



**DISTRICTS WITH
FISCAL YEAR 2010
STATUTORY
OPERATING
DEBT**

**REPORT
TO THE
LEGISLATURE**

**As required by
Minnesota Statutes,
Section 123B.83,
Subdivision 3**

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As of June 30, 2010

**REPORT
TO THE
LEGISLATURE**

February 15, 2011

**As required by
Minnesota Statutes,
Section 123B.83,
Subdivision 3**

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

ESTIMATED COST OF PREPARING THIS REPORT

This report provides information that the Minnesota Department of Education already collects as part of its normal business function. The cost of information reported below includes the cost of analyzing the data and preparing the 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 \$500.

**Report on Minnesota School Districts and Charter Schools with Excess
Net Negative Operating Fund Balances at the End of Fiscal Year (FY) 2010**

Minnesota Statutes, section 123B.83, Subd. 3, (2010) 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 February 15 of the year following the end of that fiscal year.

This report is notification to legislative committees based upon data compiled on statutory deadlines.

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 to the Minnesota Department of Education (MDE) by November 30 and an audited financial statement to MDE by December 31. (Minnesota Statutes, section 123B.77, Subd. 3).

Districts and charter schools exceed their expenditure limitations when their Net Unreserved General Fund Operating Fund Balance (NUGFB) at year-end (June 30) is a negative amount which exceeds 2.5 percent of their unreserved/undesignated operating expenditures. Units that exceed this operating debt limitation are in Statutory Operating Debt (SOD).

Fiscal Year 2010 is the tenth year that Statutory Operating Debt was calculated using the Net Unreserved General Fund Balance. The NUGFB is the sum of 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 MDE is to provide financial management assistance. Staff members not only monitor and work with traditional districts and charter schools in SOD in the preparation of recovery plans, 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. They also conduct training for management and school board members in financial oversight, the development of fiscal controls, and in the analysis of short- and long-term data sets.

Active Reporting Units in Statutory Operating Debt (SOD) (Table One)

The number of reporting units in SOD decreased from the previous year level of 11 to the current level of 9. There were 6 traditional districts and 3 charter schools in SOD at the conclusion of FY 2010.

Units Removed from the SOD List (Table Two)

Three (3) charter schools were new to the FY 2010 SOD list, and two (2) new traditional school districts were added in FY 2010. One (1) school district and five (5) charter schools were removed from the SOD list for FY 2010. Those schools removed from the FY 2010 SOD list were: Norman County East (traditional school district) and five (5) charter schools - Jennings Experiential High School; Sage Academy; Recovery School of Southern Minnesota (Closed); Main Street School of the Performing Arts; Learning for Leadership, and Quest Academy.

Units not in Compliance with Financial Statement Submission Deadline (Table Three)

Fifty-eight (58) units submitted their hard copy audited financial statements after the December 31, 2010 deadline (extended to January 3, 2011 due to a state holiday). Eight (8) other units did not submit completed financial statements by the date of this report.

Reporting Units with Negative Balance and SOD (Table Four)

The number of reporting school districts remained the same (340) for FY 2010, while the number of reporting charter schools decreased by three (154).

Active Reporting Units in (SOD)

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

There were six (6) traditional independent school districts and three (3) charter schools that had a net negative unreserved general fund balance exceeding 2.5 percent of Fiscal Year 2010 unreserved/undesignated general fund expenditures. Fiscal Year 2009 had a total of five (5) traditional independent school districts and six (6) charter schools in SOD status.

For Fiscal Year 2010, Alden-Conger was new to the traditional school district SOD list and New Visions, Watershed High School, and Richard Allen Math & Science Academy were new to the charter school SOD list.

Table One: Active Traditional Districts and Charter Schools in SOD for FY 2010

School Name			Unreserved	General	FY 2010	Final	Hard	First
No.	Type	Traditional District Information	Gen. Fund	Fund	SOD	UFARS	Audit	Year
			Balance	Expenditures	Calculation	Rec'd	Rec'd	SOD*
93	1	Carlton	-989,557	6,696,236	-14.78%	X	L	2006
242	1	Alden-Conger	-931,459	3,647,674	-25.54%	X	L	2010
286	1	Brooklyn Center	-2,845,030	20,022,285	-14.21%	L	X	2002
458	1	Truman	-251,302	2,951,975	-8.51%	X	X	2006
465	1	Litchfield	-416,087	13,482,245	-3.09%	L	X	2008
671	1	Hills-Beaver Creek	-198,344	2,933,231	-6.76%	L	L	2010
Charter School Information								
4011	7	New Visions Charter School	-315,503	3,441,108	-9.17%	L	L	2010
4092	7	Watershed High School	-110,720	1,063,203	-10.41%	X	X	2010
4196	7	Richard Allen Math & Science Academy	-130,656	970,281	-13.47%	X	L	2010

Key	
Type 1 = Independent School District	X = submitted on time
Type 7 = Charter School	L = submitted after deadline

*Two (2) of the traditional schools and one (1) of the charter schools had been in SOD in prior periods; Carlton, from 2002 through 2004; Truman, from 2000 to 2004 and Watershed High School, from 2006 to 2007.

Carlton and Brooklyn Center, units on the FY 2009 SOD list, remained on the FY 2010 list and went further into debt. Litchfield also remained on the list but improved their SOD status. Carlton, Brooklyn Center and Truman did not meet their approved SOD recovery goals. Each of the units is developing revised SOD recovery plans.

Reporting Units Removed from the SOD List

Table Two contains information on the number and names of traditional districts and charter schools that removed SOD as of June 30, 2010.

One (1) traditional district and six (6) active charter schools removed their SOD condition as of June 30, 2010. Recovery School of Southern Minnesota, an SOD charter school in Fiscal Year 2009, was closed as of the date of this report.

One (1) traditional school district and four (4) charters schools that removed their SOD condition at the end of FY 2010 also recorded a positive Net Unreserved General Fund Balance in the same year. Those units were Norman County East, Jennings Experiential High School, Main Street

School of Performing Arts, Learning for Leadership, and Quest Academy. Jennings Community Learning Center and Quest Academy removed the condition of SOD one year ahead of their plans.

**Table Two: Traditional Districts and Charter Schools
Out of Statutory Operating Debt as of June 30, 2010**

District/School Name		6/30/2009		6/30/2010	
Number and Type	Traditional District	Net Unreserved General Fund Balance	Percent Deficit	Net Unreserved General Fund Balance	Percent Balance
2215-1	Norman County East	-75,145	-9.52%	180,429	5.94%
Charter School					
4031-7	Jennings Experiential High School	-135,712	-19.72%	71,012	11.25%
4087-7	Sage Academy	-156,921	-13.96%	-1,538	-0.17%
4110-7	Main Street School of Performing Arts	-154,635	-6.63	228,757	11.30%
4163-7	Learning for Leadership	-146,706	-4.78	36,390	1.62%
4182-7	Quest Academy	-82,864	-4.33	40,246	2.35%

Reporting Units with Negative Balances and SOD

Effective at the conclusion of FY 2001, the SOD calculation was changed to include only Fund 1 expenditures and fund balances. Prior to this change, the number of reporting units having a net negative fund balance were reported across Funds 1, 2 and 4. **Table Three** contains data on the number of reporting units and their fiscal condition.

The lowest number of reporting units (traditional school districts and charter schools) over this 20-year period of time was 374 in FY 1997. The largest number of units was 498 units in FY 2009. The increase was due to the opening of new charter schools. Bellingham and McLeod consolidated with other districts for FY 2010 and will reduce the number of reporting traditional school districts from 340 to 338.

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. With the new SOD calculation in FY 2001, the lowest number of units with a negative balance was in FY 2010. The number of active entities with a Net Negative Unreserved General Fund Balance decreased by three (3) from FY 2009 to FY 2010 (23 to 20). Of the three (3) units with a negative fund balance and not in SOD, two (2) of those units had a negative fund balance that was less than 1 percent.

The number of active units with SOD reached an all time low of nine (9) in FY 2010. The highest number of units was 59 in FY 1994. For FY 2010, the number of traditional school districts in SOD increased by one (1) school district and the number of charter schools decreased by three (3) schools.

**Table Three: Districts and Charter Schools – Fiscal Years 1991 through 2010
Negative Net Unappropriated Operating Debt and Statutory Operating Debt**

Category	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
School Districts								349	347	346	345	343	343	343	343	343	340	340	340	340
Charter Schools								29	40	56	68	82	87	112	134	139	149	156	157	154
Total	430	425	413	401	395	378	374	378	387	402	416	411	431	455	477	482	489	496	497	494
Net Negative Unappropriated Operating Fund Balance (1,2,4)	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	36	44	35	23	20
Active Units in Statutory Operating Debt	47	48	54	59	29	17	19	15	31	33	45	40	25	25	24	22	24	17	11	9

Units Not Meeting Statutory Deadlines

The Minnesota Department of Education (MDE) received final FY 2010 Uniform Financial Accounting and Reporting Standards (UFARS) data from 555 school districts and charter schools. Minnesota Statutes, section 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 (hard copy audit) to MDE by December 31. Tables 4 and 5 report districts that did not meet the statutory deadlines for reporting audited UFARS data and submitting an audited financial statement, respectively.

4	McGregor	499	Leroy	926	Region 4-Lakes Country Service Coop
13	Columbia Heights	500	Southland	927	Region 3-Northeast Service Coop
22	Detroit Lakes	516	Round Lake	930	Carver-Scott Ed. Coop
81	Comfrey	549	Perham	993	Minnesota River Valley
84	Sleepy Eye	553	New York Mills	2142	St. Louis County
85	Springfield	595	East Grand Forks	2144	Chisago Lakes
91	Barnum	611	Cyrus	2149	Minnewaska
94	Cloquet	622	North St. Paul-Maplewood	2154	Eveleth
100	Wrenshall	625	St. Paul Public School	2155	Wadena-Deer Creek
115	Cass Lake-Bena	640	Wabasso	2164	Dilworth-Glyndon-Felton
118	Northland Community Schools	671	Hills-Beaver Creek	2396	A.C.G.C.
146	Barnesville	676	Badger	2536	Granada Huntley-East Chain
150	Hawley	696	Ely	2580	East Central
186	Pequot Lakes	698	Floodwood	2711	Mesabi East
192	Farmington	706	Virginia	2752	Fairmont
196	Rosemount-Apple Valley-Eagan	709	Duluth	2753	Long Prairie-Grey Eagle
199	Inver Grove Heights	742	St. Cloud	2759	Eagle Valley
206	Alexandria	748	Sartell-St. Stephen	2886	Glenville-Emmons
253	Goodhue	750	Rocori	2897	Redwood
281	Robbinsdale	771	Chokio-Alberta	4006	Skills for Tomorrow
283	St. Louis Park	786	Bertha-Hewitt	4011	New Visions
284	Wayzata	787	Browerville	4012	Emily
286	Brooklyn Center	818	Verndale	4149	Cygnus
294	Houston	820	Sebeka	4079	Friendship Academy of Fine Arts
314	Braham	821	Menahga	4086	Woodson Institute for Excellence
316	Greenway	836	Butterfield	4108	General John Vessey Jr. Leadership
398	Midwest Special Ed. Coop	837	Madelia	4113	Fraser Academy
413	Marshall	840	St. James	4118	Kaleidoscope
424	Lester Prairie	852	Campbell-Tintah	4119	River heights Recovery School of Southern Minnesota
465	Litchfield	885	St. Michael-Albertville	4154	Minnesota
484	Pierz	911	Cambridge-Isanti	4178	Lincoln International
485	Royalton	912	Milaca	4192	Best Academy
495	Grand Meadow	914	Ulen-Hitterdal	6014	Runestone Area Ed. District
				6079	Rum River Special Ed. Coop

Table Five lists reporting units that did not comply with the statutory deadline to report audited financial statements by January 3, 2011 (postmarked). Some of the units had not submitted financial statements as of February 15, the due date of this report.

Table 5 A. Financial Statements Submitted after the January 3, 2011

11	Anoka-Hennepin	771	Chokio-Alberta	4039	H.S. for Recording Arts
38	Red Lake	852	Campbell-Tintah	4045	Lakes Area Charter
84	Sleepy Eye	866	ESV Region 4	4082	Bluesky Charter
93	Carlton	867	Region 3	4087	Sage Academy
100	Wrenshall	891	Canby	4153	Dugsi Academy
242	Alden	912	Milaca	4168	Glacial Hills Elementary
287	Intermediate District 287	916	Intermediate NE Metro	4180	Emily O. Goodridge-Grey
294	Houston	930	Carver-Scott Ed. Coop	4192	Best Academy
319	Nashwauk-Keewatin	957	Oak Land Voc. Center	4196	Richard Allen Math/Science
323	Franconia	978	Minnesota Valley Coop	6003	East Central MN Ed. Cable Coop.
362	LittleFork-Big Falls	991	Region 6 & 8 - SW/WC	6027	MN Valley Coop Center
398	Midwest Special Ed. Coop	2142	St. Louis County School Dist.	6040	Little Crow Tele-Media
477	Princeton	2144	Chisago Lakes	6048	Wasioja Ed. Tech. Center
485	Royalton	2154	Eveleth-Gilbert	6049	River Bend Ed. District
513	Brewster	2396	A.C.G.C.	6067	East Metro Integration Dist.
516	Round Lake	2884	Red Rock Central	6072	Valley Crossing Community
595	East Grand Forks	4011	New Visions Charter	6080	Infinity (Digital Academy Joint Powers)
640	Wabasso	4012	Emily Charter School	6083	Benton-Stearns Ed. Dist.
671	Hills-Beaver Creek	4028	Eci' Nompá Woonspe		
707	Nett Lake	4032	Harvest Prep School/Seed		

Table 5 B. Financial Statements not Submitted as of February 15, 2011

264	Herman-Norcross	4006	Skills for Tomorrow Charter School
611	Cyrus	4138	Milroy Area Charter School
698	Floodwood	4149	Cygnus Academy Charter School
2886	Glenville-Emmons	4154	Recovery School of So. Minnesota