

Minnesota
Department
of **Education**

**DISTRICTS WITH
FISCAL YEAR 2003
STATUTORY
OPERATING
DEBT**

As of June 30, 2003

**REPORT
TO THE
LEGISLATURE**

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

Minnesota Department of Education

COMMISSIONER:
Cheri Pierson Yecke, Ph.D.

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Fiscal Year 2003
Statutory
Operating
Debt**

As of June 30, 2003

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**REPORT
TO THE
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January 30, 2004

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Minn. Stat. § 123B.83,
Subd. 3

**MINNESOTA DEPARTMENT OF EDUCATION
FISCAL YEAR 2003 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."

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.

January 30, 2004

**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 2003**

Minnesota Statute §123B.83, Subdivision 3, (2003) 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 2003 is the third 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 2002 was 40, with Mexica Charter School going out of business. For FY 2003, there was a reduction of active SOD units from 40 to 27.

There were two school districts and one charter school on the FY 2003 SOD list that were not on the FY 2002 SOD list. Ten school districts and five charter schools on the SOD list in FY 2002 were not in SOD for FY 2003.

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 charter schools increased by six. There were 87 charter schools operating in Minnesota during FY 2003.

Over a nineteen-year period, fiscal years 1985 through 2003, 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. Two regular school districts listed in Table 1 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 16, 2004. Therefore, validation of UFARS data was not possible. An additional four regular school districts and four charter schools also failed to provide a Compliance Table from a final audit report by January 16, 2004.

Thirty-four regular school districts and 18 charter schools did not submit a hard copy audit to MDE by January 16, 2004.

Charter schools in the planning stages are required to file audit reports and financial data (UFARS) when they receive federal planning grants. All charters complied.

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 2003.

1. As of June 30, 2003, there were 24 independent school districts, one common school district and two charter schools that had a net negative unreserved general fund balance exceeding 2½% of Fiscal Year 2003 unreserved/undesignated general fund expenditures.
2. Two of the 24 independent school districts and one of the two charter schools were new to the SOD list for Fiscal Year 2003.

Table 2: School Districts and Charter Schools Out of Statutory Operating Debt, Reorganized or Closed as of June 30, 2003.

1. Ten school districts and five charter schools removed their SOD condition as of June 30, 2003, with one charter school going out of business.
2. Of the 15 school districts and charter schools out of statutory operating debt, seven school districts and three charter schools had a positive Net Unreserved General Fund Balance.

Table 3: School Districts and Charter Schools Not Reporting.

Six independent school districts and four charter schools did not report final UFARS data (Minn. Stat. §123B.77, subd. 3).

Table 4: Minnesota School Districts and Charter Schools – Fiscal Years 1985 Through 2003: Negative Operating Debt and Statutory Operating Debt.

1. This table contains data for 19 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 ranged from a low of 27 in FY 1996 to a high of 87 in FY 1993.
4. The number of entities with a Net Negative Unreserved General Fund Balance dropped by 15 from FY 2002 to FY 2003 (55 to 40).
5. 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 1¹
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 2003

Regular and Common District Information			Fiscal Year 2003					
			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						
371	1	Bellingham	-286,564	1,017,642	-28.16%	X	X	2002
286	1	Brooklyn Center	-644,874	12,271,082	-5.26%	NO	NO	2002
836	1	Butterfield-Odin	-118,073	2,104,672	-5.61%	X	X	2000
93	1	Carlton	-184,555	4,579,303	-4.03%	X	X	2002
695	1	Chisholm	-526,470	6,460,239	-8.15%	X	X	2002
182	1	Crosby-Ironton	-691,270	10,322,906	-6.70%	X	X	2002
806	1	Elgin-Millville	-142,753	3,607,855	-3.96%	X	X	1998
2859	1	Glencoe-Silver Lake	-654,097	11,378,398	-5.75%	X	X	2001
316	1	Greenway	-1,486,319	10,251,597	-14.50%	X	NO	1996
200	1	Hastings	-2,521,746	37,182,710	-6.78%	NO	NO	2003
203	1	Hayfield	-273,401	5,407,695	-5.06%	X	X	2002
738	1	Holdingsford	-203,697	6,524,707	-3.12%	X	X	2000
2071	1	Lake Crystal-Wellcome Memorial	-339,295	6,092,882	-5.57%	X	X	2000
482	1	Little Falls	-597,745	19,958,520	-2.99%	X	X	2000
2887	1	McLeod West	-278,419	3,095,530	-8.99%	X	X	2002
635	1	Milroy	-71,414	965,923	-7.39%	X	X	2003
712	1	Mountain Iron-Buhl	-151,200	4,638,915	-3.26%	X	X	2001
815	2	Prinsburg	-87,778	397,596	-22.08%	X	X	2001
256	1	Red Wing	-1,300,780	21,254,398	-6.12%	X	NO	2002
2890	1	Renville County West	-1,569,331	5,719,977	-27.44%	X	X	2001
623	1	Roseville	-2,329,100	50,589,525	-4.60%	X	X	1999
16	1	Spring Lake Park	-2,550,090	26,542,379	-9.61%	X	X	2001
458	1	Truman	-547,288	3,091,456	-17.70%	X	X	2000
277	1	Westonka	-1,135,546	17,097,218	-6.64%	X	NO	2001
177	1	Windom	-757,457	8,019,896	-9.44%	X	X	2001
Charter School Information								
4082	7	Bluesky Charter ²	-19,156	118,542	-16.16%	X	NO	2003
4036	7	Face to Face Academy	-33,758	565,605	-5.97%	X	X	2002

¹ Data Compiled as of 1/16/04

Key on Types

² Operational status for FY 2003 was not finalized as of publication date.

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, 2003**

District		6/30/2002		6/30/2003	
Number and Type	Name	Net Unreserved General Fund Balance	Percent Deficit	Net Unreserved General Fund Balance	Percent Balance
13-1	Columbia Heights	-1,146,565	-5.32%	1,848,602	10.01%
239-1	Rushford-Peterson	-142,691	-3.39%	365,511	8.20%
299-1	Caledonia	-237,223	-3.91%	261,939	4.22%
309-1	Park Rapids	-583,272	-4.21%	-148,090	-1.16%
330-1	Heron Lake-Okabena	-400,557	-15.74%	-23,707	-0.96%
511-1	Adrian	-138,057	-3.76%	338,282	8.81%
545-1	Henning	-111,867	-4.63%	291,949	11.66%
831-1	Forest Lake	-2,155,517	-4.84%	177,944	0.36%
857-1	Lewiston	-165,386	-3.39%	-111,300	-2.20%
2534-1	Bird Island-Olivia-Lake Lillian	-374,004	-6.20%	41,768	0.66%
4003-7	New Heights Charter	-77,499	-8.13%	-8,261	-0.78%
4044-7	Heart of the Earth Charter	-103,392	-4.37%	497,780	33.93%
4060-7	Mexica	No data		Out of business	
4061-7	Studio Academy Charter	-54,611	-6.23%	96,895	13.41%
4069-7	MN Institute of Tech. (McGee)	-111,097	-3.04%	747,303	20.35%

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

Number and Type	Unit Name	Reporting Unit Data 6/30/02		Reporting Unit Data 6/30/03	
		Net Unreserved General Fund Balance	Percent Deficit	Net Unreserved General Fund Balance	Percent Deficit
1-3	Minneapolis	3,490,640	0.85%	2,847,352	0.71%
200-1	Hastings	192,983	0.58%	-2,521,746	-6.78%
286-1	Brooklyn Center	-2,452,309	-18.59%	-644,874	-5.26%
314-1	Braham	149,774	2.63%	399,609	6.64%
883-1	Rockford	1,741,130	16.23%	1,331,574	11.80%
2687-1	Howard Lake-Waverly-Winsted	2,057,256	32.44%	2,056,697	30.21%
4044-7	Heart of the Earth	-193,392	-4.37%	497,780	33.93%
4069-7	MN. Institute of Technology	-111,097	-3.04%	747,303	20.35%
4071-7	Native Arts	-653	-0.14%	No Data Reported	
4101-7	MN North Star	Opened in Fall, 2003		No Data Reported	

Table 4

**Minnesota School Districts & Charter Schools – Fiscal Years 1985 through 2003
Negative Net Unappropriated Operating Debt and Statutory Operating Debt**

Category	Fiscal Years of Study																		
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
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	430
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	34
Number with Net Negative Unreserved General Fund Balance																71	69	55	40
Number of Active Units in Statutory Operating Debt	24	27	19	24	41	52	47	48	54	59	29	17	19	15	31	33	45	40	27