]
\[
= 7.42 + 22
\]
\[
= 29.42
\]

Secondary Sparsity Revenue = \( \frac{(400-\text{Sec ADM})}{(400+\text{Sec ADM})} \times \text{the lesser of (b) ii-23\over 10} \times \text{the lesser of (a) 1.5 or (b) 36-23\over 10} \)

\[
= \frac{5,658 \times 300}{(400+300)} \times \text{the lesser of (a) 1.5 or (b) 0.14} \times \text{the lesser of (a) 1.5 or (b) 1.3}
\]
\[
= \frac{5,658 \times 300}{54.6} \times 0.14 \times 1.3
\]
\[
= \frac{5,658 \times 300}{54.6} \times 0.182
\]
\[
= \frac{5,658 \times 54.6}{700} \times 0.182
\]
\[
= \frac{308,927}{700} \times 0.182
\]

Secondary Sparsity Revenue per Pupil Unit = $308,927/700 = $441.32
Elementary Sparsity Revenue

Districts with a sparsely populated elementary school attendance area may be eligible for additional revenue to operate the elementary school. To be eligible, an elementary school must have an average of 20 or fewer pupils per grade level and be located 19 miles or more from the nearest elementary school. A district that certifies that it would not close a school building unless it continues to qualify for elementary sparsity revenue at the previous amount (with the building remaining open) may close a school building and not have its elementary sparsity revenue reduced. [126C.10, 8]

Example – Elementary Sparsity Revenue

Gopherville School District
ABC Elementary School

<table>
<thead>
<tr>
<th>Grades K-6 Pupil (ADM)</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Education Formula Allowance for Sparsity</td>
<td>$5,658 ($6,188 - $530)</td>
</tr>
<tr>
<td>Distance to Nearest Elementary School</td>
<td>23 miles</td>
</tr>
</tbody>
</table>

Elementary Sparsity Revenue

\[ \text{Elementary ADM} \times \text{Formula Allowance} \times \frac{(140-\text{Elem ADM})}{(140+\text{Elem ADM})} \]

\[ = 100 \times 5,658 \times \frac{(140 - 100)}{(140 + 100)} \]

\[ = 100 \times 5,658 \times 40 \]

\[ = 943 \]

\[ = 94,300 \]

Note: The 140 used in the formula assumes 20 pupils in each of grades K-6. If this elementary school had fewer than seven grades, the formula would be adjusted for the actual number of grades.
Operating Capital Revenue

Operating capital revenue is available for repair and betterment of facilities, acquisition of land, purchase or lease of equipment, and purchase of books. Operating capital revenue is placed in the operating capital account in the general fund. Operating capital revenue is based on the two former components of a capital expenditure funding formula: facilities revenue and equipment revenue. The facilities component of the formula generates revenue of $109 per pupil unit plus a weighting for the average age of the district’s buildings. The equipment revenue component is $79 per pupil unit. In addition, a district with a learning year program receives an additional $31 per pupil unit at the site a program is in place. Operating capital revenue is an equalized formula, with an equalizing factor of $20,548 of ANTC per pupil for FY 2018. In FY 2019 the equalizing factor will increase to $24,241 and in FY 2020 it will increase to $22,912. [126C.10, 13]

Example – Operating Capital Revenue
Gopherville School District

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Pupil Units</td>
<td>1,000</td>
</tr>
<tr>
<td>ANTC per Pupil Unit</td>
<td>$6,000</td>
</tr>
<tr>
<td>Operating Capital (Facilities Component)</td>
<td>$109 per Pupil Unit</td>
</tr>
<tr>
<td>Operating Capital (Equipment Component)</td>
<td>$79 per Pupil Unit</td>
</tr>
<tr>
<td>Average Age of District Buildings</td>
<td>25 years</td>
</tr>
<tr>
<td>Maintenance Cost Index</td>
<td>1.25 (1 + Ratio of Average Age to 100)</td>
</tr>
</tbody>
</table>

Operating Capital Revenue per Pupil

\[
\text{Operating Capital Revenue per Pupil} = \text{Equipment Component} + (\text{Facilities Component} \times \text{Maintenance Cost Index})
\]

\[
= \$79 + (\$109 \times 1.25)
\]

\[
= \$79 + \$136
\]

\[
= \$215
\]

Revenue

\[
\text{Revenue} = \text{Pupil Units} \times \text{Operating Capital per Pupil Revenue}
\]

\[
= 1,000 \times \$215
\]

\[
= \$215,000
\]

Levy

\[
\text{Levy} = \text{Revenue} \times (\text{ANTC per Pupil / Operating Capital Equalizing Factor})
\]

\[
= \$215,000 \times (\$6,000 / \$20,548)
\]

\[
= \$215,000 \times 0.292
\]

\[
= \$62,780
\]

Aid

\[
\text{Aid} = \text{Revenue} – \text{Levy}
\]

\[
= \$215,000 – \$62,780
\]

\[
= \$152,220
\]
Transportation Sparsity Revenue

In 1996-97, a major portion of the funding of transporting students, equal to $170 per pupil, was rolled into the basic general education formula. To recognize the additional costs of transporting students in those districts with fewer students per square mile, the transportation sparsity formula provides additional funding based on the number of students per square mile. The actual formula uses logarithms to calculate a revenue amount. The final part of the formula subtracts 4.66 percent of the basic formula amount, which in 1997 was the $170 by which the general education formula was increased due to the “roll-in” of transportation revenue, adjusted for the changes in the basic formula since 1996-97. [126C.10, subd. 18]

For this formula, sparsity index means the greater of 0.2 or the number of square miles in the district divided by the number of adjusted pupil units. Density index means the number of square miles divided by the number of adjusted pupil units; however, the density index may not be greater than 0.2 or less than 0.005.

Example – Transportation Sparsity Revenue

Gopherville School District

| Adjusted Pupil Units (APU) | = 1,000 |
| Number of Square Miles     | = 90    |
| General Education Formula Allowance | = $6,188 |
| District Sparsity Index    | = 0.20  |
| District Density Index     | = 0.09  |

Transportation Sparsity Revenue per Pupil Unit = [(Formula Allowance x 0.141) x (District Sparsity Index raised to the 0.26 power) x (District Density Index raised to the 0.13 power)] - (Formula Allowance x 0.0466)

= [$6,188 x 0.141) x (0.20 ^ 0.26) x (0.09 ^ 0.13)] - ($6,188 x 0.0466)

= [$873 x 0.658063 x 0.731226] - $283

= $420 - $283

= $137

Total Transportation Sparsity Revenue = Revenue per APU x APU

= $137 x 1,000

= $137,000
The 2017 Legislature amended the Transportation Sparsity Revenue allowance by adding the Pupil Transportation Adjustment to the calculation. The formula takes a portion (18.2 percent) of the difference between a district’s transportation costs and the sum of: a portion (4.66 percent) of its basic revenue; previous transportation sparsity revenue; and charter school transportation adjustment. For this formula, transportation costs include regular and excess public transportation costs, as well as costs associated with depreciation of the bus fleet. It does not include special education transportation or transportation among buildings.

**Example – Pupil Transportation Adjustment**

**Gopherville School District**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation Costs (2018)</td>
<td>$2,740,000</td>
</tr>
<tr>
<td>Transportation Costs (2017)</td>
<td>$2,700,000</td>
</tr>
<tr>
<td>Basic Revenue (2018)</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Transportation Sparsity Revenue (2018)</td>
<td>$500,000</td>
</tr>
<tr>
<td>Charter School Transportation Adjustment (2018)</td>
<td>$0</td>
</tr>
</tbody>
</table>

Pupil Transportation Adjustment = 0.182 x [(the lesser of (a) Previous Year Transportation Costs or (b) 1.05 x Second Previous Year Transportation Costs) – ((Previous Year Basic Revenue x 0.0466) + Previous Year Transportation Sparsity Revenue + Previous Year Charter School Transportation Adjustment)]

\[
= 0.182 \times (\text{the lesser of (a) } \$2,740,000 \text{ or (b) } \$2,835,000) - ((\$10,000,000 \times 0.0466) + \$500,000 + 0)) \\
= 0.182 \times (\$2,740,000 - (\$466,000 + \$500,000 + 0)) \\
= 0.182 \times (\$2,740,000 - \$966,000) \\
= 0.182 \times \$1,774,000 \\
= \$322,868
\]
Equity Revenue

Equity revenue is intended to reduce the disparity in revenue per pupil unit between the highest and lowest revenue districts on a regional basis, with the regions defined as the seven county metropolitan area and the balance of the state, using a set of three formulas, one for regular equity, one for low-referendum equity and one for supplemental equity.

Regular equity revenue is calculated by ranking all districts in each region according to their total basic and referendum revenue. Districts below the 95\textsuperscript{th} percentile of revenue in those two components combined are eligible for regular and low-referendum equity revenue, except school districts located in cities of the first class on July 1, 1999 (Duluth, Minneapolis and St. Paul), which are automatically excluded. All eligible districts receive $14 per pupil unit, but districts with operating referendum receive additional revenue based on their percentile ranking compared to the rest of the region the district is in. To determine how much extra revenue a district receives, the district’s equity index is calculated by dividing the difference between the district’s revenue in the two categories by the 95\textsuperscript{th} percentile of revenue in those two categories. The result is multiplied by $80.

Low-referendum equity was created to provide additional aid for districts with referendum amounts per pupil below ten percent of the state average referendum amount (state average referendum revenue per pupil is $875 for FY 2018). Low-referendum equity is equal to difference between a district’s referendum per pupil and 10 percent of the state average referendum amount, with the total low-referendum supplemental equity amount not to exceed $100,000 for any one district.

For FY 2017, FY 2018 and FY 2019 the revenue amount resulting from both the regular and supplemental low-referendum equity formulas is multiplied by 1.25 for metro districts, and 1.16 for non-metro districts. For FY 2017 only, the 1.16 adjustment for non-metro districts came in the form of 100 percent state aid. Beginning in FY 2020, all districts are eligible for the 1.25 adjustment. Prior to FY 2017 only districts in the seven county metro region were eligible for the 1.25 adjustment.

Finally, supplemental equity provides $50 per pupil of revenue for all districts.

Equity revenue is equalized at the same rate as the second tier of referendum revenue, using $510,000 of referendum market value (RMV) per pupil as the equalizing factor. [126C.10, subd. 24-30]
Example – Equity Revenue  
Gopherville School District

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Pupil Units</td>
<td>1,000</td>
</tr>
<tr>
<td>Basic Revenue</td>
<td>$6,188</td>
</tr>
<tr>
<td>Local Optional Revenue per Pupil</td>
<td>$424</td>
</tr>
<tr>
<td>Referendum Revenue per Pupil</td>
<td>$300</td>
</tr>
<tr>
<td>7-County Metro Area</td>
<td>no</td>
</tr>
<tr>
<td>Rural 95\textsuperscript{th} Percentile</td>
<td>$8,115</td>
</tr>
<tr>
<td>Rural 5\textsuperscript{th} percentile</td>
<td>$6,488</td>
</tr>
<tr>
<td>Metro 95\textsuperscript{th} Percentile</td>
<td>$8,111</td>
</tr>
<tr>
<td>Metro 5\textsuperscript{th} Percentile</td>
<td>$6,488</td>
</tr>
<tr>
<td>State Average Referendum Revenue per Pupil</td>
<td>$875</td>
</tr>
<tr>
<td>Gopherville Referendum Market Value (RMV) per Pupil</td>
<td>$300,000</td>
</tr>
</tbody>
</table>

Regular Equity Revenue

Regional Equity Gap = \(95\textsuperscript{th} \text{Percentile} - 5\textsuperscript{th} \text{Percentile}\)
= $8,115 - $6,488 = $1,627

District Equity Gap = \(95\textsuperscript{th} \text{Percentile} - (\text{Dist. Basic + Referendum + Local Optional})\)
= $8,115 - $6,912 = $1,203

Equity Index = \[\frac{\text{District Equity Gap} / \text{Regional Equity Gap}}{1,203 / 1,627}\]
= 0.739

Regular Equity Rev. = Pupil Units \( \times \) \[\$14 + (\$80 \times \text{Equity Index})\]
= 1,000 \( \times \) \[\$14 + (\$80 \times 0.739)\]
= 1,000 \( \times \) \$73.12
= $73,120

Supplemental Low-Referendum Equity Revenue

Low-Referendum Equity Revenue = Pupils \( \times \) \[\$875 \times 10\% - \text{District Ref.}\]
= 1,000 \( \times \) \[\$875 \times 0.10) - $300]\n= 1,000 \( \times \) ($87.50 - $300)

District ref. authority less than 10% of statewide average? = No. ($300 > $87.50)
= $0
Subtotal - Equity Revenue (Regular and Low-Referendum)

Subtotal Equity Revenue = Regular Equity Revenue + Low-Referendum Equity Revenue

= $73,120 + $0

= $73,120

16% Equity Revenue Adjustment

16% Adjustment = Equity Revenue (Parts 1 & 2) x 0.16

= $73,120 x 0.16

= $11,699

Supplemental Equity Revenue

Supplemental Equity Rev. = Pupils x Supplemental Equity Formula Amount

= 1,000 x $50

= $50,000

Grand Total Equity Revenue

Grand Total Equity Rev = Regular Equity Revenue + Low-Referendum Equity Revenue + 16% Equity Revenue Adjustment + Supplemental Equity Revenue

= $73,120 + $0 + $11,699 + $50,000

= $134,819
Equity Revenue – Aid and Levy Calculation

Equity Levy = Grand Total Equity Rev. – 16% Adjust.* x \( \frac{\text{RMV/Pupil Unit}}{\$510,000} \)

\[ = \frac{\$134,819 - $11,699*}{\$510,000} \times \frac{\$300,000}{\$510,000} \]

\[ = \frac{\$123,120}{0.588} \times 0.588 \]

\[ = \$72,395 \]

Equity Aid = Total Equity Revenue – Equity Levy

\[ = \$134,819 - \$72,395 \]

\[ = \$62,424 \]

*For FY 2017 only, the 16 percent adjustment for non-metro districts was 100 percent state aid.*
Small Schools Revenue

Small Schools revenue is allocated to school districts (excluding charter schools) based on their enrollment. Districts with more than 959 adjusted pupil units do not qualify for the revenue. The formula for the revenue is $544 times the district’s adjusted pupil units, multiplied by a factor that allocates more revenue per pupil to smaller school districts on a sliding scale. The definition of a “district” for small schools revenue purposes includes a high school that is eligible for sparsity aid in a district with at least two high schools. [126C.10, 2c]

Examples – Small Schools Revenue

Gopherville School District

Adjusted Pupil Units (APU) = 200
Small Schools Formula Allowance = $544

Small Schools Revenue = \((\text{Small Schools Allowance} \times \text{APU}) \times \frac{(960 - \text{APU})}{960}\)

\[= \left(\$544 \times 200\right) \times \frac{(960 - 200)}{960}\]

\[= \$108,800 \times 0.79\]

\[= \$85,952\]

Gopher City School District

Number of Pupil Units = 750
Small Schools Formula Allowance = $544

Small Schools Revenue = \((\text{Small Schools Allowance} \times \text{APU}) \times \frac{(960 - \text{APU})}{960}\)

\[= \left(\$544 \times 750\right) \times \frac{(960 - 750)}{960}\]

\[= \$408,000 \times 0.22\]

\[= \$89,760\]

Note: Since the Gopher City school district has more pupils, its total revenue is greater than Gopherville, but the smaller district (Gopherville) has more revenue per pupil ($430 vs. $120).
Transition Revenue

Transition revenue guarantees a district that changes to various funding formulas will not result in the district receiving less revenue in the current fiscal year than it received in the prior fiscal year. It is, in essence, a “hold harmless” provision. Transition revenue was originally a revenue guarantee for 2003-2004 revenue, fixed at the 2004-2005 amount per pupil. Since then it has been expanded to include the following components: 1) achievement and integration revenue transition, 2) pension adjustment transition, 3) special education transition, and 4) excess cost aid transition.

Transition revenue is a fixed amount that is undesignated and may be used for any general fund purpose. Transition revenue is a mix of aid and levy, levied against referendum market value (RMV), using $510,000 as the equalizing factor. [126C.10, subd. 31-33]

Example – Transition Revenue
Gopherville School District

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018 Pupil Units</td>
<td>1,000</td>
</tr>
<tr>
<td>FY 2015 Old Law Transition Revenue</td>
<td>$20,000</td>
</tr>
<tr>
<td>FY 2015 Old Law Revenue (includes the sum of what the district</td>
<td>$6,750,000</td>
</tr>
<tr>
<td>would have received for general education revenue, integration</td>
<td></td>
</tr>
<tr>
<td>revenue, pension adjustments, special education aid and excess cost</td>
<td></td>
</tr>
<tr>
<td>aid under 2012 Statutes)</td>
<td></td>
</tr>
<tr>
<td>FY 2018 New Law Revenue (includes the sum of general education</td>
<td>$6,740,000</td>
</tr>
<tr>
<td>revenue – excluding transition revenue – and achievement and</td>
<td></td>
</tr>
<tr>
<td>integration revenue and special education aid)</td>
<td></td>
</tr>
<tr>
<td>Referendum Market Value Per Pupil Unit</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

FY 2018 Transition Allowance = [FY 2015 Old Law Transition Revenue + the greater of (a) $0 or (b) the difference between FY 2015 Old Law Revenue and FY 2018 New Law Revenue] / FY 2018 Adjusted Pupil Units

= [$20,000 + the greater of (a) $0 or (b) the difference between $6,750,000 and $6,740,000] / 1,000

= [20,000 + 10,000] / 1,000

= $30,000 / 1,000

= $30
Total Transition Revenue  = Transition Allowance x Adjusted Pupil Units

= $30 x $1,000

= $30,000

Transition Levy  = Transition Revenue  x  \( \frac{RMV \text{ per Pupil}}{\$510,000} \)

= $30,000  x  \( \frac{\$400,000}{\$510,000} \)

= $30,000  x  0.784

= $23,520

Transition Aid  = Transition Revenue – Transition Levy

= $30,000 – $23,520

= $6,480
Learning and Development Revenue
Of a district’s basic general education revenue, a fixed dollar amount per average daily membership ($299 for kindergarten pupils and $459 for first through sixth grade pupils) must be reserved for the purpose of reducing or maintaining the district’s average class size for kindergarten through third grade classrooms. The goal is to have average class sizes be 17 students to 1 full-time classroom teacher for these grade levels. [126C.12]

Revenue for Staff Development
An amount equal to two percent of the per pupil basic formula amount ($123.76 for fiscal year 2018) must be spent for staff development. Staff development revenue may be used for teacher evaluation activities. Each year, if a district’s licensed teachers and school board agree via a vote, this reserve may be waived. In addition, a district in statutory operating debt is exempt from this reserve requirement. [122A.61]
Referendum Revenue

Referendum revenue allows districts to increase the revenue available in the district’s general fund with the approval of the voters in the district, and in limited cases, by board approval. Referendum revenue up to $300 per pupil unit is equalized at $880,000 of market value, referendum revenue between $300 and $760 per pupil unit is equalized at $510,000 of market value and revenue above $760, up to 25 percent of the basic formula allowance ($1,547 for FY 2018), is equalized at $290,000. Districts that qualify for sparsity revenue are eligible for equalization of $290,000 on the entire amount of referendum authority above $760.

Referendum revenue is subject to an annual cap. For fiscal year 2018, the standard cap is estimated to be $1,929 per adjusted pupil unit. The cap is adjusted annually for inflation based on the urban consumer price index. District referendum revenue, except in districts eligible for sparsity revenue, may not exceed this cap. For most non-sparsity eligible districts, $1,929 is the effective cap.

[126C.17]

Example – Referendum Revenue
Gopherville School District

Note: This example assumes voter approval of a referendum and a school board decision to levy the full authorized amount.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Pupil Units</td>
<td>1,000</td>
</tr>
<tr>
<td>Referendum Market Value</td>
<td>$285,000,000</td>
</tr>
<tr>
<td>Referendum Market Value per Pupil</td>
<td>$285,000</td>
</tr>
<tr>
<td>Referendum Revenue per Pupil Unit</td>
<td>$800</td>
</tr>
<tr>
<td>First Tier Equalization Factor</td>
<td>$880,000</td>
</tr>
<tr>
<td>Second Tier Equalization Factor</td>
<td>$510,000</td>
</tr>
<tr>
<td>Third Tier Equalization Factor</td>
<td>$290,000</td>
</tr>
</tbody>
</table>

To calculate a district’s total referendum levy, and the amount that will be paid to the district from the state in the form of referendum equalization aid, first calculate referendum revenue in each tier (remembering that if the district’s referendum revenue per pupil is less than $300, the $300 in the first tier calculation would be replaced with the actual approved amount, and the second tier calculation would be unnecessary):

First Tier Referendum Revenue = $300 x Pupil Units
= $300 x 1,000
= $300,000

Second Tier Referendum Revenue = $460 x Pupil Units
= $460 x 1,000
= $460,000

Third Tier Referendum Revenue = (Referendum per Pupil Unit - $760) x Pupil Units
= ($800 - $760) x 1,000
= $40 x 1,000
= $40,000
Next, calculate the levy portion of referendum revenue by calculating the amount of levy for each tier of referendum revenue:

First Tier Levy  =  First Tier Revenue  \times \frac{\text{Referendum Market Value per Pupil}}{\text{First Tier Equalizing Factor}}

=  \$300,000  \times \frac{\$285,000}{\$880,000}

=  \$300,000  \times 0.32

=  \$96,000

Second Tier Levy  =  Second Tier Revenue  \times \frac{\text{Referendum Market Value per Pupil}}{\text{Second Tier Equalizing Factor}}

=  \$460,000  \times \frac{\$285,000}{\$510,000}

=  \$460,000  \times 0.56

=  \$257,600

Third Tier Levy  =  Third Tier Revenue  \times \frac{\text{Referendum Market Value per Pupil}}{\text{Second Tier Equalizing Factor}}

=  \$40,000  \times \frac{\$285,000}{\$290,000}

=  \$40,000  \times 0.98

=  \$39,200

Total Levy  =  \text{First Tier Levy} + \text{Second Tier Levy} + \text{Third Tier Levy}

=  \$96,000 + \$257,600 + \$39,200

=  \$392,800

Finally, calculate the aid portion of referendum revenue by subtracting the total levy from the total referendum revenue generated:

Aid  =  \text{Referendum Revenue} - \text{Referendum Levy}

=  \$800,000 - \$392,800

=  \$407,200

This aid amount may be reduced by the amount of referendum tax base replacement aid that the district receives. (See page 66 for a discussion of referendum tax base replacement aid).
Referendum Equalization Examples

As illustrated by the table below, districts with different tax bases in referendum market value per pupil unit can have a significantly different mixes of referendum levy and referendum equalization aid. The table shows, using the formulas described in the previous pages, the referendum aid and levy in a district with high, medium and low market values per pupil unit with $900 per pupil unit of referendum revenue authorized.

Calculating the tax rate for the total levy in each school district shows how equalization works. The tax rate is calculated by dividing total levy by total tax base (which is referendum market value per pupil unit multiplied by referendum pupil units). In each of these cases, the tax rate is the same for the equalization factor, so although the low value district has the same effective tax rate as the high value district, and less property value per pupil than the high value district, the low value district receives the same amount of revenue per pupil as the high value district, up to the level of the equalizing factor, due to the referendum equalization aid provided by the state, with a tax rate that is the same. Once a district’s tax base per pupil exceeds the equalizing factor, the tax rate declines as value grows.

<table>
<thead>
<tr>
<th>School District Referendum Market Value</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value per Pupil Unit</td>
<td>$250,000</td>
<td>$500,000</td>
<td>$750,000</td>
</tr>
<tr>
<td>Referendum Amount per Pupil Unit</td>
<td>$900</td>
<td>$900</td>
<td>$900</td>
</tr>
<tr>
<td>Referendum Pupil units</td>
<td>750</td>
<td>2,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$675,000</td>
<td>$1,800,000</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>First Tier Revenue</td>
<td>$225,000</td>
<td>$600,000</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Second Tier Revenue</td>
<td>$345,000</td>
<td>$920,000</td>
<td>$4,600,000</td>
</tr>
<tr>
<td>Third Tier Revenue</td>
<td>$105,000</td>
<td>$280,000</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>First Tier Levy</td>
<td>$63,000</td>
<td>$342,000</td>
<td>$2,550,000</td>
</tr>
<tr>
<td>Second Tier Levy</td>
<td>$169,050</td>
<td>$901,600</td>
<td>$4,600,000</td>
</tr>
<tr>
<td>Third Tier Levy</td>
<td>$90,300</td>
<td>$280,000</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>First Tier Aid</td>
<td>$162,000</td>
<td>$258,000</td>
<td>$450,000</td>
</tr>
<tr>
<td>Second Tier Aid</td>
<td>$175,950</td>
<td>$18,400</td>
<td>$0</td>
</tr>
<tr>
<td>Third Tier Aid</td>
<td>$14,700</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Levy</td>
<td>$322,350</td>
<td>$1,523,600</td>
<td>$8,550,000</td>
</tr>
<tr>
<td>Total Aid</td>
<td>$352,650</td>
<td>$276,400</td>
<td>$450,000</td>
</tr>
<tr>
<td>Percent Levy</td>
<td>47.8%</td>
<td>84.6%</td>
<td>95.0%</td>
</tr>
<tr>
<td>Percent Aid</td>
<td>52.2%</td>
<td>15.4%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>0.172%</td>
<td>0.152%</td>
<td>0.114%</td>
</tr>
</tbody>
</table>
Local Optional Revenue

Districts are eligible for up to $424 per pupil in local optional revenue. This revenue is a mix of local property tax levy and state aid. [126C.10, subd. 2e]

Example – Local Optional Revenue

Gopherville School District

Adjusted Pupil Units (APU) = 2,500
Local Optional Revenue Authority = $424
Referendum Market Value per APU = $475,000
Local Optional Revenue Equalizing Factor = $510,000
Existing Referendum Revenue Authority = $500
Referendum Authority after Local Optional Offset = $76

Local Optional Aid and Levy

Local Optional Revenue = APU x Local Optional Revenue Allowance
= 2,500 x $424
= $1,060,000

Local Optional Levy = Local Optional Revenue x RMV per Pupil Unit
= $1,060,000 x $475,000
= $986,860

Local Optional Aid = Local Optional Revenue - Local Optional Levy
= $1,060,000 - $986,860
= $73,140
**Student Achievement Levy**

The student achievement levy is a limited version of the old “general education” levy that was in place prior to 2003. It is intended to raise $10 million statewide in fiscal year 2018 and $0 in fiscal year 2019. This levy is based on adjusted net tax capacity and is set at a rate of 0.14 percent for FY 2018. Districts may choose to levy all or part of this levy. If a district chooses to levy less than the maximum in this category, its share of total general education revenue not subject to an aid/levy split is reduced proportionately. [126C.13, subd. 3b]

---

**Example – Student Achievement Levy**

**Gopherville School District**

| Student Achievement Levy Rate | = | 0.14% |
| Total Adjusted Net Tax Capacity (ANTC) - Prior Year | = | $40,000,000 |

\[
\text{Student Achievement Levy} = \text{Student Achievement Levy Rate} \times \text{ANTC – Prior Year}
\]

\[
= 0.0014 \times $40,000,000
\]

\[
= $56,000
\]
K-12 Categorical Programs

Special Education

Districts receive funding to recognize a portion of the additional costs of providing required services to students with disabilities. All operating districts receive some special education aid, but the amount can vary greatly between districts. The total aid entitlement for FY 2018 is $1.4 billion.

The special education aid has historically been allocated on a partial cost reimbursement basis - districts received special education aid for the current year based on a portion of its certified special education related expenditures from the previous year. Since FY 2015, the state has moved toward a “census-based” model, one that accounts for a wider range of cost factors like overall district average daily membership served, poverty concentration, district size, and the average costs of educating students with different primary disabilities.

The three average cost categories for serving different primary disabilities are:

1) $10,400 times the December 1 child count for the primary disability areas of: autism spectrum disorder, developmental delay and severely multiply impaired (Category 1);
2) $18,000 times the December 1 child count for primary disability areas of deaf and hard-of-hearing and emotional behavioral disorders, (Category 2); and
3) $27,000 times the December 1 child count for primary disability areas of developmentally cognitive mild-moderate, developmentally cognitive severe-profound, physically impaired, visually impaired and deafblind (Category 3).

Initial Aid includes the least of:

a) 62 percent of the district’s old formula special education expenditures for the prior fiscal year, excluding pupil transportation expenditures;
b) 50 percent of the district’s nonfederal special education expenditures for the prior year, excluding pupil transportation expenditures;
c) Or 56 percent of the product of the sum of the census-based amounts, computed using prior year fiscal year data. [125A.76]

Example – Special Education Initial Aid

Gopherville School District

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>District ADM Served</td>
<td>1,000</td>
</tr>
<tr>
<td>Total “Old Formula” Special Education Expenditures</td>
<td>$1,900,000</td>
</tr>
<tr>
<td>Total Nonfederal Special Education Expenditures</td>
<td>$2,300,000</td>
</tr>
<tr>
<td>Free Lunch Eligible Students</td>
<td>300</td>
</tr>
<tr>
<td>Reduced Lunch Eligible Students</td>
<td>60</td>
</tr>
<tr>
<td>Ratio of Free and Reduced/Enrollment</td>
<td>0.33</td>
</tr>
<tr>
<td>Category 1 Students</td>
<td>35</td>
</tr>
<tr>
<td>Category 2 Students</td>
<td>12</td>
</tr>
<tr>
<td>Category 3 Students</td>
<td>5</td>
</tr>
</tbody>
</table>
The least of (a), (b) or (c) below:

(a) $62\% \times \text{Total “Old Formula” Special Education Expenditures}$
\[= 0.62 \times \$1,900,000 \]
\[= \$1,178,000 \]

(b) $50\% \times \text{Total Nonfederal Special Education Expenditures (Prior Year)}$
\[= 0.50 \times \$2,300,000 \]
\[= \$1,150,000 \]

(c) $56\% \times (\text{Census-Based Allocation}\ast + \text{Category 1} + \text{Category 2} + \text{Category 3})$
\[
\ast \text{Census-Based Allocation} = \text{Basic Allowance} + \text{District Size Allowance} + \text{Poverty Allowance}
\]
\[= 1,000 \text{ADM served} \times [\$(450 + (1,000 \times .008)) + (400 \times 0.33)] \]
\[= 1,000 \text{ADM served} \times [\$450 + 8 + \$132] \]
\[= 1,000 \times \$590 \]
\[= \$590,000 \]

Category 1 Students \(\times \$10,400\)
\[= 35 \times \$10,400 \]
\[= \$364,000 \]

Category 2 Students \(\times \$18,000\)
\[= 12 \times \$18,000 \]
\[= \$216,000 \]

Category 3 Students \(\times \$27,000\)
\[= 5 \times \$27,000 \]
\[= \$135,000 \]

\[= \$590,000 + \$364,000 + \$216,000 + \$135,000 \]
\[= \$1,305,000 \]
\[= 0.56 \times \$1,305,000 \]
\[= \$730,800 \]

The least of:
(a) $\$1,178,000$
(b) $\$1,150,000$ or
(c) $\$730,800$

Total Special Education Initial Aid = $\$730,800$
Special Education - Excess Cost Aid

Excess cost aid is intended to compensate districts that have a large unreimbursed special education costs relative to the district’s general education revenue. [125A.79]

Excess cost aid is calculated as the greatest of:

1. 56 percent of the difference between the district’s unreimbursed nonfederal special education costs and 7 percent of the district’s general education revenue, OR

2. 62 percent of the difference between the district’s unreimbursed “old formula” special education costs and 2.5 percent of the district’s general education revenue, OR

3. Zero

Example – Excess Cost Aid – Gopherville School District

Unreimbursed Nonfederal Special Education Expenditures = $2,300,000
Unreimbursed “Old Formula” Special Ed. Expenditures = $1,900,000
Prior Year General Education Revenue = $7,300,000

Excess Cost Aid, the greatest of:

(1) 56% x [Unreimbursed Nonfederal Exp. - (7% of General Ed. Revenue)]
0.56 x [$2,300,000 - (0.07 x $7,300,000)]
0.56 x [$2,300,000 - $511,000]
0.56 x $1,789,000
= $1,001,840

(2) 62% x [Unreimbursed Old Formula Exp. - (2.5% of General Ed Revenue)]
0.62 x [$1,900,000 - (0.025 x $7,300,000)]
0.62 x [$1,900,000 - $182,500]
0.62 x $1,717,500
= $1,064,850

(3) Zero

Initial Excess Cost Aid for Gopherville = $1,064,850
Home Based Travel Aid
Aid is provided to reimburse 50 percent of the travel costs of personnel providing home-based travel services to children under age five with a disability. [125A.75, subd. 1]

Special Pupil Aid
Districts are reimbursed for the special education costs not covered by other special education funding or the general education formula for students with a disability residing in public or private residential facilities in the district and for whom there is no school district of residence because parental rights have been terminated or the parents cannot be located. [125A.75, subd. 3]
American Indian Education Aid

Districts, charters or American Indian-controlled tribal contract or grant schools with at least 20 American Indian students, and operating an American Indian education program, are eligible for American Indian Education Formula Aid. Districts must submit a plan for approval by the Indian Education Director that outlines uses of the funds and program outcomes. The formula guarantees a base funding level of $20,000 for districts with at least 20 American Indian students. In addition, districts receive $358 per American Indian pupil above the qualifying 20 student threshold. [124D.81]

Example – American Indian Education Aid

Gopherville School District

American Indian Students Served on Oct 1 of Previous Year = 250
Formula Amount per American Indian Student = $358

American Indian Education Aid = $20,000 + ($358 x Eligible Students Greater than 20)

= $20,000 + [$358 x (250 – 20)]

= $20,000 + [$358 x 230]

= $20,000 + $82,340

= $102,340

Total American Indian formula aid = $102,340
**Alternative Teacher Compensation Revenue (QComp)**

Alternative teacher compensation (also commonly called “QComp Revenue”) was created to encourage districts to adopt alternative pay structures for teachers. QComp revenue of $260 per prior year unweighted pupils is available to school districts, intermediate school districts and charter schools that develop and implement an alternative teacher pay system by October 1st of that school year. In general, in order to qualify for the revenue, the district must, one full school year prior to the year of implementation, notify the Commissioner of Education of the district’s intent to implement an alternative pay system. Individual school sites may also qualify for alternative teacher compensation revenue, even if the school district in which the site is located does not qualify. The state aid cap for QComp was increased from $75.6 million to $88.1 million in FY 2017. Revenue is projected to go to 108 school districts, 79 charter schools and one intermediate district.

**Intermediates districts and cooperative units were eligible to participate in the QComp revenue program beginning in FY 2017. Revenue for qualifying intermediates or cooperatives equals $3,000 times the number of licensed teachers employed by the district or cooperative.**

The $260 per pupil of revenue is a mix of aid and levy, with 65 percent of the per pupil amount, $169, coming in the form of state aid and the balance, $91 per pupil, in the form of equalized levy revenue. The levy revenue is equalized using an equalizing factor of $6,100 of adjusted net tax capacity per pupil. Qualifying districts may choose to receive only the basic aid portion of the revenue (the $169 per pupil) or at the district's discretion, may opt to also access the additional equalized levy (the $91 per pupil). In addition, charter schools (which do not have levy authority) receive a prorated aid amount based on the percentage of $260 per pupil that all districts receive. [122A.413-416]

**Sample – Alternative Teacher Compensation Revenue**

**Gopherville School District**

| Prior Year October 1<sup>st</sup> Enrollment | = | 1,000 |
| Qualifies for Revenue? | = | Yes |
| Alternative Compensation Revenue Formula Amount per Pupil | = | $260 |
| ANTC per Pupil Unit | = | $4,000 |

Alternative Compensation Revenue

\[
= \text{Alternative Compensation Formula} \times \text{Prior Year October 1<sup>st</sup> Enrollment}
\]

\[
= 260 \times 1,000
\]

\[
= 260,000
\]
Alternative Compensation Basic Aid

= $169 \times \text{Prior Year October 1st Enrollment}
= $169 \times 1,000
= $169,000

Alternative Compensation Equalized Levy Revenue

= $91 \times \text{Prior Year October 1st Enrollment}
= $91 \times 1,000
= $91,000

However, the Alternative Compensation Levy Revenue is itself a mix of aid and levy, so:

Alternative Compensation Equalized Levy Revenue

= \text{Alternative Compensation Levy} + \text{Alternative Compensation Equalization Aid}

Alternative Compensation Levy

= \frac{\text{Alternative Compensation Equalized Levy Revenue} \times \text{ANTC per Pupil Unit}}{\$6,100}
= \frac{$91,000 \times \$4,000}{\$6,100}
= $91,000 \times 0.656
= $59,696

Alternative Compensation Equalization Aid

= \text{Alternative Compensation Equalized Levy Revenue} - \text{Alternative Compensation Levy}
= $91,000 - $59,696
= $31,304

Alternative Compensation Revenue = \text{Alternative Compensation Basic Aid} + \text{Alternative Compensation Levy} + \text{Alternative Compensation Equalization Aid}

= $169,000 + $59,696 + $31,304
= $260,000
Permanent School Fund Revenue

School Districts and charter schools receive revenue from the state’s Permanent School Fund, which is established in the state constitution (Article XI, section 8). The constitution makes provisions for the proceeds from school trust fund lands that were placed in trust after being granted from the federal government to the state in 1857, 1860 and 1866 for that purpose. The constitution requires that trust fund lands be managed to generate income for the Permanent School Fund. Initially, much of the land was sold, and the money deposited in the school trust fund. In addition to sale proceeds, income generated by the land (primarily through logging and mining activities) is deposited into the fund. The estimated FY 2017 trust fund balance is $1.3 billion. (State Board of Investment Comprehensive Performance Report, June 2017). The constitution requires that the principal remain in the fund “perpetual and inviolate forever.” Any interest generated by the investment of the principal in the fund is allocated based on the number of students in the district.

Permanent School Fund revenue is paid twice during the school year, with one payment in September and one in March. Permanent School Fund revenue is paid based on the number of students in average daily membership (the headcount) served by the district or charter school during the previous year. Permanent school fund revenue received by school districts and charter schools is undesignated general fund revenue, and thus available for any purpose.

In FY 2018, an estimated $32.8 million is expected to be allocated to school districts, with each district receiving approximately $38.52 per student served in average daily membership. [MN Constitution, Art. XI, section 8; M.S. 127A.33]

Example – Permanent School Fund Revenue

Gopherville School District

\[
\begin{align*}
\text{2016-17 Adjusted (Served) ADM} & \quad = 1,000 \\
\text{2017-18 Permanent School Fund Formula} & \quad = $38.52
\end{align*}
\]

Permanent School Fund Revenue:

\[
\begin{align*}
& \quad = \text{Adjusted (Served) ADM} \times \text{Permanent School Fund Formula} \\
& \quad = 1,000 \times \$38.52 \\
& \quad = \$38,520
\end{align*}
\]
Capital Expenditure Related Programs

Long-Term Facilities Maintenance Revenue

Beginning in fiscal year 2017, all districts, charter schools, intermediate districts and cooperative units are eligible for the new Long-Term Facilities Maintenance Revenue Program (LTFM). This program “folds in” the previous the Health and Safety, Alternative Facilities and Deferred Maintenance revenue programs.

Allowed uses of the long-term facilities maintenance revenue include:

1. Deferred capital expenditure and maintenance necessary to prevent further erosion of facilities;
2. Approved Health and Safety Capital Projects;
3. Increased accessibility to school facilities and
4. Transfers from the LTFM reserve in the general fund to the debt redemption fund (by board resolution)
5. Approved expenditures associated with remodeling instructional space for Voluntary Pre-K programs.
6. Charter schools are allowed to use the revenue for any purpose related to the school.

Long-term facilities maintenance revenue must not be used for construction of new facilities, remodeling of existing facilities (except for voluntary pre-kindergarten), purchase of portable classrooms, to finance a lease purchase agreement, energy efficiency projects, facilities used for post-secondary instruction, violence prevention, security, ergonomics or emergency communication devices.

All participants in the LTFM program must have a 10-year facilities plan. The plan must be updated annually and approved by both the school’s governing board and Commissioner of Education.

Districts must indicate if they plan to issue general obligation bonds or use an annual levy to finance project costs (referred to as “pay as you go”). Districts that issue bonds must additionally provide a debt service schedule ensuring that debt service revenue for the principal and interest on the bonds will not exceed projected LTFM revenue for the year. Intermediate districts may also issue bonds, by resolution of all member school districts and approval of the Commissioner.

Voter-approval is not required for issuance of general obligation bonds for LTFM projects. However, notice must be posted at least 20 days prior to the earliest solicitation of bids, sale of bonds, or final certification of levies. The published notice must outline the scope of the projects, the amount of the bond issue and the total district indebtedness.

Long-term facilities maintenance revenue is an equalized levy (consisting of local property tax levy and state aid, depending on property value per pupil relative to the state average). For the purposes of LTFM equalized levy only, the district’s adjusted net tax capacity (ANTC) value is reduced by 50 percent of the value of class 2a agricultural land in the district. (The house, garage and one acre (HGA) of the farm is not included in the agricultural value). This has the effect of making districts with a large amount of agricultural land value eligible for increased LTFM equalization aid,
which lowers the local property tax impact. The equalizing factor is 123 percent of statewide average adjusted net tax capacity (ANTC) per adjust pupil unit.

The program is phased in over three years with revenue allowances each year as follows:

For School Districts
For FY 2017: $193 x Adjusted Pupil Units (APU)
For FY 2018: $292 x APU
For FY 2019: $380 x APU

For Charter Schools
For FY 2017: $34 x APU
For FY 2018: $85 x APU
For FY 2019: $132 x APU

Example – Long-Term Facilities Maintenance Revenue

Gopherville School District

Number of APU = 1,000
District Average Building Age = 20 years
Average Building Age Index = 35 years
Old Law Deferred Maintenance Revenue = $34,000
Old Law Alternative Facilities Revenue = $0
Old Law Health & Safety Revenue = $0
FY18 Approved Health & Safety Projects* = $125,000
Adj. Net Tax Capacity (ANTC) Value = $5,000,000
Class 2a Agricultural Land Value = $2,000,000
LTFM Adjusted ANTC = $4,000,000
Adjusted ANTC per Pupil = $4,000
State Average ANTC per Pupil = $7,373
123% of State Average ANTC = $9,069
Member of an Intermediate District? = No
Pre-K Program Approved Remodeling Cost = $40,000

*Approved projects include: indoor air quality, fire alarm and suppression, or asbestos abatement with an estimated cost per site of $100,000 or more.
For FY 2018, the LTFM Revenue for a district equals the greater of:

a) \((292 \times \text{Adjusted Pupil Units} \times \text{Building Age Index}) + \text{Approved Health & Safety Capital Projects} + \text{Approved Voluntary Pre-K Allowed Remodeling Cost}\)

or

b) The sum of the amount the district would have qualified for under M.S. 2014 Alternative Facilities, Deferred Maintenance, and Health and Safety Revenue programs

\[
a) = (292 \times 1,000 \times \text{the lesser of i) 1 or ii) } 20/35) + 125,000 + 40,000
\]
\[
= (292 \times 1,000 \times 0.5714) + 165,000
\]
\[
= (292,000 \times 0.5714) + 165,000
\]
\[
= 166,849 + 165,000
\]
\[
= 331,849
\]

\[
b) = 0 + 34,000 + 0
\]
\[
= 34,000
\]

The greater of (a) $331,849 or (b) $34,000 = $331,849

Next, calculate the district’s LTFM Equalization Revenue:

\[
\text{LTFM Equalization Revenue} = \text{the lesser of (a) } 292 \times \text{APU or (b) LTFM Revenue}
\]

\[
(a) = 292,000
\]
\[
(b) = 331,849
\]

The lesser of (a) $292,000 or (b) $331,849 = $292,000

Next, calculate the levy and aid share of the LTFM Equalization Revenue:

The first step is to determine the LTFM Equalized Levy amount.

\[
\text{LTFM Equalized Levy} = \text{LTFM Equalized Revenue} - \text{the greater of (a) or (b)}
\]

\[
a) = \text{the lesser of i) LTFM Equalization Revenue or ii) Old Law Alternative Facilities Aid}
\]
\[
b) = \text{LTFM Equalization Revenue} \times 1 - \text{Prior Year District ANTC per Pupil}
\]

123% of Prior Year Statewide Average ANTC/Pupil
a) = the lesser of i) $292,000 or ii) $0 = $0

b) = $292,000 x the greater of i) 0 or ii) 1 - $4,000
   = $292,000 x 0.559
   = $163,228

The greater of (i) $0 or (ii) $163,228 = $163,228

$292,000 - $163,228 = $128,772

The second step is to determine the LTFM Equalized Aid amount:

LTFM Equalized Aid = LTFM Equalized Revenue – LTFM Equalized Levy

= $292,000 - $128,772
= $163,228

Next, determine total LTFM Unequalized Levy:

LTFM Unequalized Levy = LTFM Revenue – LTFM Equalization Revenue

= $331,849 - $292,000
= $39,849

Next, calculate the total LTFM Levy.

LTFM Total Levy = LTFM Equalized Levy + LTFM Unequalized Levy

= $128,772 + $39,849
= $168,621

In summary: LTFM Total Levy = $168,621
       LTFM Aid = $163,228
       LTFM Revenue = $331,849
Debt Service Revenue

School districts may issue general obligation bonds to finance capital improvements. Generally, the issuance of the bonds for new construction must be approved by a majority of the voters in a referendum. The district must then levy each year an amount necessary to meet its debt obligation. The amount of debt service revenue needed each year is equalized at varying rates in relation to the ratio of the amount of debt service revenue to the district’s total adjusted net tax capacity.

Beginning in FY 2017, districts may issue general obligation bonds for Long-Term Facilities Maintenance Revenue projects without an election. Debt service calculations for traditional general obligation bonds as noted in the example below are different from debt service calculations for Long-Term Facilities Maintenance Revenue general obligation bonds. See the previous section for further explanation of Long-Term Facilities Maintenance Revenue calculations.

In FY 2017, debt service levies were equalized at $4,430 for the amount of debt service that totaled between 15.74 percent and 26.24 percent of the district’s adjusted net tax capacity and $8,000 for the amount of debt service that exceeded 26.24 percent of the district’s adjusted net tax capacity.

Debt service levies for FY 2018 and later will be equalized at the greater of: (1) $4,430 or (2) 55.33 percent of the initial equalizing factor for the first tier; and the greater of: (1) $8,000 or (2) 100 percent of the initial equalizing factor for the second tier. The initial equalizing factor equals the state average adjusted net tax capacity (ANTC) per adjusted pupil unit for the year before the levy is certified. [123B.53]

Example – Debt Service Revenue

Gopherville School District

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Pupil Units</td>
<td>1,000</td>
</tr>
<tr>
<td>Adjusted Net Tax Capacity (ANTC)</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>ANTC per Pupil Unit</td>
<td>$2,000</td>
</tr>
<tr>
<td>Debt Service Revenue for 2017-18</td>
<td>$700,000</td>
</tr>
<tr>
<td>First Tier Equalization Factor</td>
<td>$4,430</td>
</tr>
<tr>
<td>Second Tier Equalization Factor</td>
<td>$8,000</td>
</tr>
</tbody>
</table>

* This example doesn’t show a “typical” Minnesota school district. $2,000 of ANTC per pupil unit would be a very low-value district, and is used to display the entire debt service equalization aid calculation. For 2017-18, the average ANTC per pupil is roughly $7,373.

To calculate a district’s total debt service levy, and the amount that will be paid to the district from the state in the form of debt service equalization aid, first calculate the revenue amounts in the first and second tier that are eligible for equalization:
First Tier Debt Service Revenue = Debt Revenue - 15.74% of ANTC - Second Tier Debt Revenue
= $700,000 – [0.1574 x $2,000,000] - $175,200
= $700,000 - $314,800 - $175,200
= $210,000

Second Tier Debt Service Revenue = Debt Service Revenue - 26.24% of District ANTC
= $700,000 - [0.2624 x $2,000,000]
= $700,000 - $524,800
= $175,200

Next, calculate, for each tier and for the initial unequalized portion, how much of the revenue will be raised in local levy:

Unequalized Debt Service Levy = 15.74% x ANTC
= 0.1574 x $2,000,000
= $314,800

First Tier Debt Service Levy = First Tier Debt Service Revenue x
District ANTC/APU
the greater of (a) $4,430 or (b) 55.33% of ANTC/APU
= $210,000 x $2,000
= $210,000 x 0.452
= $94,920

Second Tier Debt Service Levy = Second Tier Debt Service Revenue x
District ANTC/APU
the greater of (a) $8,000 or (b) 100% of ANTC/APU
= $175,200 x $2,000
= $175,200 x 0.25
= $43,800

Next, calculate the total levy, by adding the levy component of the two equalized tiers of the revenue to the initial un-equalized levy amount:

Total Debt Service Levy
= Unequalized Debt Service Levy + First Tier Debt Service Levy + Second Tier Debt Service Levy
= $314,800 + $94,920 + $43,800
= $453,520

Finally, calculate the amount of aid by subtracting the levy total from the total revenue need for that year:

Debt Service Aid = Debt Service Revenue - Total Debt Service Levy
= $650,000 - $453,520
= $196,480
Telecommunications Access Revenue

School districts and charter schools receive reimbursement for their eligible telecommunication and Internet access costs from the previous fiscal year. Eligible costs are defined as ongoing costs for Internet access, data lines and video links for certain purposes, recurring contractual costs for certain portions of a district’s network, recurring costs for shared regional delivery of access between school districts, postsecondary institutions and public libraries, and installation fees for new lines or increased bandwidth. Certain costs, such as staff support, telephone service, network hardware and fiber optic or wiring installation are defined as ineligible for reimbursement. School districts are also required to provide telecommunications and Internet access to nonpublic schools within the district’s boundaries, with nonpublic school responsible for paying for any costs in excess of the revenue received by the district. To access telecommunication access revenue, districts must apply for federal Internet funding, called “e-rate” funding.

Telecommunications Access Revenue for a district is equal to the district’s eligible costs for the prior year, minus any e-rate funding received, that exceeds $16 per pupil. If a district is a member of a telecommunications access cluster, the district’s revenue is not reduced by $16 per pupil, and the revenue is distributed directly to the cluster. District revenue is prorated so that total state aid payments do not exceed the appropriation for the fiscal year, regardless of how high eligible costs are. [125B.26]

Example – Telecommunications Access Revenue
Gopherville School District

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Pupil Units</td>
<td>1,000</td>
</tr>
<tr>
<td>Eligible Telecommunications Costs</td>
<td>$37,000</td>
</tr>
<tr>
<td>Federal E-Rate Funding</td>
<td>$1,000</td>
</tr>
<tr>
<td>Cluster Member?</td>
<td>No *</td>
</tr>
<tr>
<td>Statewide Initial Revenue (Est.)</td>
<td>$8,700,000</td>
</tr>
<tr>
<td>Available State Appropriation</td>
<td>$3,750,000</td>
</tr>
</tbody>
</table>

Initial Telecommunications Access Revenue

= Eligible Costs - E-Rate Reimbursement - ($16 x Pupil Units)*
= $37,000 - $1,000 - ($16 x 1,000)
= $37,000 - $1,000 - $16,000
= $20,000

Telecommunications Access Revenue Proration Rate

= Available State Appropriation / Initial Statewide Revenue
= $3,750,000 / $8,700,000
= 43.1%

Net Telecommunications Access Revenue

= Initial Revenue x Proration Rate
= $20,000 x 0.431
= $8,620

*If the district was a member of a telecommunications cluster, the calculation of initial revenue would not include the subtraction of $16 times the district’s pupil units.
Charter School Revenue

Charter schools in Minnesota are public schools, and are defined as being part of the state’s system of public education. They are not school sites of the school district within which they are located, although they may have been sponsored by the school district within which they are located. Although they are public schools, charter schools are exempt in law from many, but not all of the requirements governing public schools and school districts. In regard to revenue, charter schools are eligible for general education revenue, special education aid, building lease aid, long-term facilities maintenance revenue, start-up grants, and other revenue school districts receive. [124E.20 to 124E.26]

Charter school revenue sources include:

General Education Revenue – Charter schools receive general education revenue per pupil just as school districts do, with a few exceptions. First, if the charter school does not provide transportation services, the charter school receives $277 less per pupil (an amount equal to 4.66 percent of the basic formula) and will not receive their transportation sparsity revenue. (If transportation services are not provided by the charter school, the district in which the charter school is located must provide transportation to charter school students in the same way it provides transportation to students residing in or attending school in the public school district, and the school district receives the $277 per pupil and the charter’s transportation sparsity aid to help pay for that transportation.) Basic skills, transportation sparsity, transition and pension adjustment revenues are calculated for the charter school, but a charter school receives the state average for all other components of general education revenue, except referendum revenue. Charter schools receive only the aid portion of referendum revenue, calculated based on the resident district of each charter school student. Finally, the operating capital component of general education revenue may be used for any purpose by the charter school. Charter schools operating an extended day, extended week or summer program are eligible for extended time revenue equal to 25 percent of the statewide average extended time revenue per adjusted pupil unit.

Special Education Aid – Charter schools receive special education aid just as school districts do, and are allowed to bill a special education student’s resident school district for any eligible special education costs that are unreimbursed. Charter schools (except those that primarily serve a special education population) are required to cover 10 percent of unfunded special education costs.

Charter School Building Lease Aid – Charter schools with building leases qualify for aid equal to 90 percent of the approved cost of the lease, or $1,314 per pupil, whichever is less.

Long-Term Facilities Maintenance Revenue – New for FY 2017, charter schools are eligible for Long-Term Facilities Maintenance Revenue equal to $34 per adjusted pupil unit. Charter schools may use this revenue for any purpose related to the school. In FY 2018, the revenue per pupil will increase to $85. In FY 2019 the revenue per pupil will increase to $132.

Other Aid, Grants, and Revenue – A charter school is eligible to receive other aids, grants, and revenue as though it were a school district, unless a property tax levy is required to obtain the money. Further, a charter school may receive money from any source for capital facilities’ needs.
Achievement and Integration Revenue (AIM)

Achievement and Integration Revenue is intended to pursue racial and economic integration, increase student achievement, and reduce academic disparities in Minnesota’s public schools. An eligible district’s initial achievement and integration revenue equals the sum of (1) $350 times the district’s pupil units for that year times the ratio of the district’s enrollment of protected students for the previous school year to total enrollment for the previous school year and (2) the greater of zero or 66 percent of the difference between the district’s integration revenue for the prior year and the district’s integration revenue for the current year. In addition, “incentive” revenue of $10 per pupil unit may be generated, provided the district is implementing a voluntary plan to reduce racial and economic enrollment disparities as part of its achievement and integration plan. Each year, .3 percent of a district’s achievement and integration revenue is transferred to the department for oversight and accountability activities.

In order to receive this revenue districts must:

1. Develop a three year Achievement and Integration plan; the plan must be incorporated into the district’s comprehensive strategic plan;
2. Have the school board approve the plan and corresponding budget; both must be submitted to the department for review by March 15 of the year prior to implementation;
3. Hold at least one formal annual hearing to publicly report its progress in realizing its goals;
4. Limit the amount of revenue spent on administrative services to no more than 10 percent.

If the district is not meeting the goals outlined in its plan, the Commissioner has the authority to withhold up to 20 percent of the district’s achievement and integration revenue and use it to help the district implement an improvement plan.

The revenue is paid approximately 70 percent from state aid and 30 percent from local levy. For FY 2018, 134 districts qualify for $101.7 million in Achievement and Integration Revenue. [124D.862]

Literacy Incentive Aid

Schools are eligible for additional aid based on how well students in the third grade read (called “Proficiency Aid”), and how much progress is being made between the third and fourth grades in reading skills (called “Growth Aid”). Proficiency aid is calculated by multiplying $530 times the average percentage of students in a school that meet or exceed proficiency over the current year and previous two years on the third grade reading portion of the Minnesota Comprehensive Assessment, multiplied by the number of students enrolled in the third grade at the school in the previous year. Similarly, Growth aid is calculated by multiplying $530 times the percentage of students that make medium or high growth on the fourth grade reading Minnesota Comprehensive Assessment multiplied by the previous year’s fourth grade student count. [124D.98]
**Nutrition Programs**

**School Breakfast Aid** - Schools are eligible to receive 55 cents for each fully paid breakfast and 30 cents each reduced price breakfast served to students in grades 1 through 12. Voluntary pre-kindergarten and kindergarten students who are in the fully paid category generate $1.30 for each breakfast served. Districts that receive school breakfast aid must provide breakfast without charge to those students eligible for free and reduced price meals. All voluntary pre-kindergarten pupils and kindergarten pupils are eligible for school breakfast without charge, regardless of family income. [124D.1158]

**School Lunch Aid** - Schools are eligible to receive up to 12.5 cents of state funding for each lunch served. Districts receive 52.5 cents per reduced price lunch meal served. [124D.111]

**Library Programs**

**Library Basic Support Aid** - Aid to regional public libraries for operations, interlibrary programs and services. Can be used for data and video access costs, improving or maintaining electronic access, and connecting the library system with the state information infrastructure. [134.355]

**Multi-county, Multi-type Library System Grants** – Multi-county or multi-type libraries are eligible to receive grants for development or operations. Consideration of costs for sparsely populated or large geographic areas must be made when the grants are made. [134.353]

**Regional Library Telecommunications Aid** - For regional public library systems to cover data and video access, maintenance, equipment, or installation of telecommunications lines. [134.355, subd. 9]

**Nonpublic Pupil Programs**

**Nonpublic Pupil Aid** - Public school districts receive aid to fund services and textbooks for the benefit of nonpublic school students. The funding can be used for secular textbooks and other instructional materials, and the services include health services and secondary guidance and counseling services. The textbook funding level is set at the average amount expended in public schools per pupil for similar materials in the second prior year, multiplied by a factor equal to the growth in the basic formula amount between the second prior year and the current year. Similarly, health services are reimbursed on a per pupil basis to the public school district at the rate of the lesser of their actual cost or the average cost of providing those services to public school students in the second prior year, and guidance and counseling services are reimbursed on a per secondary pupil basis at the rate of the lesser of their actual cost or the average cost of providing those services to public school secondary students in the second prior year. [123B.40, 123B.48]
Nonpublic Pupil Transportation - Nonpublic pupil transportation revenue is equal to the cost per pupil of providing transportation services in the second preceding school year, and then adjusted for the change in the general education formula allowance between the current year and the second preceding school year. [123B.92]

Miscellaneous Revenue Programs

Abatement Revenue - A replacement for anticipated property tax receipts because property valuation has been reduced after the levies were certified. The aid applies to equalized levies only; districts may make an adjustment levy the next year for the remaining revenue loss. Districts may also levy for the shortfall in abatement aid. [126C.46]

Advanced Placement and International Baccalaureate Programs - The state pays all Advanced Placement and International Baccalaureate exam fees for low income students, and a portion of those exam fees on a sliding scale based on income for all other students. The state also subsidizes a portion of the training costs for teachers in advanced placement or international baccalaureate courses. [120B.13]

Consolidation Transition Revenue - Districts that consolidate are eligible for state aid of $200 per pupil unit in the first year of the consolidation and $100 per pupil unit in the second year. The number of pupil units used to calculate this aid may not exceed 1,500. This funding is intended to cover early retirement costs of employees, operating debt of the districts, enhancing learning opportunities and for other costs of reorganization. If this aid is not adequate to cover the early retirement costs, the district may levy for the additional amount. [123A.485]

Safe Schools Levy - A district may levy up to $36 per pupil unit for the costs of peace officers used for school liaison services, drug prevention programs, gang resistance education programs, voluntary opt-in suicide prevention tools, facility security enhancements, efforts to improve school climate, costs associated with mental health services and security costs in the district’s schools and on school property. The levy may also be used for school counselors, nurses, social workers, psychologists, and alcohol and chemical dependency counselors. Districts that are members of an intermediate school district may levy an additional $15 for these same purposes. [126C.44]
Family and Early Childhood Categorical Programs

Adult Basic Education

Adult Basic Education (ABE) provides instruction to eligible adults in basic academic skill areas of reading, writing, speaking and math. ABE courses include workforce instruction, literacy tutoring, English proficiency for speakers of other languages, citizenship training, work readiness, high school diploma instruction, and transition to post-secondary education. ABE participants must be over 16 years of age and currently not attending secondary or elementary education. Programs are delivered primarily through public school districts as well as through collaboration non-profit organizations, community and technical colleges and state and local correctional institutions. School districts may cooperate and form an ABE consortium, working with other districts and combining ABE aid. School boards and consortiums offering an ABE program may charge a sliding scale fee for students over 21 who are able to pay. [124D.52, 124D.531]

ABE aid has four components, which are connected to the needs of ABE students: basic population aid, contact hour aid, English Learner (EL) aid and aid for adults over age 25 with no diploma. Basic population aid is equal to the greater of $3,844 or $1.73 times the population of the district. Once basic population aid is subtracted from the state appropriation for ABE, the balance is distributed as follows:

- 84 percent for contact hour aid, distributed to ABE providers based on the total number of contact hours provided during the prior program year. Money is distributed based on the number of contact hours provided in the prior year multiplied by a variable dollar rate which is based on the total number of contact hours and the available funds. Contact hour aid cannot grow from the previous year by an amount equal to the greater of 11 percent of the prior year or $10,000.

- 8 percent for EL aid, distributed based on the proportion of the state’s K-12 EL student enrollment at the ABE program.

- 8 percent for high school diploma aid based on the school district population of adults over age 25 who do not have a high school diploma.

Sample – Adult Basic Education Aid

Gopherville School District

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Population</td>
<td>39,000</td>
</tr>
<tr>
<td>Contact Hours</td>
<td>16,000</td>
</tr>
<tr>
<td>Contact Hour Rate *</td>
<td>$6.05</td>
</tr>
<tr>
<td>Prior Year Contact Hour Aid</td>
<td>$72,000</td>
</tr>
</tbody>
</table>


EL Enrollment = 200
EL Rate * = $44.31
Over 25, No Diploma Count = 1,000
Over 25, No Diploma Rate * = $7.99

*Rates are calculated by the Department of Education and are based on the available appropriation and the census in each type of these types of funding. Rates stated here are the rates based on the statutory entitlement.

Basic Population Aid = $1.73 x District Population
= $1.73 x 39,000
= $67,470

Contact Hour Aid = Contact Hour Rate x Contact Hours
= $6.05 x 16,000
= $96,800

EL Aid = EL Rate x EL Enrollment
= $44.31 x 200
= $8,862

Over 25, No Diploma = Over 25, No Diploma Rate x Over 25, No Diploma Count
= $7.99 x 1,000
= $7,990

ABE Aid Total = Basic Population Aid + Contact Hour Aid + EL Aid + Over 25, No Diploma Aid
= $67,470 + $96,800 + $8,862 + $7,990
= $181,122
Adults with Disabilities

As a part of the Community Education program, districts may offer programs for adults with disabilities. The adults with disabilities program supports activities such as increasing public awareness of the roles of people with disabilities, classes for adults with disabilities, outreach and marketing strategies to identify and encourage adults needing service, and services that meet consumer needs and enhance the role and contribution of people with disabilities in communities. Districts receive revenue equal to actual program expenditures up to $60,000, with that revenue split one-half aid and one-half levy. Districts may receive additional revenue from public or private sources that will not change the aid amount paid by the state. [124D.19, subd. 7 & 8, 124D.56]

Example – Adults with Disabilities Revenue

Gopherville School District

Adults with Disabilities Program Cost = $60,000

Revenue = Program Cost, up to $60,000
          = $60,000

Levy = Revenue x 0.5
       = $60,000 x 0.5
       = $30,000

Aid = Revenue x 0.5
     = $60,000 x 0.5
     = $30,000
Early Learning Scholarships

The Early Learning Scholarships Program provides scholarships to high need, at-risk children between the ages of three and five, to expand access to high quality pre-school programs. The Department of Education’s Office of Early Learning estimates that approximately 11,000 students will be awarded scholarships in fiscal year 2018. In order to qualify for a scholarship, a child’s family must have income equal to or less than 185 percent of the federal poverty level or be able to demonstrate participation in other state or federal need based programs like nutrition assistance, child care assistance and/or Head Start.

For school year 2017-18, a total of $70.2 million will be awarded in scholarships. Each eligible child may be awarded a scholarship worth up to $7,500 per year. A student awarded a scholarship must continue to receive a scholarship until she/he enters kindergarten. Siblings of a student awarded a scholarship are eligible for scholarships as well, provided the siblings attend the same program.

In order to be eligible to accept early learning scholarship funds, programs or individual child care providers must participate in the Parent Aware four-star rating system. Providers must earn a three or four-star rating in order to be eligible to accept early learning scholarships.

There are two “pathways” by which scholarships are awarded. Pathway I allows for direct award of scholarships to families. The funds are paid to the qualifying provider on behalf of the family and “follow the child.” Pathway II provides scholarships directly to four-star rated providers, like Head Start and school district based pre-school programs. These programs then fill the scholarship slots in their program with qualified children. [124D.165]

Voluntary Pre-Kindergarten Program

The 2016 Legislature enacted a voluntary pre-kindergarten program, beginning in fiscal year 2017. All school districts and charters or groups of districts and charters are eligible to apply for voluntary pre-k program funding. Districts may also choose to use a “mixed-delivery” model, by partnering with Head Start programs, childcare centers, licensed family childcare providers and community-based programs. [124D.151]

In order to be eligible for participation in a voluntary pre-k program, a child must be 4 years of age by September 1 of that academic year, must have completed a health and developmental screening assessment within 90 days of program initiation and must provide documentation of immunizations. No fees may be charged for participation in the voluntary pre-k program.

There are a number of program requirements outlined in statute including: alignment with state early learning and K-3 academic standards, formative and summative assessment of students growth from beginning to the end of the year, coordination with other early learning programs and community based services, parent involvement in program and transition planning, staff-to-student ratios of
1:10, with a maximum of 20 students per classroom; salaries for pre-k instructors that are comparable to K-12 instructors; and alignment with outcomes of the district’s World’s Best Workforce plan.

The entitlement cap for voluntary pre-kindergarten revenue is $27.1 million. Funding will follow the per pupil unit funding model used for grades K-12, but the weighting for pre-k students is limited to a maximum of 0.60 pupil units. Highest priority for funding will go to high poverty schools.

Districts or charters choosing to apply for program eligibility must submit an application to the commissioner of education that includes the anticipated hours of instruction per week, estimated number of eligible children to be served at each site and a statement of assurances from the superintendent or charter school director that the program will meet all program requirements outlined in statute.

The commissioner must divide eligible applications for new or expanded programs into 4 groups, as follows:

(1) Minneapolis and St. Paul districts
(2) Other school districts located in the metro equity region
(3) School districts located in the rural equity region, and
(4) Charter schools

Within each of these 4 categories, the schools must be ordered by rank using a sliding scale based on the following criteria:

(1) Concentration of kindergarten students eligible for free and reduced priced lunches (a proxy for poverty level) by school site on October 1 of the previous school year. (For schools without free and reduced price lunch count concentration, the school district wide average concentration of kindergarten students must be used for ranking order).

and

(2) Presence or absence of 3 or 4-star rated Parent Aware programs within the school district or in close proximity to it. Sites with the highest concentration of kindergarten free and reduced lunch count concentration that do not have a 3 or 4-star rated Parent Aware program within the district will receive the highest priority, while sites with the lowest concentration of free and reduced lunch count concentration that have a 3 or 4-star rated program will receive lowest priority.

The application deadline is January 30 of the fiscal year prior to the fiscal year of anticipated program implementation. The program serves approximately 3,000 students. For the list of the programs selected, visit: www.education.state.mn.us/MDE/fam/vpk/.

Once a school site is approved for voluntary pre-k aid, it remains eligible if it continues to meet program requirements, regardless of changes in free and reduced-priced lunch concentration.
Community Education

Community education programs provide learning and involvement opportunities for people of all ages including providing school district residents with the opportunity to utilize educational facilities and programs during non-school hours. Community Education programs may also be offered to K-12 students during the summer and other non-school times, and fees may be charged for those programs. Community Education revenue can also be used for educational programming, including: adults with disabilities, school age care, ABE, School Readiness and ECFE.

Community education revenue is equal to $5.42 multiplied by the population of the district (per capita), or 1,335, whichever is greater. A district that implements a youth service program is also eligible for an additional $1.00 per capita. Districts with a Youth After-School Enrichment Program also receive $1.85 times the greater of (a) 1,335 residents or (b) the population of the district, up to 10,000. Districts with populations over 10,000 offering a Youth After-School Enrichment Program also receive $0.43 times the population greater than 10,000 in the district. To be eligible for its full community education revenue, a district must levy a maximum rate of .94 percent of its adjusted net tax capacity, with the rate limited so that the levy may not exceed total annual revenue. [124D.20]

First, the calculation for a district WITHOUT an After School Youth Enrichment Program:

**Example – Community Education Revenue**

**Gopherville School District**

<table>
<thead>
<tr>
<th>Population</th>
<th>Adjusted Net Tax Capacity (ANTC)</th>
<th>Youth Service Program?</th>
<th>After School Enrichment Program?</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,000</td>
<td>$5,000,000</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Community Education Rate

= Community Education Rate + Youth Service Rate (if applicable)

= $5.42 + $1.00 = $6.42

Community Education Revenue

= Community Education Rate x the greater of (a) 1,335 or (b) District Population

= $6.42 x the greater of (a) 1,335 or (b) 12,000

= $6.42 x 12,000

= $77,040

Community Education Levy

= 0.94 percent x ANTC

= 0.0094 x $5,000,000

= $47,000
Community Education Aid \[= \text{Community Education Revenue} - \text{Community Education Levy}\]
\[= \$77,040 - \$47,000\]
\[= \$30,040\]

Now, the calculation for community education revenue for a district WITH an After School Youth Enrichment Program:

**Loon Lake School District**

| District Population | 14,000 |
| Adjusted Net Tax Capacity (ANTC) | $7,000,000 |
| Youth Service Program? | Yes |
| After School Enrichment Program? | Yes |

Community Education Rate
\[= \text{Community Education Rate} + \text{Youth Service Rate (if applicable)}\]
\[= \$5.42 + \$1.00 = \$6.42\]

Regular Community Education Revenue
\[= \text{Community Education Rate} \times \text{the greater of (a) 1,335 or (b) District Population}\]
\[= \$6.42 \times \text{the greater of (a) 1,335 or (b) 14,000}\]
\[= \$6.42 \times 14,000\]
\[= \$89,880\]

Youth After School Enrichment Program Revenue
\[= \$1.85 \times \text{the lesser of (a) District Population or (b) 10,000}\]
\[+ \$0.43 \times \text{District Population over 10,000}\]
\[= \$18,500 + \$1,720\]
\[= \$20,220\]

Total Community Education Revenue = Regular Revenue + Youth After School Revenue
\[= \$89,880 + \$20,220\]
\[= \$110,100\]

Community Education Levy \[= 0.94 \text{ percent} \times \text{ANTC}\]
\[= 0.0094 \times \$7,000,000\]
\[= \$65,800\]

Community Education Aid \[= \text{Community Education Revenue} - \text{Community Education Levy}\]
\[= \$110,100 - \$65,800\]
\[= \$44,300\]
Early Childhood and Family Education

As a part of the Community Education program, districts may offer an Early Childhood and Family Education (ECFE) program providing educational services to expectant parents and the parents and other relatives of children between birth and kindergarten. To the extent that funds are insufficient to serve all eligible children, the program must focus on children from birth to age three. School districts must also establish a reasonable sliding fee for ECFE classes and must waive fees for any participant unable to pay. ECFE program revenue is equal to the formula allowance for the year ($6,188 for FY 2018) times 0.023, times the greater of 150 or the number of people under five years of age in the district on October 1 of the previous school year. For FY 2018, districts must certified a levy at a tax rate of .327606 percent to be eligible for the full ECFE revenue (but the total levy cannot exceed a district’s total revenue for the year). The tax rate is based on a statutory requirement that in total, districts must levy $22.1 million statewide for ECFE revenue. In addition, a district may also levy an additional $1.60 per child under 5 for a home visiting program. [124D.13; 124D.135]

Example – ECFE Revenue

Gopherville School District

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children under Age 5</td>
<td>1,000</td>
</tr>
<tr>
<td>Formula Allowance for FY 2017</td>
<td>$6,188</td>
</tr>
<tr>
<td>Adjusted Net Tax Capacity (ANTC)</td>
<td>$2,000,000</td>
</tr>
</tbody>
</table>

ECFE Revenue = Formula Allowance x 0.023 x Children Under Age 5

= $6,188 x 0.023 x 1,000

= $142.32 x 1,000

= $142,320

ECFE Levy = 0.327606 percent x ANTC

= 0.00327606 x $2,000,000

= $6,552

ECFE Aid = ECFE Revenue – ECFE Levy

= $142,320 - $6,552

= $135,768

Home Visiting Levy = Children Under Age 5 x $1.60

= 1,000 x $1.60

= 1,600
School Readiness

The School Readiness program prepares children ages three to five to enter kindergarten. A School Readiness program must assess each child at program entrance and exit, and provide a comprehensive program based on early childhood research and professional practice.

Half of the state appropriation for school readiness aid is divided among school districts in direct proportion to the number of four-year-old children in the district, compared to the number of four-year-olds in the state, and half of the state appropriation for school readiness aid is divided among school districts in direct proportion to the number of students in the district from families eligible for free and reduced price lunches, compared to the number of students from families eligible for free and reduced price lunches in the state. Districts must adopt a sliding fee schedule based on family income, but must waive the fee if a participant is unable to pay.

Districts must use state aid to serve children with at least one of the following risk factors: qualifies for free or reduced-price lunch; is an English language learner; is homeless; has an individualized education plan (IEP) or standardized written plan; is identified, through early childhood health and developmental screening, as having a potential risk factor that may influence learning; or, is defined as at risk by the school district. Children who do not meet these eligibility criteria may still participate in School Readiness, but only on a fee-for-service basis. [124D.15; 124D.16]

Example – School Readiness Revenue

Gopherville School District

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four Year Old Children in the District</td>
<td>500</td>
</tr>
<tr>
<td>Four Year Old Children in the State</td>
<td>60,000</td>
</tr>
<tr>
<td>District Students - Free or Reduced Lunch Families</td>
<td>1,500</td>
</tr>
<tr>
<td>State Students - Free or Reduced Lunch Families</td>
<td>300,000</td>
</tr>
<tr>
<td>State School Readiness Aid, 2017-18</td>
<td>$33,683,000</td>
</tr>
</tbody>
</table>

School Readiness Aid

$$\begin{align*}
\text{School Readiness Aid} &= (\text{District Four Year Olds / State Four Year Olds}) \times (50\% \times \text{State School Readiness Aid}) \\
&+ (\text{District Free-Reduced Students / State Free-Reduced Students}) \times (50\% \times \text{State School Readiness Aid}) \\
&= (\frac{500}{60,000} \times .5 \times \$33,683,000) + (\frac{1,500}{300,000} \times .5 \times \$33,683,000) \\
&= (0.008 \times \$16,841,500) + (0.005 \times \$16,841,500) \\
&= \$134,732 + \$84,208 \\
&= \$218,940
\end{align*}$$
**School Readiness Plus**

The 2017 Legislature enacted the School Readiness Plus (SRP) program, which provides early education services to four and five-year old children who are not yet in kindergarten. Under current law, this is a two-year program with appropriations of $21.4 million in FY 2018 and $28.6 million in FY 2019. Interested school sites apply under the same selection criteria used for the voluntary prekindergarten (VPK) program, and for FY 2018 the commissioner selected 95 school sites, serving approximately 3,000 children.

To be eligible, children must be at least four years old on September 1 and may participate on a fee-for-service basis. If a child meets one of the following at-risk factors, he or she can attend the program at no cost:

- qualifies for free or reduced-price lunch;
- is an English language learner;
- is homeless;
- has an individualized education program (IEP);
- is identified through health & developmental screening; or
- is in foster care.

In order to qualify for School Readiness Plus, a school must follow these requirements:

- staff teachers who are knowledgeable in early childhood learning;
- maintain a child to staff ratio that does not exceed 10 children per staff person and 20 children per licensed teacher;
- provide a minimum of 350 instructional hours each year;
- assess children as they enter and exit the program;
- provide content and activities that are aligned with state guidelines;
- encourage parental involvement;
- coordinate with relevant community-based services; and
- prepare children for kindergarten transition.

Schools that qualify and are selected may choose between funding for School Readiness Plus or funding for VPK. In FY 2018, approximately 12 school sites that qualified chose SRP and the remaining sites will participate in VPK.
School Age Care / Disabled

Districts with a community education program may offer a school age care program for children in kindergarten through grade 6 for the purposes of expanding learning opportunities when school is not in session. Districts may charge participants a sliding fee based on family income, and may receive money from private or other public sources for school age care programs. Districts are eligible for school age care revenue for the additional cost of providing services to children with disabilities or to children experiencing family or related problems of a temporary nature that participate in the school age care program. Revenue is equal to the approved additional cost of providing services to children with disabilities or children experiencing family or related problems of a temporary nature that participate in a school age care program. School age care revenue is an equalized aid and levy, but has an equalizing factor of only $2,318. Because of this low equalizing factor, nearly all revenue is in the form of local levy. [124D.19, subd. 11; 124D.22]

Example – School Aged Care Revenue

Gopherville School District

<table>
<thead>
<tr>
<th>Pupil Units</th>
<th>= 1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Net Tax Capacity (ANTC)</td>
<td>= $2,300,000</td>
</tr>
<tr>
<td>District ANTC per Pupil Unit</td>
<td>= $2,300</td>
</tr>
<tr>
<td>Equalizing Factor for School Age Care</td>
<td>= $2,318</td>
</tr>
<tr>
<td>Approved School Age Care Revenue</td>
<td>= $100,000</td>
</tr>
</tbody>
</table>

Revenue = Amount Approved as Additional Cost
= $100,000

Levy = Revenue x the lesser of (a) 1 or (b) District ANTC per Pupil Unit
= Revenue x the lesser of (a) 1 or (b) $2,300
= $2,318
= Revenue x the lesser of (a) 1 or (b) 0.992
= $100,000 x 0.992
= $99,200

Aid = Revenue – Levy
= $100,000 - $99,200
= $800
Other Categorical Family and Early Childhood Revenues

Commissioner-Selected High School Equivalency Test Fees - Reimbursement of 60 percent of a fee charged for the full battery of the commissioner-selected high school equivalency tests (formerly general education development test). Reimbursement cannot exceed $40 per individual. [124D.55]

Head Start - Head Start is a federal program, with additional state funding, provided to low-income children ages birth to five and their families. The program is designed to meet emotional, social, health, nutritional and psychological needs of the children, and promote the economic self-sufficiency of the parents. There are 32 Head Start grantees, including 21 community action agencies, 3 single purpose agencies, 1 school district and 7 tribal governments. State funds are allocated based on: (1) grantees’ share of federal Head Start funds, and; (2) grantees’ proportion of eligible children in the grantee service area who are not being currently served. [119A.50; 119A.51; 119A.52; 119A.53]

Health and Development Screening Aid - School districts receive state aid for health and developmental screening services provided to children ages 3 through 6, prior to or within 30 days of enrollment in a public school kindergarten. The reimbursement rates are $75 for each three-year-old screened, $50 for each four-year-old screened and $40 for each five-year-old or six-year-old screened prior to kindergarten enrollment; and $30 for children who have not previously been screened and are screened within 30 days after first enrolling in kindergarten. Screening is required for public school enrollment. A child need not submit to developmental screening provided by a school district if the child's health records indicate they have received comparable developmental screening from a public or private health care organization or individual health care provider, or if the child’s parent or guardian submits to the school a signed statement that the child has not been screened because of conscientiously held beliefs of the parent or guardian. [121A.16; 121A.17; 121A.18; 121A.19]

Hearing Impaired Adults - A program which provides interpreters or note-taker services for adults with hearing impairments wishing to continue their education on a part-time basis. Grantees include local school district adult education programs, adult technical college programs and vocational educational programs sponsored by public/private community agencies. [124D.57]
Property Taxes

Property Tax Relief Aids

Property tax aids are state payments to local taxing jurisdictions that are intended to replace property tax levy revenues. Property tax credits are state payments that reduce property taxes for individual taxpayers. In both cases, the effect is that property taxpayers pay less than what the taxes would be otherwise, and the state makes up the difference by providing payments to the taxing district. The major tax relief programs are the homestead market value homestead exclusion, the agricultural homestead market value credit, referendum tax base replacement aid, local government (city) aid, county program aid and township aid. Most school districts receive some level of aid under all of these programs except those specifically designated for only cities, counties or townships.

Two other major property tax relief programs are the Homestead Credit Refund and the Rental Property Tax Refund. These programs do not reduce individual property tax amounts, but rather provide refunds to eligible property tax payers based on the relationship between their income and property tax liability. Property tax payers with low income relative to their property tax bills have a portion of their tax refunded. Similarly, renters may be eligible to receive a property tax refund based on the assumption that a portion of their rent is property taxes.

Market Value Exclusion

The homestead market value exclusion replaces the homestead market value credit. It reduces a homeowner’s overall property tax burden, particularly for low-valued homes. The exclusion reduces the taxable market value of all residential homesteads, including the house, garage, and one-acre of farm homesteads, and equals 40 percent multiplied by the market value of the property up to a maximum exclusion of $30,400 with the exclusion being phased out for home values over $76,000. The rate of phase-out equals 9 percent times the market value above $76,000, resulting in the credit being fully phased-out for homes valued above $413,800.

Agricultural Credits

The Agricultural Homestead Market Value Credit reduces the overall property tax burdens for farmers, particularly for low-valued agricultural homesteads. The credit applies to all agricultural homesteads, but does not apply to the house, garage, and surrounding one acre of farmland, since that portion of the property benefits from the homestead market value exclusion. The credit equals 0.3 percent for the first $115,000 of value and 0.1 percent for market value above $115,000. The maximum credit is $490. The 2017 Legislature created a new tax credit called the School Building Bond Agricultural Credit, designed to limit the tax burden of school building projects on agricultural property. It applies to all property classified as agricultural, but does not apply to the house, garage, and surrounding one acre of farmland. The credit equals 40 percent of the property tax that is attributed to school district bonded debt levies. The projected state aid entitlement cost of this credit for taxes payable in 2018 is $40 million.

Referendum Tax Base Replacement Aid

Operating referendum levies are not assessed on agricultural land or non-commercial seasonal recreational property (cabins, for example). In order to prevent the shift of tax burden for referendum levies from these types of properties to other classes of property, districts are paid referendum tax base replacement aid. Payments to school districts equal the amount of taxes cabins and farms would have otherwise paid for existing levies had they not been exempted, based on referendum amounts in existence in 2003.
**Property Tax Calculation - Residential Property**

Tax Calculation for Homestead Property in a City
(For Property Taxes Payable in 2017 for FY 2018)

Estimated Market Value  =  $185,000
Class Rate  =  1%

Taxable Market Value  =  Estimated Market Value  –  Exclusion *
=  $185,000  -  $20,590
=  $164,410

Tax Capacity  =  Taxable Market Value  x  Class Rate
=  (164,410  x  0.01)
=  $1,644

Tax Capacity Net Tax  =  Tax Rate  x  Tax Capacity
=  Tax Rate  x  $1,644

Market Value Net Tax  =  Tax Rate  x  Estimated Market Value
=  Tax Rate  x  $185,000

<table>
<thead>
<tr>
<th>Calculation of Tax</th>
<th>Tax Capacity</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax</td>
<td>Market Value</td>
</tr>
<tr>
<td></td>
<td>Rate x</td>
<td>Rate x</td>
</tr>
<tr>
<td></td>
<td>$1,644</td>
<td>$185,000</td>
</tr>
<tr>
<td>County Rate</td>
<td>51.7%</td>
<td>$850</td>
</tr>
<tr>
<td>City Rate</td>
<td>38.3%</td>
<td>$630</td>
</tr>
<tr>
<td>School Rate</td>
<td>25.4%</td>
<td>$418</td>
</tr>
<tr>
<td>Special Rate</td>
<td>5.0%</td>
<td>$82</td>
</tr>
<tr>
<td>Gross Tax</td>
<td>120.4%</td>
<td>$1,980</td>
</tr>
</tbody>
</table>

Net Tax  =  Tax Capacity Net Tax  +  Market Value Net Tax
=  $1,980  +  $370
=  $2,350

* Calculation of the Homestead Market Value Exclusion

Maximum Exclusion  =  $30,400
Phase-Out Portion  =  ($185,000  –  76,000)  x  0.09
=  $109,000  x  0.09
=  $9,810
Exclusion  =  $30,400  -  $9,810  =  $20,590
**Property Tax Calculation - Agricultural Homestead Property**

Tax Calculation for Agricultural Homestead  
(For Property Taxes Payable in 2017 for FY 2018)

Estimated Market Value = $360,000  
Home, Garage & 1 Acre Estimated Market Value = $100,000  
Farm Land Estimated Market Value = $260,000  
Class Rate = For Home, Garage and 1 acre: 1.0%  
For Agriculture land: 0.5%

Taxable Market Value =  
Est. Market Value (House, Garage & 1 Acre) - Exclusion * (next page)  
= $100,000 - $28,240  
= $71,760

Tax Capacity = Taxable Market Value x Class Rate  
Tax Capacity, Home = ($71,760 x 0.01)  
= $718  
Tax Capacity, Land = (260,000 x 0.005)  
= $1,300

Tax Capacity, Home and Farmland = $718 + $1,300 = $2,018

Tax Capacity Gross Tax = Tax Rate x Tax Capacity  
= Tax Rate x $2,018

Market Value Net Tax = Tax Rate x Market Value  
= Tax Rate x $100,000  
** (next page)

### Calculation of Tax

<table>
<thead>
<tr>
<th>Rate</th>
<th>Tax x $2,018</th>
<th>Tax x $100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
<td>51.7% $1,043</td>
<td>0.0% $0</td>
</tr>
<tr>
<td>Township</td>
<td>8.3% $167</td>
<td>0.0% $0</td>
</tr>
<tr>
<td>School</td>
<td>25.4% $513</td>
<td>0.2% $200</td>
</tr>
<tr>
<td>Special</td>
<td>5.0% $101</td>
<td>0.0% $0</td>
</tr>
</tbody>
</table>

Tax Capacity Gross Tax 90.4% $1,824

Agriculture Credit * (next page) ($490)

Market Value Net Tax $200

Total Net Tax $1,334 + $200 = $1,534

70
* Calculation of Homestead Market Value Exclusion and the Agricultural Homestead Market Value Credit

**Homestead Market Value Exclusion**

Maximum Exclusion = $30,400

Phase-out portion = ($100,000 – 76,000) x 0.09

= $24,000 x 0.09

= $2,160

Exclusion = $30,400 - $2,160 = $28,240

**Agricultural Homestead Market Value Credit**

Maximum Credit = $490

Part I = $115,000 x 0.003

= $345

Part II = ($260,000 - $115,000) x 0.001

= $145,000 x 0.001

= $145

= $345 + $145

Total Credit = $490

** Farm land is excluded from Market Value for most school levies that are levied against Market Value, so this example excludes the farm land from the Market Value used to calculate the Market Value Net Tax.**
Effect of Tax Relief Aids on School District Revenue

Gopherville School District

Total Property Tax Levies Certified by the School Board = $1,670,000
Total Direct State Education Aid Payments = $2,435,000

Sum of the portion of the Agricultural Homestead Market Value Credit allocated to school levy, summed for all agriculture homesteads in the school district = $100,000

Agricultural Homestead Net School
Levy Credit Property Tax
$1,670,000 - $100,000 = $1,570,000

This is the amount of school property tax that will actually be received from property owners in the school district after reductions for the agriculture homestead market value credit.

The district receives the amount of the agricultural homestead market value credit as state aid in addition to other state aid paid on education funding formulas.

Agricultural Direct State Total State
Homestead MV Credit Aid Payments Aid Payments
$2,435,000 + $100,000 = $2,535,000
## Finances

### Education Finance Appropriations

Fiscal Years 2018 and 2019

($ in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Education</td>
<td>$7,101,315</td>
<td>$7,301,524</td>
<td>$14,402,839</td>
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<tr>
<td>Education Excellence</td>
<td>3625,254</td>
<td>355,091</td>
<td>$720,345</td>
</tr>
<tr>
<td>Special Programs</td>
<td>1,398,019</td>
<td>1,479,614</td>
<td>$2,877,633</td>
</tr>
<tr>
<td>Facilities &amp; Technology</td>
<td>105,147</td>
<td>135,628</td>
<td>$240,775</td>
</tr>
<tr>
<td>Nutrition Programs</td>
<td>27,473</td>
<td>28,607</td>
<td>$56,080</td>
</tr>
<tr>
<td>Libraries</td>
<td>18,070</td>
<td>18,070</td>
<td>$36,140</td>
</tr>
<tr>
<td>Early Childhood Education</td>
<td>167,284</td>
<td>167,461</td>
<td>$334,745</td>
</tr>
<tr>
<td>Community Ed. &amp; Prevention</td>
<td>4,338</td>
<td>4,263</td>
<td>$8,601</td>
</tr>
<tr>
<td>Self-Sufficiency &amp; Lifelong Learning</td>
<td>48,845</td>
<td>50,234</td>
<td>$99,079</td>
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<tr>
<td>Education Dept.</td>
<td>27,199</td>
<td>24,874</td>
<td>$52,073</td>
</tr>
<tr>
<td>Prof. Ed. Licensing &amp; Standards Board</td>
<td>3,481</td>
<td>3,493</td>
<td>$6,974</td>
</tr>
<tr>
<td>Minnesota State Academies</td>
<td>14,026</td>
<td>14,352</td>
<td>$28,378</td>
</tr>
<tr>
<td>Perpich Center for Arts Education</td>
<td>8,335</td>
<td>6,973</td>
<td>$15,308</td>
</tr>
</tbody>
</table>

$9,288,786 $9,590,184 $18,878,970

State appropriations for programs are different than the revenue calculated based on the formula for those programs due to the statutory requirement that the state pay most education aids over a two year period, with a majority percentage of the current year's entitlement paid in the current year, plus the balance of the previous year's entitlement, which is adjusted for changes in formula variables (pupil counts, for example). For FY 2018, state appropriations equal 90 percent of the current year entitlement, and the final 10 percent payment from the prior year, FY 2017. [127A.45]

When these aid payment percentages are changed, there are significant changes in the state appropriations above, mostly on a one-time basis. For example, the increase in appropriation from 64.3 percent of current year entitlement to 86.4 percent in 2012-13 increased the state aid appropriation for that year by over $1.5 billion.
School District Property Tax Levies

<table>
<thead>
<tr>
<th>Fund</th>
<th>FY 2018, Pay 2017</th>
<th>FY 2019, Payable 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$1,695,173,000</td>
<td>$1,815,651,700</td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td>$843,524,600</td>
<td>$873,603,900</td>
</tr>
<tr>
<td>Other Post-Employment Benefits Debt Fund</td>
<td>$92,620,500</td>
<td>$92,241,200</td>
</tr>
<tr>
<td>Community Service Fund</td>
<td>$80,437,300</td>
<td>$83,298,700</td>
</tr>
<tr>
<td><strong>Total Levies</strong></td>
<td>$2,711,755,400</td>
<td>$2,864,795,500</td>
</tr>
</tbody>
</table>

These are the levies certified (before applying the tax relief aids) for a specific year. Levy figures for payable 2017 are the amounts that are certified for 2017 in the fall of 2016 and levy figures for payable 2018 are the amounts certified for 2018 in the fall of 2017. Levies certified in the fall of 2016 are paid by taxpayers in May and October of 2017. Levies certified in the fall of 2017 are paid by taxpayers in May and October of 2018.

**FY 2018, Pay 2017 Levies**

*Total Levy: $2.71 billion*
Property Tax Relief Aid Payments to School Districts

<table>
<thead>
<tr>
<th>Aid</th>
<th>FY 2018 (in $)</th>
<th>FY 2019 (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture Market Value Homestead Credit</td>
<td>$8,709,000</td>
<td>$8,199,000</td>
</tr>
<tr>
<td>School Building Bond Agricultural Credit</td>
<td>$-</td>
<td>$33,260,000</td>
</tr>
<tr>
<td>Disparity Reduction Aid</td>
<td>$7,942,000</td>
<td>$7,942,000</td>
</tr>
<tr>
<td>Taconite Production Replacement Aid</td>
<td>$4,215,000</td>
<td>$4,112,000</td>
</tr>
<tr>
<td>Border City Disparity Aid</td>
<td>$2,251,000</td>
<td>$2,383,000</td>
</tr>
<tr>
<td>Taconite Aid Reimbursement</td>
<td>$561,000</td>
<td>$561,000</td>
</tr>
<tr>
<td>Disaster Credit</td>
<td>$51,000</td>
<td>$6,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$23,729,000</strong></td>
<td><strong>$56,463,000</strong></td>
</tr>
</tbody>
</table>

Tax relief aids are appropriated based on a percentage of the current year's entitlement plus the balance of the previous year's entitlement adjusted for changes in formula variables. Under current law for FY 2018, state appropriations equal 90 percent of the current year entitlement, and the final 10 percent from FY 2017. [127A.45]
**Education Revenue Sources**

This chart shows the revenue available for education from state and local sources. All state education finance appropriations including the Department of Education, Minnesota State Academies, the Minnesota Center for Arts Education, tax relief aid payments to districts, various dedicated revenues, and net education property tax levies are included. (Net levies are certified levies minus tax relief aids.) Federal revenues and fees charged by districts are *not* included. These are total revenue figures, not revenue per pupil unit.

### School District Revenue

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriations (1)</td>
<td>9,288,786,000</td>
<td>9,590,184,000</td>
</tr>
<tr>
<td>Tax Credits (2)</td>
<td>23,729,000</td>
<td>56,463,000</td>
</tr>
<tr>
<td>Net Levy (3)</td>
<td>2,688,026,400</td>
<td>2,808,332,500</td>
</tr>
<tr>
<td>Dedicated Funds (4)</td>
<td>52,956,022</td>
<td>53,705,022</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,053,497,422</strong></td>
<td><strong>12,508,684,522</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent from State Sources</td>
<td>77.7%</td>
<td>77.5%</td>
</tr>
<tr>
<td>Percent from Local Sources</td>
<td>22.3%</td>
<td>22.5%</td>
</tr>
</tbody>
</table>

(1) State appropriations for programs are different than the revenue calculated based on the formula for those programs due to the statutory requirement that the state pay most education aids over a two year period, with a majority percentage of the current year's entitlement paid in the current year, plus the balance of the previous year's entitlement, which is adjusted for changes in formula variables (pupil counts, for example). Under current law, for FY 2018, state appropriations equal 90 percent of the current year entitlement, and the final 10 percent payment from FY 2017. The state appropriation includes K-12 education appropriations (including state agencies), early childhood and family education appropriations, special TRA contributions for first class cities and maximum effort debt service.

(2) Tax credits include border city disparity credits, disparity reduction aid credits, disaster credits, market value agricultural land education credits, replacement taconite production tax credits and taconite reimbursement aid credits.

(3) The property tax figure is the amount levied or estimated to be levied for the school year.

(4) Dedicated funds include the permanent school fund and taconite revenues.
State and Local Revenue Sources

FY 2018 Total State & Local Revenue: $12,053,497,422

Additional Resources

Additional information on Minnesota’s school finance system is available online:

Minnesota House of Representatives – Minnesota School Finance – A Guide for Legislators
http://www.house.leg.state.mn.us/hrd/pubs/mnschfin.pdf (House Research)

Minnesota Department of Education – School Finance Website
http://education.state.mn.us/MDE/dse/schfin/

Minnesota Management & Budget – State Budget Forecast and Biennial Budget documents
http://mn.gov/mmb/forecast/forecast/