

MINNESOTA DEPARTMENT OF

*Children,
Families &
Learning*

**DISTRICTS WITH
FY 2002
STATUTORY
OPERATING
DEBT**

As of June 30, 2002

**REPORT
TO THE
LEGISLATURE**

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



COMMISSIONER:
Cheri Pierson Yecke, Ph.D.

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FY 2002
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**REPORT
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LEGISLATURE**

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January 30, 2003

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

**MINNESOTA DEPARTMENT OF CHILDREN, FAMILIES & LEARNING
F.Y. 2002 LEGISLATIVE REPORTS: ESTIMATED COST OF PREPARATION**

Minnesota Statutes 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 which the Department of Children, Families & Learning 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	\$800.00
Support Staff	60.00
DCFL General Overhead (Indirect Cost)	70.00
Report Printing Cost	<u>5.00</u>
TOTAL ESTIMATED COST FOR PREPARING THIS REPORT	\$935.00

January 30, 2003

**Financial Management and Accountability
Division 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 2002**

Minnesota Statute 123B.83, subdivision 3 (2002) 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 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 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 2002 is the second 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 the last fiscal year (Fiscal Year 2001) 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 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 and Accountability Team of the Department of Children, Families & Learning is to provide financial management assistance. Department staff not only monitors districts and charter schools in SOD, but also works with those entities whose financial health is deteriorating. Financial

management staff works closely with districts identified with declining financial status to improve their financial position and avoid statutory operating debt.

Summary

At the end of Fiscal Year 2001 there were 35 school districts and 11 charter schools reported as having statutory operating debt, for a total of 46 reporting units. For Fiscal Year 2002, the number of school districts decreased to 33 (including 24 from the previous year) and the number of charter schools decreased to eight (including six from the previous year). The total number of school districts and charter schools in SOD at the end of FY 2002 was 41.

Of the eight charter schools in SOD, two closed the fiscal year ending June 30, 2002. Therefore, there are nine school districts and two charter schools on the FY 2002 SOD list that were not on the FY 2001 SOD list. Twelve school districts and five charter schools on the SOD list in FY 2001 are not in SOD for FY 2002. Of the twelve districts, one district reorganized. Of the five charter schools, two 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 two (345 to 343) while the number of charter schools increased by two (66 to 68). There are currently 78 charter schools operating in Minnesota for FY 2003.

Over an eighteen-year period, fiscal years 1985 through 2002, 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.

AUDIT VERIFICATION OF UFARS DATA

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 January 15, 2003. Therefore, validation of their UFARS data was not possible.

Seven charter schools reported UFARS data that indicated a NUGFB was not in violation of the Statutory Operating Debt Statute. However, those charter schools have not submitted audit data. One charter school has not submitted an audit report and has not reported any UFARS data.

Charter schools in the planning stages are required to file audit reports and financial data (UFARS) when they receive federal planning grants. Two charter schools were not in compliance with this requirement.

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 2002.

1. As of June 30, 2002, there were 32 independent school districts, one common school district and eight charter schools that had a net negative unreserved general fund balance exceeding 2½% of total Fiscal Year 2002 unreserved/undesignated general fund expenditures.
2. Nine of the 33 school districts and two of the eight charter schools were new to the list for Fiscal Year 2002.

Table 2: School Districts and Charter Schools Out of Statutory Operating Debt, Reorganized or Closed as of June 30, 2002.

1. Eleven school districts and four charter schools removed their SOD condition as of June 30, 2002.
2. Of the 15 school districts and charter schools out of statutory operating debt, five school districts and two charter schools had a positive Net Unreserved General Fund Balance.
3. Of the eleven school districts in the table, one reorganized (Belview).
4. Of the four charter schools, two closed (Martin Hughes and Mexica Multicultural Education).

Table 3: School Districts and Charter Schools Not Reporting.

Nine charter schools did not report data (Minn. Stat. §123B.77, subd. 3).

Table 4: Minnesota School Districts and Charter Schools – Fiscal Years 1985 Through 2002: Negative Operating Debt and Statutory Operating Debt.

1. This table contains data for 18 years including:
 - Number of School Districts and Charter Schools
 - Number of School Districts and Charter Schools with Net Negative Unappropriated Operating Fund 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 a Net Negative Unreserved General Fund Balance dropped by 14 from FY 2000 to FY 2002 (69 to 55).
 5. 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 1¹
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 2002

	District No.	Type	District/Charter School	General Fund Operating Expenditures	Maximum Deficit	FY02 NET UNR GEN FUND BALANCE	FY02 NEW SOD CALC	Audit In	First Year SOD
1	13	1	COLUMBIA HEIGHTS	21,534,102	-538,353	-1,146,565	-5.32%	X	2000
2	16	1	SPRING LAKE PARK	27,776,576	-694,414	-3,773,811	-13.59%	X	2001
3	93	1	CARLTON	4,698,206	-117,455	-173,290	-3.69%	X	2002
4	177	1	WINDOM	7,638,606	-190,965	-866,340	-11.34%	X	2001
5	182	1	CROSBY-IRONTON	9,610,127	-240,253	-567,713	-5.91%	X	2002
6	203	1	HAYFIELD	5,487,560	-137,189	-571,908	-10.42%	X	2002
7	239	1	RUSHFORD-PETERSON	4,205,814	-105,145	-142,691	-3.39%	X	2000
8	256	1	RED WING	21,036,184	-525,905	-939,420	-4.47%	X	2002
9	277	1	WESTONKA	16,757,369	-418,934	-1,316,900	-7.86%	X	2001
10	286	1	BROOKLYN CENTER	13,190,873	-329,772	-2,452,309	-18.59%	X	2002
11	299	1	CALEDONIA	6,062,664	-151,567	-237,223	-3.91%	X	2001
12	309	1	PARK RAPIDS	13,839,340	-345,984	-583,272	-4.21%	X	2002
13	316	1	GREENWAY	10,794,215	-269,855	-1,747,107	-16.19%	X	1996
14	330	1	HERON LAKE-OKABENA	2,545,061	-63,627	-400,557	-15.74%	X	2000
15	371	1	BELLINGHAM	931,611	-23,290	-24,623	-2.64%	X	2002
16	458	1	TRUMAN	3,236,804	-80,920	-595,917	-18.41%	X	2000
17	482	1	LITTLE FALLS	20,596,606	-514,915	-912,304	-4.43%	X	2000
18	511	1	ADRIAN	3,671,937	-91,798	-138,057	-3.76%	X	2001
19	545	1	HENNING	2,416,116	-60,403	-111,867	-4.63%	X	2000
20	623	1	ROSEVILLE	49,386,566	-1,234,664	-1,380,299	-2.79%	X	1999
21	695	1	CHISHOLM	6,581,052	-164,526	-444,413	-6.75%	X	2002
22	712	1	MOUNTAIN IRON-BUHL	4,475,208	-111,880	-300,969	-6.73%	X	2001
23	738	1	HOLDINGFORD	6,238,541	-155,964	-530,011	-8.50%	X	2000
24	806	1	ELGIN-MILLVILLE	3,426,395	-85,660	-353,521	-10.32%	X	1998
25	815	2	PRINSBURG	436,654	-10,916	-111,988	-25.65%	X	2001
26	831	1	FOREST LAKE	44,555,977	-1,113,899	-2,149,588	-4.82%	X	2001
27	836	1	BUTTERFIELD	1,640,189	-41,005	-124,433	-7.59%	X	2001
28	857	1	LEWISTON	4,872,871	-121,822	-165,386	-3.39%	X	2002
29	2071	1	LAKE CRYSTAL-WELLCOME ME	6,513,827	-162,846	-592,652	-9.10%	X	2000
30	2534	1	BIRD ISLAND-OLIVIA-LAKE	6,034,283	-150,857	-374,004	-6.20%	X	1999
31	2859	1	GLENCOE-SILVER LAKE	11,420,808	-285,520	-777,420	-6.81%	X	2001
32	2887	1	MCLEOD WEST SCHOOLS	3,335,507	-83,388	-318,554	-9.55%	X	2002
33	2890	1	RENVILLE COUNTY WEST	5,538,577	-138,464	-1,846,552	-33.34%	X	2001
34	4003	7	NEW HEIGHTS	953,513	-23,838	-77,499	-8.13%	X	1998
35	4036	7	FACE TO FACE ACADEMY	656,459	-16,411	-116,205	-17.70%	X	2002
36	4040	7	*MARTIN HUGHES		No Data Reported				2001
37	4044	7	HEART OF THE EARTH CHART	2,364,815	-59,120	-103,392	-4.37%	X	2001
38	4060	7	*MEXICA		No Data Reported				2001
39	4061	7	STUDIO ACADEMY CHARTER	876,882	-21,922	-54,611	-6.23%	X	2000
40	4068	7	EXCELL CHARTER	807,677	-20,192	-99,461	-12.31%	X	2001
41	4069	7	MN INSTITUTE OF TECHNOLOGY	3,650,855	-91,271	-111,097	-3.04%		2002

* Charter school closed as of the fiscal year ending June 30, 2002.

¹ Date compiled 1/15/03

Table 2

**School Districts and Charter Schools Out of Statutory Operating Debt,
Reorganized or Closed as of June 30, 2002**

District		6/30/2001		6/30/2002	
Number and Type	Name	Net Unreserved General Fund Bal.	Percent Deficit	Net Unreserved General Fund Bal.	Percent Balance
15-1	ST. FRANCIS	-2,531,009	-7.14%	-338,977	-0.94%
166-1	COOK COUNTY	-273,380	-5.55%	-44,115	-0.93%
314-1	BRAHAM	-428,358	-7.67%	149,774	2.63%
323-2	FRANCONIA	-32,557	-14.26%	287	0.14%
347-1	WILLMAR	-2,024,688	-6.51%	224,214	0.82%
404-1	LAKE BENTON	-180,976	11.84%	1,425,733	10.87%
418-1	RUSSELL	-42,935	-3.83%	44,008	4.40%
631-1	BELVIEW	42,444	-6.58%	Consolidated: ISD 2897 (Redwood Falls)	
741-1	PAYNESVILLE	-335,227	-4.35%	-128,695	-1.79%
756-1	BLOOMING PRAIRIE	-178,816	-3.83%	-52,050	-1.11%
840-1	ST. JAMES	-329,739	-4.20%	-97,191	-1.24%
882-1	MONTICELLO	-1,308,550	-5.52%	4,298	0.02%
4027-7	HIGHER GROUND	-111,386	-4.52%	231,439	12.24%
4041-7	OPORTUNITIES FOR LRN	No Data (-4.26 FY 2000)		CLOSED	
4048-7	GREAT RIVER ED CENTER	-17,023	-4.34%	26,559	5.67%
4063-7	FORT SNELLING ACADEMY	-411,558	-18.87%	CLOSED	
4067-7	AURORA CHARTER SCHOOL	-34,424	-4.47%	15,604	2.31%

Table 3

School Districts and Charter Schools Not Reporting

District		District Data 6/30/01		District Data 6/30/02	
Number	District Name	Net Unreserved General Fund Bal.	Percent Deficit	Net Unreserved General Fund Bal.	Percent Deficit
4011-07	^NEW VISIONS	-51,460	-1.50%	133,488	2.99%
4017-07	^MN TRANSITIONS	61,778	2.46%	283,531	8.74%
4018-07	^ACHIEVE LANGUAGE SCH	443,851	26.70%	922,644	44.59
4028-07	^ECI NOMPA WOONSPE	205,192	40.10%	289,045	40.94%
4039-07	^HIGH SCHOOL FOR R. ARTS	27,013	2.35%	6,979	0.58%
4059-07	^CROSSLAKE CS	16,337	5.10%	43,459	9.38%
4071-07	NATIVE ARTS	223,454	5.09	No Data Reported	
4094-07	HOPKINS CS	Opens in Fall, 2003		No Data Reported	
4096-07	CHIRON CS	0	0.00%	Opened in Fall, 2002	
	^ No Audit Report				

Table 4

**MINNESOTA SCHOOL DISTRICTS & CHARTER SCHOOLS - FISCAL YEARS 1985 THROUGH 2002
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	FY
		<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
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	411
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	46
C.	Number with Net Negative Unreserved General Fund Balance																71	69	55
D.	Number of Districts in Statutory Operating Debt	24	27	19	24	41	52	47	48	54	59	29	17	19	15	31	33	45	41

Chart A

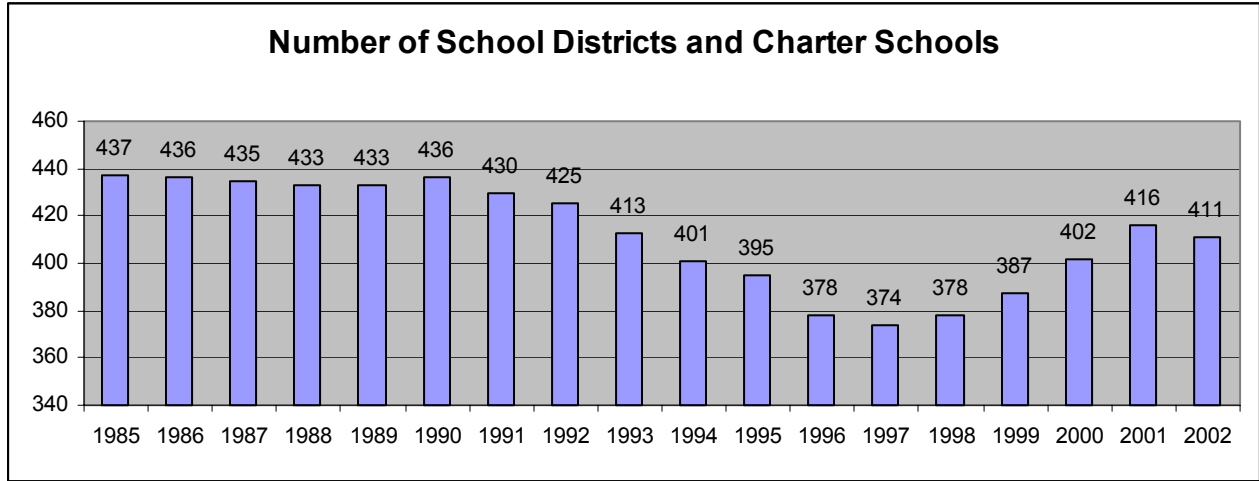


Chart B

Districts in Statutory Operating Debt

