

MINNESOTA DEPARTMENT OF

*Children
Families &
Learning*

**DISTRICTS WITH
2001
STATUTORY
OPERATING
DEBT**

As of June 30, 2001

**REPORT
TO THE
LEGISLATURE**

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



COMMISSIONER:
Christine Jax, Ph.D.

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March 2002

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

March 19, 2002

**Financial Management and Accountability
Office of Agency Finance and Management Services**

**Report on Minnesota School Districts and Charter Schools With Excess
Net Negative Operating Fund Balances at the End of Fiscal Year 2001**

Minn. Stat. § 123B.83, subd.3 (2001) 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 reported to the Department of Children, Families & Learning (Minn. Stat. § 123B.77, subd. 3). The list of districts and charter schools in this report has been established through Uniform Financial Accounting and Reporting Standards (UFARS) reporting verified by independent auditor reports.

In the terminology of the statute, 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 2½% of their unreserved/undesignated operating expenditures. Districts which exceed this operating debt limitation are termed to be in Statutory Operating Debt (SOD).

Fiscal Year 2001 marks the first year that Statutory Operating Debt is calculated using the Net Unreserved General Fund Balance. The NUGFB is simply stated as the Unreserved/Undesignated and Encumbrance accounts of the general fund. In the past (including Fiscal Year 2000) the SOD calculation included two other reserved accounts as well as the Unreserved/Undesignated in the General Fund. Those accounts were the Food Service Fund and the Community Service Fund. 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 are: first, the Food Service and Community Funds can not be used for K-12 activity expenditures; and second, all other reserve accounts in the General Fund are restricted to specific functions.

Summary

At the end of Fiscal Year 2000 there were 24 school districts and nine charter schools reported as having statutory operating debt, a total of 33. For Fiscal Year 2001, the number of school districts increased to 35 (including 20 from the previous year) and

increased to 11 charter schools (including three from the previous year). The total number of school districts and charter schools in SOD at the end of FY 2001 was 46. This increase was due in part to the change in SOD calculation in that balances in the Food Service and the Community Service funds were no longer included.

Of the 11 charter schools in SOD, two closed the fiscal year ending June 30, 2001. Therefore, there are ten school districts and seven charter schools on the FY 2001 SOD list that were not on the FY 2000 SOD list. Four school districts and seven charter schools on the SOD list in FY 2000 are not in SOD for FY 2001. Of the four districts, one district dissolved and another reorganized. Of the seven charter schools, four closed.

The lowest number of school districts and charter schools with Statutory Operating Debt (SOD) was 15 in FY 1998. The largest number of districts in SOD was 59 in FY 1994.

The number of school districts decreased by one (346 to 345) while the number of charter schools increased by ten (56 to 66). Sixty-four are open with students.

Over a seventeen year period, fiscal years 1985 through 2001, the number of entities with a negative unappropriated operating fund balance was at a low of 33 in Fiscal Years 1985, 1995 and 1998. The highest number of districts with a negative unappropriated operating fund balance was 87 in FY 1993.

UFARS DATA PER AUDIT

The Department of Children, Families & Learning 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. Two charter schools listed in Table 1 with a negative Net Unreserved General Fund Balance (NUGFB) exceeding the statutory limit did not provide the CFL with an audit report by March 13, 2002. Therefore, validation of their UFARS data was not possible.

Two charter schools reported UFARS data that indicated a NUGFB not in violation of the Statutory Operating Debt Statute. Those two charter schools have not submitted an audit report. Two more charter schools have not submitted an audit report and have not reported any UFARS data.

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 2001.

1. As of June 30, 2001, there were 33 independent school districts, two common school districts and 11 charter schools that had a net negative unreserved general fund balance exceeding 2½% of total Fiscal Year 2001 unreserved/undesignated general fund expenditures.
2. Ten of the 35 school districts and eight of the 11 charter schools were new to the list for Fiscal Year 2001.

Table 2: School Districts and Charter Schools Out of Statutory Operating Debt, Reorganized, Closed or Dissolved as of June 30, 2001.

1. Four school districts and seven charter schools removed their SOD condition as of June 30, 2001.
2. Of the 11 school districts and charter schools out of statutory operating debt, two school districts and two charter schools had a positive Net Unreserved General Fund Balance.
3. Of the four school districts in the table, one reorganized and one dissolved.
4. Of the seven charter schools, four closed.

Table 3: School Districts and Charter Schools Not Reporting.

Four charter schools did not report data (Minnesota Statutes §123B.77, subd. 3).

Table 4: Minnesota School Districts and Charter Schools – Fiscal Years 1985 Through 2000: Negative Operating Debt and Statutory Operating Debt.

1. This table contains data for 17 years including:
 - Number of School Districts and Charter Schools
 - Number of School Districts and Charter Schools with Net Negative Unappropriated Operating Balance

- Number of School Districts and Charter Schools with Net Negative Unreserved General Fund Balance
 - Number of School Districts and Charter Schools in Statutory Operating Debt
2. The lowest number of entities (school districts and charter schools) over this period of time was 374 in 1997. The largest number was 437 (all school districts) in 1985.
 3. The number of entities with Net Negative Unappropriated Operating Balances ranges from 33 (FY 1985, 1995 & 1998) to 87 (FY 1993).
 4. The number of entities with Statutory Operating Debt ranges from a low of 15 in FY 1998 to a high of 59 in FY 1994.

Chart A: Number of School Districts and Charter Schools

Chart B: Number of Districts in Statutory Operating Debt and Number of Districts with Net Negative Unreserved General Fund Balance

Table 1
Minnesota Department of Children, Families & Learning
Districts & Charter Schools with a Negative Net Unreserved General Fund Balance
Exceeding 2 1/2% of Yearly General Fund Operating Expenditures: FY 2001

	District No.	TYPE	District/Charter School	General Fund Operating Expenditures	Maximum Deficit	Unreserved General Fund Balance	Percent Deficit	Audit In	1st Year in SOD
1	13	1	COLUMBIA HEIGHTS	20,666,504	-516,663	-1,445,785	-7.00%	X	2000
2	15	1	ST. FRANCIS	35,433,483	-885,837	-2,531,009	-7.14%	X	1999
3	16	1	SPRING LAKE PARK	28,531,013	-713,275	-2,373,416	-8.32%	X	2001
4	166	1	COOK COUNTY	4,925,306	-123,133	-273,380	-5.55%	X	2000
5	177	1	WINDOM	7,955,034	-198,876	-619,097	-7.78%	X	2001
6	239	1	RUSHFORD- PETERSON	4,221,058	-105,526	-253,200	-6.00%	X	2000
7	277	1	WESTONKA	16,014,192	-400,355	-698,134	-4.36%	X	2001
8	299	1	CALEDONIA	6,334,540	-158,364	-534,003	-8.43%	X	2001
9	314	1	BRAHAM	5,584,186	-139,605	-428,358	-7.67%	X	2000
10	316	1	GREENWAY	11,018,978	-275,474	-1,790,271	-16.25%	X	1996
11	323	2	FRANCONIA	228,295	-5,707	-32,557	-14.26%	X	1994
12	330	1	HERON LAKE-OKABENA	2,669,637	-66,741	-256,138	-9.59%	X	2000
13	347	1	WILLMAR	31,096,838	-777,421	-2,024,688	-6.51%	X	2000
14	404	1	LAKE BENTON	1,529,126	-38,228	-180,976	-11.84%	X	2000
15	418	1	RUSSELL	1,093,739	-27,343	-42,935	-3.93%	X	2000
16	458	1	TRUMAN	3,161,149	-79,029	-618,752	-19.57%	X	2000
17	482	1	LITTLE FALLS	21,744,849	-543,621	-1,504,008	-6.92%	X	2000
18	511	1	ADRIAN	3,572,785	-89,320	-229,168	-6.41%	X	2001
19	545	1	HENNING	2,742,875	-68,572	-193,369	-7.05%	X	2000
20	623	1	ROSEVILLE	47,512,188	-1,187,805	-1,971,015	-4.15%	X	1999
21	631	1	BELVIEW	645,353	-16,134	-42,444	-6.58%	X	2000
22	712	1	MOUNTAIN IRON-BUHL	4,803,505	-120,088	-367,424	-7.65%	X	2001
23	738	1	HOLDINGFORD	6,190,826	-154,771	-607,487	-9.81%	X	2000
24	741	1	PAYNESVILLE	7,697,586	-192,440	-335,227	-4.35%	X	2001
25	756	1	BLOOMING PRAIRIE	4,668,253	-116,706	-178,816	-3.83%	X	2001
26	806	1	ELGIN-MILLVILLE	3,510,307	-87,758	-426,124	-12.14%	X	1998
27	815	2	PRINSBURG	462,293	-11,557	-49,763	-10.76%	X	2001
28	831	1	FOREST LAKE	46,474,921	-1,161,873	-2,337,214	-5.03%	X	2001
29	836	1	BUTTERFIELD	1,561,652	-39,041	-128,022	-8.20%	X	2001
30	840	1	ST. JAMES	7,851,342	-196,284	-329,739	-4.20%	X	1999
31	882	1	MONTICELLO	23,722,835	-593,071	-1,308,550	-5.52%	X	2001
32	2071	1	LAKE CRYSTAL-WELLCOME MEM	6,909,699	-172,742	-616,454	-8.92%	X	2000
33	2534	1	BIRD ISLAND-OLIVIA -LAKE	6,041,413	-151,035	-577,909	-9.57%	X	1999
34	2859	1	GLENCOE-SILVER LAKE	11,602,024	-290,051	-664,460	-5.73%	X	2001
35	2890	1	RENVILLE COUNTY WEST	6,063,808	-151,595	-2,240,715	-36.95%	X	2001
36	4003	7	NEW HEIGHTS	1,002,153	-25,054	-145,359	-14.50%	X	1998
37	4027	7	HIGHER GROUND ACADEMY	2,465,107	-61,628	-111,386	-4.52%	X	2001
38	4040	7	MARTIN HUGHES SC	2,778,113	-69,453	-1,012,630	-36.45%		2001
39	4041	7	*OPPORTUNITIES FOR LEARNING	No Data Reported			LY -4.26%		2000
40	4044	7	HEART OF THE EARTH CS	2,482,662	-62,067	-490,838	-19.77%	X	2001
41	4048	7	PEAKS-ST.CLOUD/GREC	369,580	-9,240	-16,023	-4.34%	X	2001
42	4060	7	MEXICA MULTICULTURAL ED	341,928	-8,548	-30,039	-8.79%	X	2001
43	4061	7	STUDIO ACADEMY CHARTER	876,330	-21,908	-89,618	-10.23%	X	2000
44	4063	7	FORT SNELLING ACADEMY	2,181,322	-54,533	-411,558	-18.87%	X	2001
45	4067	7	AURORA CHARTER SCHOOL	769,489	-19,237	-34,424	-4.47%	X	2001
46	4068	7	EXCELL CHARTER	70,564	-1,764	-11,862	-16.81%	X	2001

* Charter school that closed as of the fiscal year ending June 30, 2001.

Table 2

School Districts and Charter Schools Out of Statutory Operating Debt, Reorganized, Closed or Dissolved as of June 30, 2001

District		6/30/2000		6/30/2001	
Number	Name	Net Unreserved General Fund Bal.	Percent Deficit	Net Unreserved General Fund Bal.	Percent Balance
391-1	CLEVELAND	-142,409	-5.78%	294,610	11.90%
485-1	ROYALTON	-217,104	-5.50%	151,549	3.69%
604-1	MENTOR	-457,932	-45.83%	Dissolution	
3001-5	BDRSH: ENHANCED PAIR.DST	-1,725,972	-25.55%	Reorganization	
4002-7	TOIVOLA-MEADOWLANDS	-54,354	-10.08%	Closed	
4014-7	*RIGHT STEP ACADEMY	-102,667	-5.60%	Closed	
4022-7	*CENTRAL MN DEAF SCHOOL	No data -16.95% from prior year		Closed	
4023-7	*SUCCESS ACADEMY	-1,210,027	-32.00%	Closed	
4025-1	CYBER VILLAGE ACADEMY	-32,768	-4.10%	99,039	7.84%
4031-7	MINNESOTA TECHNOLOGY CS	-149,221	-14.52%	-12,983	-1.26%
4035-7	EARLY LEARNING CS	*-32803	*-3.22%	2,782	0.24%
* Net Unappropriated Calculation					

Table 3

School Districts and Charter Schools Not Reporting

District		District Data 6/30/00		District Data 6/30/01	
Number	District Name	Net Unreserved General Fund Bal.	Percent Deficit	Net Unreserved General Fund Bal.	Percent Deficit
4034-07	*Learning Adventures CS	-6,633	-0.84%	No Data Reported	
4038-07	^Sojourner Truth CS	272,069	19.90%	^509,243	^39.2%
4047-07	*Peaks - Faribault	163	0.04%	No Data Reported	
4071-07	^Native Arts	Opened in 2001		^688	^0.14%
	* Closed 6/30/01				
	^ No Audit Report				

Table 4

**MINNESOTA SCHOOL DISTRICTS & CHARTER SCHOOLS - FISCAL YEARS 1985 THROUGH 2001
NEGATIVE NET UNAPPROPRIATED OPERATING DEBT AND STATUTORY OPERATING DEBT**

		FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.	Number of School Districts and Charter Schools	437	436	435	433	433	436	430	425	413	401	395	378	374	378	387	402	416
B.	Number with Net Negative Unappropriated Operating Fund Balance	33	45	40	37	56	71	79	82	87	68	33	27	29	33	52	56	49
C.	Number with Net Negative Unreserved General Fund Balance																71	69
D.	Number of Districts and Charter Schools in Statutory Operating Debt	24	27	19	24	41	52	47	48	54	59	29	17	19	15	31	33	45

Chart A

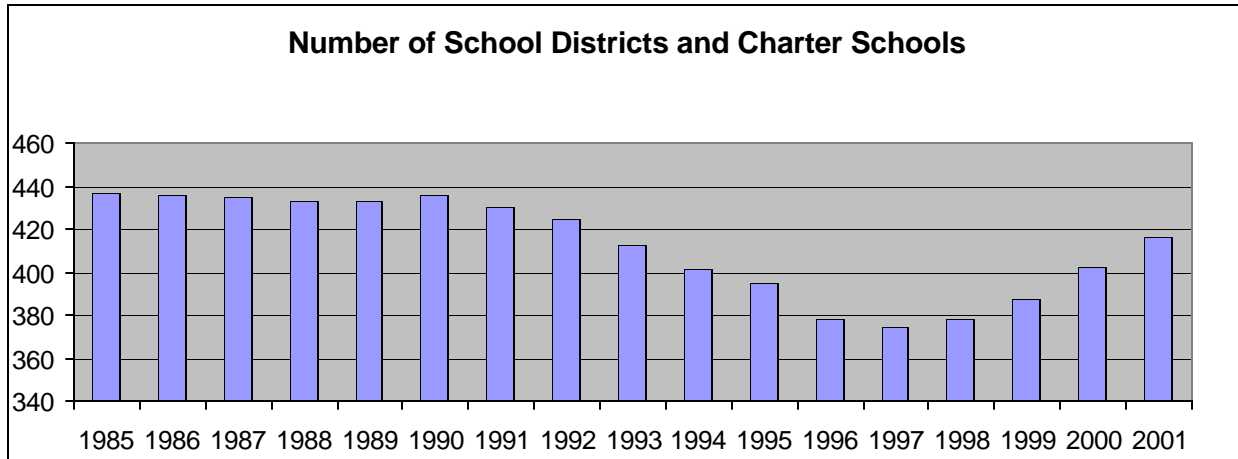


Chart B

