



**DISTRICTS WITH  
FISCAL YEAR 2004  
STATUTORY  
OPERATING  
DEBT**

**As of June 30, 2004**

**REPORT  
TO THE  
LEGISLATURE**

**As required by  
Minn. Stat. § 123B.83,  
Subd. 3**



**COMMISSIONER:**  
**Alice Seagren**

**Districts With  
Fiscal Year 2004  
Statutory  
Operating  
Debt**

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**As of June 30, 2004**

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**REPORT  
TO THE  
LEGISLATURE**

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**as required by  
Minn. Stat. § 123B.83,  
Subd. 3**

**MINNESOTA DEPARTMENT OF EDUCATION  
FISCAL YEAR 2004 LEGISLATIVE REPORTS:  
ESTIMATED COST OF PREPARATION**

Minnesota Statutes, Chapter 3.197 requires the following:

"A report to the legislature must contain, at the beginning of the report, the cost of preparing the report, including any costs incurred by another agency or another level of government."

The following provides estimated costs incurred in the preparation of this report.

This report provides information that the Department of Education already collects as part of its normal business function. The cost information reported below does not include the cost of gathering and analyzing the data but rather is limited to the estimated cost of actually preparing this report document.

Special funding was not appropriated to cover the costs of preparing this report.

Supervisor who worked on the Report	\$400.00
Support Staff	\$460.00
MDE General Overhead (Indirect Cost)	70.00
Report Printing Cost	<u>5.00</u>
<b>TOTAL ESTIMATED COST FOR PREPARING THIS REPORT</b>	<b>\$935.00</b>

**January 12, 2005**

**Financial Management Section  
Division of Program Finance**

**Report on Minnesota School Districts and Charter Schools With Excess  
Net Negative Operating Fund Balances at the End of Fiscal Year 2004**

Minnesota Statute 123B.83, Subdivision 3, (2004) states:

If a school district does not limit its expenditures in accordance with this section, the commissioner may so notify the appropriate committees of the legislature by no later than January 1 of the year following the end of the fiscal year.

This report is to so notify the legislative committees.

Public schools have until November 30 to have their audited data for the previous fiscal year (FY) reported to the Minnesota Department of Education (MDE) (Minn. Stat. § 123B.77, Subd. 3). The list of districts and charter schools in this report has been established through the use of Uniform Financial Accounting and Reporting Standards (UFARS) and verified by independent auditor reports.

Districts and charter schools exceed their expenditure limitations when their Net Unreserved General Fund Balance (NUGFB) at year-end (June 30) is a negative amount which exceeds 2.5% of their unreserved/undesignated operating expenditures. Units that exceed this operating debt limitation are in Statutory Operating Debt (SOD).

Fiscal Year 2004 is the fourth year that Statutory Operating Debt is calculated using the Net Unreserved General Fund Balance. The NUGFB is the Unreserved/Undesignated and Encumbrance accounts of the general fund. Prior to Fiscal Year 2001, the SOD calculation included two other reserved accounts as well as the Unreserved/Undesignated in the General Fund. Those funds were the Food Service and Community Service Funds. The statute was changed to more directly exhibit the financial status of a school district or charter school. The principal reasons for the change in statute were: first, the Food Service and Community Funds cannot be used for K-12 activity expenditures; and second, all other reserve accounts in the General Fund are restricted to specific functions.

One of the objectives of the Financial Management Section of the Department of Education is to provide financial management assistance. Staff members not only monitor districts and charter schools in SOD, but also work with those entities whose financial health is deteriorating. They work closely with units identified with declining financial status to improve their financial position and avoid statutory operating debt.

## Summary

The number of active school districts and charter schools in SOD at the end of FY 2003 was 25 with Native Arts Charter School going out of business. For FY 2004, there was an increase of active SOD units from 25 to 26. The FY2003 SOD report displayed 3 charters in SOD. Subsequent to that report, two of those charter schools submitted final data well beyond the statutory deadline and removed the condition of SOD for FY2003.

There were three school districts and eight charter schools on the FY 2004 SOD list that were not on the FY 2003 SOD list. Nine school districts and one charter school on the SOD list in FY 2003 were not in SOD for FY 2004.

The lowest number of school districts and charter schools in SOD was 15 in FY 1998. The largest number of districts in SOD was 59 in FY 1994.

The number of school districts remained the same at 343, while the number of reporting charter schools increased by twenty-four (24). There were 112 charter schools reporting in Minnesota during FY 2004.

From 1990 to 2004, the number of entities with a negative unappropriated operating fund balance was at a low of 27 in FY 1996. The highest number of districts with a negative unappropriated operating fund balance was 87 in FY 1993.

### **AUDIT VERIFICATION OF UFARS DATA**

The Department of Education validates the reported financial data (UFARS) of school districts and charter schools with the audit reports completed for each entity by independent certified audit firms. The common school listed in Table 1 and one charter school with a negative Net Unreserved General Fund Balance (NUGFB) exceeding the statutory limit did not provide the MDE with a Compliance Table from a final audit report by January 12, 2005. Therefore, validation of UFARS data was not possible. An additional four regular school districts and seven charter schools also failed to provide a Compliance Table from a final audit report by January 12, 2005.

Twenty-seven (27) regular school districts and sixteen (16) charter schools did not submit a hard copy audit to MDE by January 12, 2005.

## Summary of Tables

### **Table 1: Districts & Charter Schools with a Negative Net Unreserved General Fund Balance Exceeding 2 1/2% of Yearly General Fund Operating Expenditures: FY 2004.**

1. As of June 30, 2004, there were 17 independent school districts, one common school district, and eight charter schools that had a net negative unreserved general fund balance exceeding 2½% of Fiscal Year 2004 unreserved/undesignated general fund expenditures.
2. Three of the 18 school districts and all eight charter schools were new to the SOD list for Fiscal Year 2004. Five of the eight charter schools achieved SOD in their planning year and had minimal debt.

### **Table 2: School Districts and Charter Schools Out of Statutory Operating Debt, Reorganized or Closed as of June 30, 2004.**

1. Nine school districts and one charter school removed their SOD condition as of June 30, 2004, with one charter school going out of business.
2. Of the 10 school districts and charter schools out of statutory operating debt, four school districts had a positive Net Unreserved General Fund Balance.

### **Table 3: School Districts and Charter Schools Not Reporting.**

All reporting units submitted preliminary UFARS data, but five traditional school districts and seven chartered schools did not report final UFARS data (Minn. Stat. §123B.77, subd. 3).

### **Table 4: Minnesota School Districts and Charter Schools – Fiscal Years 1990 Through 2004: Negative Operating Debt and Statutory Operating Debt.**

1. The lowest number of entities (school districts and charter schools) over this period of time was 374 in 1997. The largest number was 455 units in 2004. The increase was due to the large number of newly opened chartered schools.
2. The number of entities with Net Negative Unappropriated Operating Balances ranged from a low of 27 in FY 1996 to a high of 87 in FY 1993.
3. The number of entities with a Net Negative Unreserved General Fund Balance dropped by 4 from FY 2003 to FY 2004 (36 to 32).
4. The number of entities with Statutory Operating Debt was a low of 15 in FY 1998 to a high of 59 in FY 1994.

**Table 1<sup>1</sup>**  
**Minnesota Department of Education**  
**Districts & Charter Schools with a Negative Net Unreserved General Fund Balance**  
**Exceeding 2 1/2% of Yearly General Fund Operating Expenditures: FY 2004**

Regular and Common District Information			Unreserved Gen. Fund Balance	General Fund Expenditures	New SOD Calc	Final UFARS Rec'd	Hard Audit Rec'd	First Year of SOD
No.	Type	Name						
16	1	Spring Lake Park	-778,400	27,614,230	-2.82%	X	X	2001
93	1	Carlton	-392,088	4,606,554	-8.51%	X	X	2002
182	1	Crosby-Ironton	-261,534	9,955,679	-2.63%	X	X	2002
200	1	Hastings	-2,196,326	33,805,704	-6.50%	X	X	2004
256	1	Red Wing	-1,451,031	21,187,247	-6.85%	X	X	2002
286	1	Brooklyn Center	-871,209	12,565,430	-6.93%	X	X	2002
316	1	Greenway	-1,183,593	10,116,653	-11.70%	X	X	1996
371	1	Bellingham	-405,856	980,240	-41.40%	X	X	2002
458	1	Truman	-325,704	2,933,605	-11.10%	X	X	2000
577	1	Willow River	-246,064	2,836,077	-8.68%	X	X	2004
623	1	Roseville	-2,269,090	51,781,636	-4.38%	X	X	1999
635	1	Milroy	-93,321	902,648	-10.34%	X	X	2003
695	1	Chisholm	-274,037	5,814,657	-4.71%	X	X	2002
815	2	Prinsburg	-97,643	427,602	-22.83%	NO	NO	2001
2071	1	Lake Crystal-Wellcome Memorial	-312,337	6,135,323	-5.09%	X	X	2000
2172	1	Kenyon-Wanamingo	-344,896	6,267,272	-5.50%	X	X	2004
2859	1	Glencoe-Silver Lake	-518,146	12,632,166	-4.10%	X	X	2001
2890	1	Renville County West	-1,108,773	5,386,839	-20.58%	X	X	2001

**Charter School Information**

4069	7	MN Institute of Tech. (McGee)	-151,593	4,208,614	-3.61%	X	X	2004
4086	7	Woodson Institute (WISE)	-121,541	2,136,888	-5.69%	X	X	2004
4088	7	Urban Academy	-260,688	1,154,178	-22.59%	X	X	2004
4108	7	Gen. John Vessey Academy	-13,278	79,786	-16.64%	X	X	2004
4116	7	Lakes International Charter	-16,215	63,328	-25.60%	X	X	2004
4122	7	Eagle Ridge Charter	-15,476	81,173	-19.07%	X	X	2004
4123	7	Dakota Area Academy	-667	7,124	-9.36%	X	X	2004
4128	7	Col. Charles Young Academy	-104,041	158,041	-65.83%	NO	NO	2004

<sup>1</sup> Data Compiled as of 1/12/05

Key on Types

Type 1 = Independent School District  
Type 2 = Common School District  
Type 7 = Charter School

**Table 2****School Districts and Charter Schools Out of Statutory Operating Debt,  
Reorganized or Closed as of June 30, 2004**

District		6/30/2003		6/30/2004	
Number and Type	Name	Net Unreserved General Fund Balance	Percent Deficit	Net Unreserved General Fund Balance	Percent Balance
177-1	Windom	-757,457	-9.44%	452	0.01%
203-1	Hayfield	-273,461	-5.06%	-95,491	-1.85%
277-1	Westonka	-1,135,546	-6.64%	-156,455	-0.92%
482-1	Little Falls	-597,745	-2.99%	-362,588	-1.83%
712-1	Mountain Iron-Buhl	-151,200	-3.26%	20,222	0.35%
738-1	Holdingford	-203,697	-3.12%	-82,568	-1.24%
806-1	Elgin-Millville	-142,753	-3.96%	107,022	3.11%
836-1	Butterfield-Oden	-118,073	-5.61%	-42,222	-2.34%
2887-1	McLeod West	-289,513	-9.35%	183,181	6.13%
4036-7	Face to Face Academy	-33,758	-5.97%	-532	-0.09%
4071-7	Native Arts	-70,435	-30.31%	No data reported	Out of business

**Table 3****School Districts and Charter Schools Not Reporting Final Audited UFARS Data**

Number and Type	Unit Name	Reporting Unit Data 6/30/03		Reporting Unit Data 6/30/04	
		Net Unreserved General Fund Balance	Fund Balance Percent	Net Unreserved General Fund Balance	Fund Balance Percent
11-1	Anoka-Hennepin	24,785,711	9.42%	36,132,707	12.63%
314-1	Braham	433,128	7.20%	1,060,079	17.91%
500-1	Southland	723,809	13.98%	551,075	10.73%
815-2	Prinsburg	-87,778	-22.08%	-97,643	-22.83%
2886-1	Glenville-Emmons	334,442	9.70%	457,880	15.36%
4054-7	LaCrescent Montessori Charter	77,389	20.87%	77,015	29.34%
4064-7	Riverway Learning Community	77,516	12.18%	1,440	0.28%
4065-7	Minnesota Business Academy	300,777	6.59%	217,922	5.16%
4067-7	Aurora Charter School	205,272	27.28%	183,776	12.62%
4091-7	SE MN School Arts-Technology	Not opened	Not opened	44,126	3.52%
4096-7	Chiron Charter	79,254	5.64%	79,254	5.12%
4102-7	MN Internship Charter	40	0.06%	96,743	3.36%
4128-7	Col. Charles Young Academy	Not opened	Not opened	-104,041	-65.83%



**Table 4**

**Minnesota School Districts & Charter Schools – Fiscal Years 1990 through 2004  
Negative Net Unappropriated Operating Debt and Statutory Operating Debt**

Category	Fiscal Years of Study														
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Number of School Districts and Charter Schools	436	430	425	413	401	395	378	374	378	387	402	416	411	431	455
Number with Net Negative Unappropriated Operating Fund Balance (1,2,4)	71	79	82	87	68	33	27	29	33	52	56	49	46	34	34
Number with Net Negative Unreserved General Fund Balance	New SOD Calc										71	69	55	40	32
Number of Active Units in Statutory Operating Debt	52	47	48	54	59	29	17	19	15	31	33	45	40	25	26