



**DISTRICTS WITH
FISCAL YEAR 2005
STATUTORY
OPERATING
DEBT**

As of June 30, 2005

**REPORT
TO THE
LEGISLATURE**

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



COMMISSIONER:
Alice Seagren

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Fiscal Year 2005
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Operating
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As of June 30, 2005

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**REPORT
TO THE
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January 10, 2006

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

**MINNESOTA DEPARTMENT OF EDUCATION
FISCAL YEAR 2005 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	\$408.00
Support Staff	\$470.00
MDE General Overhead (Indirect Cost)	75.00
Report Printing Cost	<u>10.00</u>
TOTAL ESTIMATED COST FOR PREPARING THIS REPORT	\$963.00

Report on Minnesota School Districts and Charter Schools With Excess Net Negative Operating Fund Balances at the End of Fiscal Year 2005

Minnesota Statutes, Section 123B.83, Subd. 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 notification to legislative committees based upon data compiled on January 10, 2006.

The information on districts and charter schools in this report has been drawn from the Uniform Financial Accounting and Reporting Standards (UFARS) data and verified by independent auditor reports. Public schools must report their audited UFARS data for the previous fiscal year (FY) to the Minnesota Department of Education (MDE) by November 30. (Minnesota Statutes, Section 123B.77, Subd. 3).

Districts and charter schools exceed their expenditure limitations when their Net Unreserved General Unreserved Operating 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 2005 is the fifth year that Statutory Operating Debt was 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 the Food Service and the Community Service Funds as well as the Unreserved/Undesignated in the General Fund. The statute was changed to more directly exhibit the general K-12 instructional and educational support activity of a unit. Therefore, the Food Service and Community Funds were removed as well as those reserve accounts in the General Fund that 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 traditional 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 health to improve their financial position and avoid statutory operating debt.

Summary of Findings

The Department of Education (MDE) receives final Uniform Financial Accounting and Reporting Standards data (UFARS) from school districts and charter schools after that data has been audited by an independent certified audit firm. The statutory deadline for submission of final UFARS data to MDE was November 30, 2005. The statutory deadline for submitting a hard copy audit to MDE was December 31, 2005.

Two school districts in SOD did not provide the MDE with a Compliance Table from a final audit report by January 10, 2006. (Table 1) Therefore, validation of UFARS data was not possible. An additional three regular school districts and five charter schools also failed to provide a Compliance Table from a final audit report by January 10, 2006. (Table 3)

Twenty (20) regular school districts and eighteen (18) charter schools did not submit a hard copy audit to MDE by January 10, 2006. They were:

#1 Minneapolis Public Schools	#4 McGregor
#88 New Ulm	#110 Waconia
#252 Cannon Falls	#286 Brooklyn Center
#294 Houston	#316 Greenway
#332 Mora	#381 Lake Superior
#508 St. Peter	#535 Rochester
#544 Fergus Falls	#743 Sauk Centre
#771 Chokio-Alberta	#801 Browns Valley
#803 Wheaton	#2144 Chisago Lakes
#2886 Glenville-Emmons	#2888 Clinton-Graceville-Beardsley
#4019 New Voyager Charter	#4020 Duluth Academies
#4031 Jennings High School	#4035 Concordia Creative School
#4039 School for Recording Arts	#4054 Lacrescent Montessori
#4062 Family Academy	#4065 Minnesota Business Academy
#4069 William E. McGee	#4072 Yankton Country
#4076 Minnesota Academy	#4087 Sage Academy
#4091 SE MN School of Art	#4092 Watershed High School
#4102 Minnesota Internship	#4115 Minneapolis Academy
#4116 Lakes International	#4117 Cities Academy

The number of school districts and active charter schools in SOD at the end of FY 2005 decreased by one from the previous year to 24. There were 18 traditional school districts, one common district and 5 charter schools in SOD for FY2005.

Seven school districts and four charter schools were new to the FY 2005 SOD list. Six school districts and six charter schools were removed from the SOD list for FY2005.

The number of school districts remained the same at 343, while the number of reporting charter schools increased by twenty-two (22). There were 134 charter schools reporting in Minnesota during FY 2005.

Reporting Units in Statutory Operating Debt (SOD)

Table 1 contains information on the number of reporting units (traditional school districts, common districts and charter schools) currently active and in Statutory Operating Debt. Reporting units reach this level of debt with a negative net unreserved general fund balance that exceeds 2.5% of their yearly general fund operating expenditures for the year.

As of June 30, 2005, there were 18 independent school districts, one common school district, and five charter schools that had a net negative unreserved general fund balance exceeding 2.5% of Fiscal Year 2005 unreserved/undesignated general fund expenditures.

Seven of the 19 school districts and four charter schools were new to the SOD list for Fiscal Year 2005. Three of the five charter schools achieved SOD in their first year with children.

Table One: Districts & Charter Schools with a Negative Net Unreserved General Fund Balance Exceeding 2.5% of Yearly General Fund Operating Expenditures for FY 2005

Regular and Common District Information			Unreserved	General	New	Final	Hard	First
No.	Type	Name	Gen. Fund	Fund	SOD	UFARS	Audit	Year
			Balance	Expenditures	Calc	Rec'd	Rec'd	SOD
200	1	Hastings	-1,188,805	35,202,142	-3.38%	X	X	2004
270	1	Hopkins	-4,227,668	79,087,937	-5.47%	X	X	2005
286	1	Brooklyn Center	-692,151	14,058,995	-4.92%	X	X	2002
306	1	LaPorte	-122,499	2,560,462	-4.78%	X	X	2005
316	1	Greenway	-1,894,287	10,956,366	-17.29%	NO	NO	1996
371	1	Bellingham	-158,837	958,355	-16.57%	NO	NO	2002
458	1	Lester Prairie	-219,337	3,281,237	-6.68%	X	X	2005
577	1	Willow River	-335,166	2,960,600	-11.32%	X	X	2004
623	1	Roseville	-2,165,307	51,954,696	-4.17%	X	X	1999
635	1	Milroy	-74,321	879,396	-8.45%	X	X	2003
659	1	Northfield	-1,337,341	28,478,334	-4.70%	X	X	2005
738	1	Holdingsford	-297,577	6,409,176	-4.29%	X	X	2005
771	1	Chokio-Alberta	-220,723	2,048,151	-10.78%	X	X	2005
815	2	Prinsburg	--200,590	280,636	-71.48%	X	X	2001
2071	1	Lake Crystal-Wellcome Memorial	-176,262	6,377,854	-2.76%	X	X	2000
2172	1	Kenyon-Wanamingo	-207,365	6,267,272	-3.24%	X	X	2004
2396	1	A.C.G.C.	-561,430	7,378,337	-7.61%	X	X	2005
2859	1	Glencoe-Silver Lake	-746,466	12,709,511	-5.87%	X	X	2001
2890	1	Renville County West	-603,608	5,282,928	-11.43%	X	X	2001
Charter School Information								
4011	7	New Visions	-314,257	5,276,261	-5.96%	X	X	2005
4088	7	Urban Academy	-130,146	1,065,015	-12.22%	X	X	2004
4105	7	Great River Academy	-67,586	1,155,137	-5.85%	X	X	2005
4110	7	Main Street for Performing Arts	-16,215	63,328	-25.60%	X	X	2005
4115	7	Minneapolis Academy	-47,133	878,526	-5.37%	X	NO	2005

Key on Types

Type 1 = Independent School District

Type 2 = Common School District

Type 7 = Charter School

Reporting Units Removing SOD

Table 2 contains information on the number and names of traditional school districts and charter schools that removed SOD or were closed as of June 30, 2005.

Six school districts and five active charter schools removed their SOD condition as of June 30, 2005. One charter school closed and was removed from the list.

Of the 11 school districts and active charter schools out of statutory operating debt at the end of FY2005, three school districts and three charter schools had a positive Net Unreserved General Fund Balance.

Of the 11 school districts and active charter schools that removed the condition of SOD at the end of FY 2005, the following eight (8) units accomplished that task at least one year earlier than planned or within only one year of effort:

- | | |
|--------------------------------|-----------------------------------|
| #93 Carlton | #458 Truman |
| #695 Chisholm | #4086 Woodson Institute (WISE) |
| #4108 Gen. John Vessey Academy | #4116 Lakes International Charter |
| #4122 Eagle Ridge Charter | #4123 Dakota Charter |

Table 2: School Districts and Charter Schools Out of Statutory Operating Debt, Reorganized or Closed as of June 30, 2005

District		6/30/2004		6/30/2005	
Number and Type	Name	Net Unreserved General Fund Balance	Percent Deficit	Net Unreserved General Fund Balance	Percent Balance
16-1	Spring Lake Park	-757,457	-9.44%	676,292	2.36%
93-1	Carlton	-393,088	-8.51%	-81,586	-1.70%
182-1	Crosby-Ironton	-261,534	-2.63%	340,748	3.58%
256-1	Red Wing	-1,451,031	-6.85%	-332,619	-1.55%
458-1	Truman	-325,704	-11.10%	-71,169	-2.44%
659-1	Chisholm	-274,037	-4.71%	21,860	.38%
4069-7	MN Institute of Tech (McGee)	-151,593	-3.61%	Closed	Closed
4086-7	Woodson Institute (WISE)	-121,541	-5.69%	-43,667	-2.30%
4108-7	Gen. John Vessey Academy	-13,278	-16.64	148,824	18.72%
4116-7	Lakes International Charter	-16,215	-25.60%	79,180	7.83%
4122-7	Eagle Ridge Charter	-15,476	-19.07%	-3,059	-.25%
4123-7	Dakota Area Academy	-667	-9.36%	15,354	3.00%

Units Not Reporting Final UFARS Data

Table 3 contains information on the number and names of reporting units that did not comply with the statutory deadline on reporting final UFARS data, nor did they comply by the date of this report, January 10, 2006.

Five traditional school districts and five charter schools did not report final UFARS data according to Minnesota Statutes, Section 123B.77, Subd. 3. MN Institute of Technology, which closed in FY2005, was the only reporting unit that did not report preliminary data of the 545 reporting units in the state.

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

Number and Type	Unit Name	Reporting Unit Data 6/30/04		Reporting Unit Data 6/30/05	
		Net Unreserved General Fund Balance	Fund Balance Percent	Net Unreserved General Fund Balance	Fund Balance Percent
1-3	Minneapolis Public Schools	8,510,712	2.09%	13,426,989	3.55%
316-1	Greenway	-1,183,593	-11.70%	-1,894,287	-17.33%
371-1	Bellingham	-405,856	-41.40%	-158,837	-16.57%
2534-1	Bird Island-Olivia-Lake (BOLD)	276,316	4.27%	373,628	5.94%
2889-1	Lake Park-Audubon District	294,017	6.28%	112,370	2.51%
4039-7	High School For Recording Arts	196,808	13.99%	218,403	14.11%
4069-7	MN Institute of Tech (McGee)	-151,593	-3.61%	No Data	No Data
4083-7	Ridgeway Community School	121,700	26.61%	100,125	23.78%
4091-7	SE MN School Arts-Technology	23,877	1.72%	62,428	5.43%
4117-7	Cities West Academy	Not Opened	Not Opened	0	0%

Reporting Units with Negative Balances and SOD

Table 4 contains several years of information on reporting units and their financial condition. The table contains information on the number of districts and charter schools with a negative unreserved general fund balance, a negative balance across Funds 1, 2 and 4, and the number of units in SOD.

Since the SOD calculation was changed to include only Fund 1 expenditures and fund balances, reporting the number of units having a net negative fund balance across Funds 1, 2 and 4 has been discontinued. The new calculation became effective at the conclusion of FY 2001.

The lowest number of entities (school districts and charter schools) over this period of time was 374 in FY 1997. The largest number of units was 477 units in FY 2005. The increase was due to the opening of new chartered schools.

The number of entities with Net Negative Unappropriated Operating Balances across the operating funds of 1, 2 and 4 ranged from a low of 27 in FY 1996 to a high of 87 in FY 1993. The number of entities with a Net Negative Unreserved General Fund Balance decreased by one (1) from FY 2004 to FY 2005 (32 to 31).

The number of entities with SOD was a low of 15 in FY 1998 to a high of 59 in FY 1994.

**Table 4: Minnesota School Districts & Charter Schools – Fiscal Years 1990 through 2005
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	2005
School Districts									349	347	346	345	343	343	343	343
Charter Schools	436	430	425	413	401	395	378	374	29	40	56	68	82	87	112	134
Total									378	387	402	416	411	431	455	477
Net Negative Unappropriated Operating Fund Balance (1,2,4)	71	79	82	87	68	33	27	29	33	52	56	///	///	///	///	///
Net Negative Unreserved General Fund Balance	New SOD Calc										71	69	55	40	32	31
Active Units in Statutory Operating Debt	52	47	48	54	59	29	17	19	15	31	33	45	40	25	25	24