



**DISTRICTS WITH  
FISCAL YEAR 2006  
STATUTORY  
OPERATING  
DEBT**

**As of June 30, 2006**

**REPORT  
TO THE  
LEGISLATURE**

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

**COMMISSIONER:**

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Upon request, this report can be made available in alternative formats.

## **ESTIMATED COST OF PREPARING 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.

The estimated cost incurred by the Minnesota Department of Education during the preparation of this report is \$1,178.

**Report on Minnesota School Districts and Charter Schools With Excess  
Net Negative Operating Fund Balances at the End of Fiscal Year (FY) 2006**

Minnesota Statutes, Section 123B.83, Subd. 3, (2006) 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 8, 2007.

The information on traditional 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 2006 is the sixth 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 were 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 and work with 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. Staff members recommend best practices in business and financial management and suggest ways to avoid statutory operating debt.

## Summary of Findings

The Minnesota Department of Education (MDE) received 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. Minn. Stat. § 123B.77, Subdivision 3, requires school districts and charter schools to submit final UFARS data to MDE by November 30, and an audited financial statement to MDE by December 31.

A total of nine (9) traditional school districts and thirteen (13) charter schools failed to provide a Compliance Table from a final audit report by January 8, 2007. (**Table Three**) One of those districts, Brooklyn Center, was in SOD. Therefore, validation of UFARS data was incomplete.

Twenty-one (21) regular school districts and nineteen (19) charter schools did not submit an audited financial statement to MDE by January 8, 2007. They were:

1 Minneapolis Public Schools	4 McGregor
23 Frazee	110 Waconia
115 Cass Lake	116 Pillager
192 Farmington	252 Cannon Falls
264 Herman-Norcross	278 Orono
283 St. Louis Park	286 Brooklyn Center (SOD)
306 Laporte	332 Mora
390 Lake of the Woods	495 Grand Meadow
500 Southland	625 St. Paul
640 Wabasso	771 Chokio-Alberta
2171 Triton	4011 New Visions
4021 Village School of Northfield	4044 Heart of the Earth
4054 LaCrescent Montessori	4062 Family Academy (closed)
4065 Minnesota Business Academy	4100 Great Expectations
4107 Voyageurs Expeditionary	4113 Fraser Academy
4117 Cities Academy (closed)	4119 River Heights
4125 Worthington Area Language	4130 Central (closed)
4134 F. Scott Fitzgerald Writing	4136 Soul Academy
4148 Academy of Biosciences	4157 New Salem Academy
4159 Seven Hills Academy	4164 Laura Jeffrey

The number of traditional districts and active charter schools in SOD at the end of FY 2006 decreased by four from the previous year of 24 to the current level of 20. There were 15 traditional districts, one common district and 4 charter schools in SOD at the conclusion of FY2006. (**Table One**)

Seven school districts and three charter schools were new to the FY 2006 SOD list. Ten school districts and four charter schools were removed from the SOD list for FY2006. (**Table Two**)

The number of school districts remained the same at 343, while the number of reporting charter schools increased by five. There were 139 charter schools reporting in Minnesota during FY 2006 with three listed as closed.

**Reporting Units in Statutory Operating Debt (SOD)**

**Table One** 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, 2006, there were 15 traditional independent school districts, one common school district, and four charter schools that had a net negative unreserved general fund balance exceeding 2.5% of Fiscal Year 2006 unreserved/undesignated general fund expenditures.

Seven of the 16 school districts and three of the four charter schools were new to the SOD list for Fiscal Year 2006. The charter schools new to the list were in existence for at least three years.

**Table One: Traditional Districts & Charter Schools with a Negative Net Unreserved General Fund Balance Exceeding 2.5% of Yearly General Fund Operating Expenditures for FY 2006**

Traditional and Common District Information			Unreserved	General	2006	Final	Hard	First
No.	Type	Name	Gen. Fund	Fund	SOD	UFARS	Audit	Year
			Balance	Expenditures	Calc	Rec'd	Rec'd	SOD
93	1	Carlton	-536,962	5,134,308	-10.26%	X	X	2006
270	1	Hopkins	-3,873,738	76,272,066	-5.08%	X	X	2005
286	1	Brooklyn Center	-782,006	14,446,344	-5.41%	X	NO	2002
316	1	Greenway	-1,647,530	10,978,346	-15.01%	X	X	1996
371	1	Bellingham	-316,692	1,076,852	-29.41%	X	X	2002
458	1	Truman	-377,348	3,163,941	-11.93%	X	X	2006
487	1	Upsala	-169,095	2,854,801	-5.92%	X	X	2006
623	1	Roseville	-1,386,159	52,110,288	-2.66%	X	X	1999
738	1	Holdingsford	-561,898	7,010,319	-8.02%	X	X	2005
739	1	Kimball	-172,570	5,435,334	-3.17%	X	X	2006
740	1	Melrose	-454,958	11,138,305	-4.08%	X	X	2006
743	1	Sauk Centre	-807,557	8,970,809	-9.00%	X	X	2006
815	2	Prinsburg	-47,399	291,408	-16.27%	X	X	2001
2396	1	A.C.G.C.	-467,503	7,193,814	-6.50%	X	X	2005
2580	1	East Central	-503,649	6,632,018	-7.59%	X	X	2006
2859	1	Glencoe-Silver Lake	-693,280	12,645,874	-5.48%	X	X	2001
Charter School Information								
4025	7	Cyber Village Academy	-138,392	1,255,668	-11.02%	X	X	2006
4092	7	Watershed High School	-147,348	1,227,986	-12.00%	X	X	2006
4109	7	Sobriety High School	-168,714	1,786,508	-9.44%	X	X	2006
4110	7	Main Street for Performing Arts	-77,097	1,647,659	-4.68%	X	X	2005

Key on Types

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

**Reporting Units Removing SOD**

**Table Two** contains information on the number and names of traditional school districts and charter schools that removed SOD or were closed as of June 30, 2006.

Ten traditional districts and four active charter schools removed their SOD condition as of June 30, 2006.

Of the 14 districts and active charter schools out of statutory operating debt at the end of FY2006, eight traditional districts and three charter schools had a positive Net Unreserved General Fund Balance.

Of the 14 districts and charter schools that removed the condition of SOD at the end of FY 2006, the following ten (10) units accomplished that task at least one year earlier than planned (without a revised plan) or within only one year of effort:

200 Hastings	306 LaPorte	424 Lester Prairie
577 Willow River	649 Northfield	771 Chokio-Alberta
2172 Kenyon-Wanamingo	4011 New Visions	4105 Great River
4115 Minneapolis Academy		

**Table Two: Traditional Districts and Charter Schools  
Out of Statutory Operating Debt as of June 30, 2006**

District or School		6/30/2005		6/30/2006	
Number and Type	Name	Net Unreserved General Fund Balance	Percent Deficit	Net Unreserved General Fund Balance	Percent Balance
200-1	Hastings	-1,188,805	-3.38%	2,147,927	6.07%
306-1	LaPorte	-122,499	-4.78%	144,819	6.41%
424-1	Lester Prairie	-219,337	-6.68%	493,740	15.66%
577-1	Willow River	-335,166	-11.32%	188,508	6.72%
635-1	Milroy	-74,321	-8.45%	125,931	18.54%
659-1	Northfield	-1,337,341	-4.70%	-624,881	-2.23%
771-1	Chokio-Alberta	-220,162	-10.75%	-44,227	-2.26%
2071-1	Lake Crystal-Wellcome-Memorial	-176,262	-2.76%	527,130	8.75%
2172-1	Kenyon-Wanamingo	-207,365	-3.24%	418,049	6.87%
2890-1	Renville County West	-603,608	-11.43%	237,262	4.74%
4011-7	New Visions	-314,257	-5.96%	-106,340	-2.40%
4088-7	Urban Academy	-130,146	-12.22%	315,549	23.18%
4105-7	Great River Academy	-68,586	-5.85%	65,135	4.36%
4115-7	Minneapolis Academy	-47,133	-5.37%	24,490	2.77%

## Units Not Reporting Final UFARS Data

**Table Three** contains information on the reporting units that did not comply with the statutory deadline to report final UFARS data (November 30, 2006), nor did they comply by the date of the data run for this report, January 8, 2007.

Nine traditional school districts and thirteen charter schools did not report final UFARS data according to Minnesota Statutes, Section 123B.77, Subd. 3. Family Academy, Cities West, and Central Charter were listed as closed in FY2006 or did not open in FY2006.

**Table Three: Districts and Charter Schools Not Reporting Audited UFARS Data**

Number and Type	Unit Name	Reporting Unit Data 6/30/05		Reporting Unit Data 6/30/06	
		Net Unreserved General Fund Balance	Fund Balance Percent	Net Unreserved General Fund Balance	Fund Balance Percent
1-3	Minneapolis Public Schools	13,426,989	3.55%	26,339,487	7.14%
150-1	Hawley	654,873	11.78	1,100,816	18.52%
286-1	Brooklyn Center	-692,151	-4.92	-782,006	-5.41%
314-1	Braham	977,417	15.43%	606,234	8.98%
414-1	Minneota	36,913	4.29%	68,310	5.53%
417-1	Tracy	714,374	12.35%	682,627	12.44%
659-1	Northfield	-1,337,341	-4.70%	-624,881	-2.23%
2397-1	Lesueur-Henderson	1,480,865	16.66%	1,096,812	11.51%
2754-1	Cedar Mountain	1,314,273	43.60%	1,226,565	37.80%
4011-7	New Visions	-314,257	-5.96%	-106,340	-2.40%
4044-7	Heart of the Earth	116,121	4.80%	84,398	3.17%
4054-7	LaCrescent Montessori	-62,472	15.69%	81,692	18.69%
4062-7	Family Academy	-68,414	-2.46%	Closed	Closed
4104-7	Liberty High	237,144	17.20%	357,007	23.26%
4117-7	Cities West Academy	Not Opened	Not Opened	Closed	Closed
4130-7	Central	Not Opened	Not Opened	Closed	Closed
4134-7	F. Scott Fitzgerald	Not Opened	Not Opened	72	0.06%
4143-7	New Millennium	42	.04%	151,570	7.22%
4148-7	Academy of Biosciences	-663	-0.37%	104,592	7.21%
4149-7	Cygnus Academy	29	0.04%	494	0.60%
4157-7	New Salem	Not Opened	Not Opened	-1,904	-1.96%
4164-7	Laura Jeffrey	Not Opened	Not Opened	364	116.67%



**Reporting Units with Negative Balances and SOD**

Since the SOD calculation was changed to include only Fund 1 expenditures and fund balances, reporting the number of reporting 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 reporting units (school districts and charter schools) over this period of time was 374 in FY 1997. The largest number of units was 482 units in FY 2006. The increase was due to the opening of new charter schools.

The number of units 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 increased by five (5) from FY 2005 to FY 2006 (31 to 36).

The number of units with SOD was a low of 15 in FY 1998 and a high of 59 in FY 1994. This year, the number of traditional school districts in SOD was at its lowest mark 15 (not including the common district of Prinsburg) since 1998 when there were 10 districts in SOD.

**Table Four: Districts & Charter Schools – Fiscal Years 1990 through 2006  
Negative Net Unappropriated Operating Debt and Statutory Operating Debt**

Category	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
School Districts									349	347	346	345	343	343	343	343	343
Charter Schools									29	40	56	68	82	87	112	134	139
Total	436	430	425	413	401	395	378	374	378	387	402	416	411	431	455	477	482
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	<b>New SOD Calc</b>										71	69	55	40	32	31	36
Active Units in Statutory Operating Debt	52	47	48	54	59	29	17	19	15	31	33	45	40	25	25	24	20