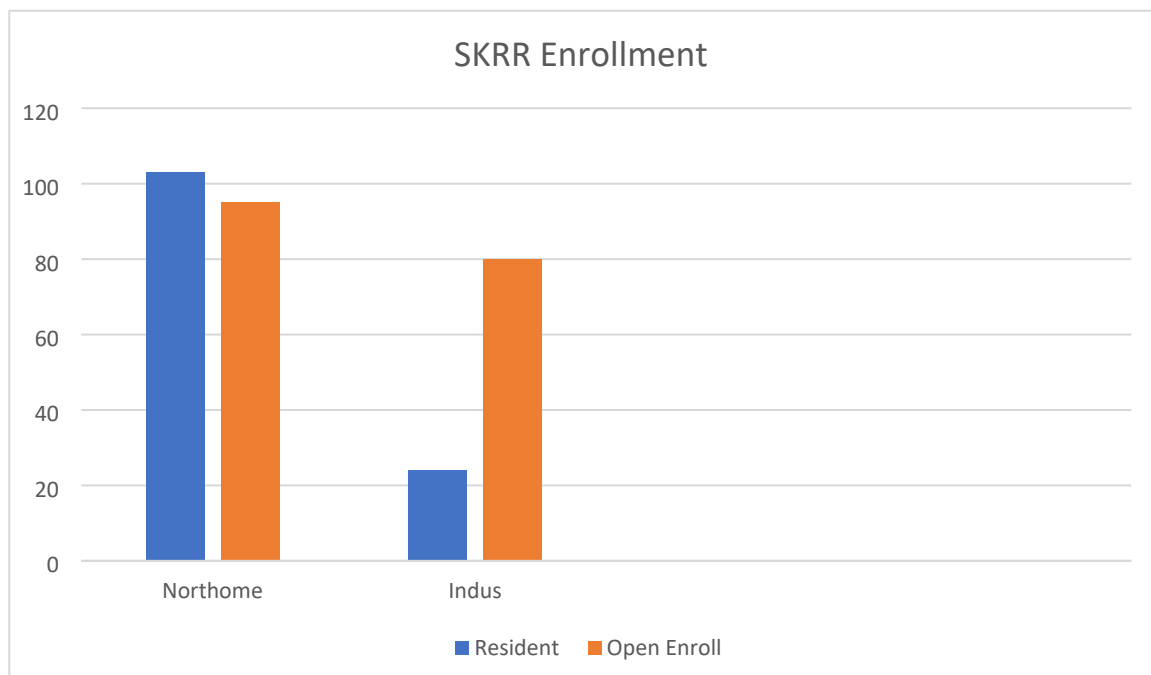


Northome Membership Count Report																
From: 03/07/2023 - Tuesday to: 03/07/2023 - Tuesday																
Day		EC	KG	1	2	3	4	5	6	7	8	9	10	11	12	Total
3/7/2023	F	12	7	5	6	3	2	6	5	13	13	6	9	4	5	96
	M	8	4	5	6	9	7	10	9	5	14	7	8	3	7	102
	Totals	20	11	10	12	12	9	16	14	18	27	13	17	7	12	198
Indus Membership Count Report																
From: 03/07/2023 - Tuesday to: 03/07/2023 - Tuesday																
Day		EC	KG	1	2	3	4	5	6	7	8	9	10	11	12	Total
3/7/2023	F	4	2	5	0	3	5	2	4	4	6	6	2	6	3	52
	M	8	2	2	2	3	3	2	2	3	8	3	5	3	6	52
	Totals	12	4	7	2	6	8	4	6	7	14	9	7	9	9	104

District Membership Count as of 3/7/23

Competition for students among the County's three main school districts (I-Falls, LF-BF, and SKRR) has been keen. Currently, there are five school districts that send buses into Koochiching County. However, open enrollment has been a positive factor for the school district. In the 2022-2023 school year, Northome School received 95 open enrolled students, which make up 48% of the current **PreK-12** school enrollment of **198** pupils. Northome currently has 103 resident students that make up 52% of the student population. Indus has **104 PreK-12** grade students enrolled in the 2022-2023 school year. A breakdown of enrollment shows that 24 of these students are school district residents or 23% of the total enrollment and 80 pupils or 77% of the current enrollment are open enrolled. The graph below gives a visual breakdown of this data:



Financial Situation

Below is the Revised FY23 budget with an anticipated deficit of \$856,668 dollars out of Fund01 or the District's General Fund. Of this anticipated deficit in the amount \$856,668, the remaining balance of the roofing project was paid out in the amount of \$464,884. If we subtract the remaining balance of the roofing project, the anticipated deficit in Fund01 lands at \$391,784.

*FY 23 Adopted Budget includes a transfer of \$74,711 from the general fund to the food service fund and a transfer of \$43,240 from the general fund to the community service fund.			
FY 23 Revised Budget			
FUNDS	FY 23 Expenditures	FY 23 Revenue	
01 General	\$6,939,677.00	\$6,083,009.00	-\$856,668.00
02 Food Service*	\$270,361.00	\$270,361.00	\$0.00
04 Community Service*	\$94,485.00	\$94,485.00	\$0.00
07 Debt Service	\$267,200.00	\$183,182.00	-\$84,018.00
08 Trust and Agency	\$20,000.00	\$20,000.00	\$0.00
			\$0.00
Total	\$7,591,723.00	\$6,651,037.00	-\$940,686.00

The revised budget excluding the roofing project shows an anticipated deficit of \$391,784. When we compare this to the FY23 Adopted budget from June of 23, the deficit from Fund01 or the General Fund is higher than anticipated.

*FY 23 Adopted Budget includes a transfer of \$74,711 from the general fund to the food service fund and a transfer of \$43,240 from the general fund to the community service fund.			
FY 23 Adopted Budget			
FUNDS	FY 23 Expenditures	FY 23 Revenue	
01 General	\$6,418,739.00	\$6,147,823.00	-\$270,916.00
02 Food Service*	\$270,361.00	\$270,361.00	\$0.00
04 Community Service*	\$94,485.00	\$94,485.00	\$0.00
07 Debt Service	\$267,200.00	\$183,182.00	-\$84,018.00
08 Trust and Agency	\$20,000.00	\$20,000.00	\$0.00
			\$0.00
Total	\$7,070,785.00	\$6,715,851.00	-\$354,934.00

The District's projected unassigned fund balance at the end of FY23 will be around 2.3 million dollars.

With anticipated capital expenditures of the Indus Wastewater Facility (\$350,000-\$400,000), Northome Gymnasium Scoreboards (\$20,000) and Repair of the Northome school elevator (\$80,000), we can decrease this amount by \$500,000 and anticipate an unassigned fund balance of **1.8 million** by the end of Fiscal Year 24.

If our current enrollment trends remain the same Northome K-12 (180) and Indus K-12 (92), and revenues stay the same, we are anticipating a deficit of roughly \$350,000-\$400,000 for each upcoming year. If we take the Unassigned Fund Balance and divide this by \$400,000, we end up with 4.5 years before the school district is in Statutory Operating Debt.

According to the Minnesota Department of Education School districts and charters schools are required to comply with Minnesota Statutes, section 123B.83 – **Expenditure Limitations, which requires that a district must limit its expenditures so that the calculated net unreserved general fund balance or “operating debt” as of June 30 does not constitute Statutory Operating Debt (SOD).** According to Minnesota Statutes, section 123B.81, subdivision 2, SOD exists if the school's

operating debt is more than 2 1/2 percent of the most recent fiscal year's (FY) expenditure amount.

A SOD plan for the fiscal year indicated is required to be submitted to the Minnesota Department of Education (MDE) by January 31 of the following year. The school and the school board of education are required to create and implement a Special Operating Plan, which is formally approved through a board resolution and submitted to the commissioner of the Minnesota Department of Education for approval. More information regarding statutory operating debt can be found here. <https://education.mn.gov/MDE/dse/schfin/fin/sod/index.htm>

An explanation why this has occurred is that we adjusted the County Timber/Con Con revenue from \$650,000 to \$450,000. A decrease in revenue of \$200,000. The below information shows County Timber/Con Con revenue received from 2018 through the Fall of 2023. As we can see the revenue has decreased by \$451,756 from 2018 to 2021 and \$345,498 from 2018 to 2022.

County Timber Revenue

Fiscal Year 18	\$873,132		
Fiscal Year 19	\$788,281		
Fiscal Year 20	\$661,004		
Fiscal Year 21	\$421,376		
Fiscal Year 22	\$527,634	Check #1 10/06/21	\$196,009
		Check #2 4/13/22	\$331,625
Fiscal Year 23	\$160,030	Check #1 9/21/22	

District Expenditures

I have selected to use FY21 that will show a per building breakdown of expenditures that includes Fund 01 (General Fund), Fund 02 (Food Services), Fund 04 (Community Education), along with some Capital (Site) and Administration Costs. We find the total expenditures for the Indus school at \$2,633,590.37 and Northome school with \$3,602,707.33.

This is excluding \$167,168 received in FY21 Federal Covid-19 relief dollars that were used for specific expenditures.

I chose to use FY21 versus FY22 because the revenue of ESSER revenue was much greater in FY22 (\$854,344) versus FY21 (\$167,168) and does not accurately depict a typical school year of expenditures.

Indus FY21 Expenditures				
Fund	Org	Program	Amount	
2	202	Food Service	\$ 118,134.91	
4	502	Community Ed.	\$ 48,885.58	
1	602	Transportation	\$ 209,142.88	
1	60	Indus High School	\$ 1,135,049.34	
1	90	Indus Elementary	\$ 655,984.66	
22		Student Activity Groups		
		Sites & Buildings	\$ 312,274.50	
		District Support Services		
		Administration	\$ 154,118.50	
		Fixed Costs		
		Interest on Long-Term Debt		
		Depreciation - Unallocated		
		Total	\$ 2,633,590.37	
		Fin.	151	\$ 80,835.34
		Fin.	153	\$ 5,887.28
		Fin.	154	\$ 80,445.23
				\$ 167,167.85

Northome FY21 Expenditures			
<u>Fund</u>	<u>Org</u>	<u>Program</u>	<u>Amount</u>
2	201	Food Service	\$ 148,722.74
4	501	Community Ed.	\$ 31,309.14
1	601	Transportation	\$ 378,547.76
1	70	Northome High School	\$ 1,536,092.94
1	80	Northome Elementary	\$ 1,075,531.07
22		Student Activity Groups	
		Sites & Buildings	\$ 312,274.50
		District Support Services	
		Administration	\$ 154,118.50
		Fixed Costs	
		Interest on Long-Term Debt	
		Depreciation - Unallocated	
		Total	\$ 3,602,707.23
	Fin.	151	\$ 80,835.34
	Fin.	153	\$ 5,887.28
	Fin.	154	\$ 80,445.23
			\$ 167,167.85

When we take the Northome school total expenditure of \$3,602,707.23 and divide this among the 181 K-12 students enrolled in FY21, Northome school ends up with a per pupil expenditure of \$19,904.45. When we do the same for the Indus school and divide the total expenditure of \$2,633,590.37 by 100 K-12 students, Indus school ends up with a per pupil expenditure of \$26,335.90.

Per Pupil Expenditure including Fund 01, Fund 02 and Fund 04

Northome School \$19,904.45

Indus School

\$26,335.90

District Per Pupil Revenue \$23,075

Moving onto the revenue side, the District receives approximately 87% of total Revenue from State and Local funds. Below is a visual from our FY21 audit that shows all of the District's revenue of \$6,484,100 for FY21.

**INDEPENDENT SCHOOL DISTRICT NO. 363
NORTHOME, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

Change in Net Position

Table A-2 presents the change in net position of the District.

**Table A-2
Change in Net Position**

	<u>2021</u>	<u>2020</u>	<u>Total Percentage Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 20,493	\$ 51,884	(60.5) %
Operating Grants and Contributions	1,613,776	1,378,474	17.1
Capital Grants and Contributions	200,686	116,608	72.1
General Revenues			
Property Taxes	1,204,064	1,158,787	3.9
Unrestricted State Aid	3,299,343	3,490,870	(5.5)
Other Sources	145,738	372,921	(60.9)
Total Revenues	<u>6,484,100</u>	<u>6,569,544</u>	(1.3)

When we look at the difference between revenue and expenditures on a per building basis, we see that....

Northome school has a Net of \$3,170.55 per student

Indus school has a deficit of \$3,260.09 per student

Additional District-Wide Expenditures (FY21 Audit) not included in the building data.

District Support Services \$193,851

Fixed Costs \$61,774

Interest on Long-Term Debt \$9886

Depreciation (Unallocated) \$171,600

Total \$437,111

If we compare a “Typical” school expenditure year as FY21 data and use the Northome school expenditure amount of \$3,602,707.23 and the Indus school Expenditure amount of \$2,633,590 and then compare this with our current 2023 K-12 membership count. We find that Northome school currently has 178 K-12 students and Indus has 92 K-12 students.

Northome School Estimate of FY23 Per Pupil Expenditure \$20,239.92

Indus School Estimate of FY23 Per Pupil Expenditure \$28,625.97

In an effort to ensure the district’s fiscal responsibility over the course of upcoming years, I am proposing the Board review these identifiable expenditure reductions.

Option #1

- Reduce the District staffing by 4 Para Positions (2 Indus and 2 Northome) \$120,000
- Eliminate Choir and Band Programs (Indus and Northome) \$100,000
- Share 1 School Nurse between buildings (Indus and Northome) \$25,000
- Eliminate Late Rides (Indus and Northome) \$90,000
- Split Superintendent Position with neighboring District .5FTE (\$60,000)
- Eliminate Northome German Language Classes .3FTE (\$15,000)

Estimated Savings **\$410,000**

Option #2

- Eliminate all athletic programs (Indus and Northome) \$250,000
- Eliminate all district revenue dependent clubs and activities (I&N) \$80,000
- Eliminate 2 FT Para Positions (1 Indus and 1 Northome) \$60,000
- Share 1 School Nurse between buildings (Indus and Northome) \$25,000

Estimated Savings **\$415,000**

Option #3

- Close Northome Facility Revenue \$23,075 x 180 (K-12) **\$4.153 Million**

Expenditure FY21 Audit **\$3.636 Million**

Net Revenue **\$517,000**

Option #4

• Close Indus Facility	Revenue \$23,075 x 92 (K-12) \$2.122 Million
	Expenditure FY21 Audit \$2.667 Million
	Estimated Savings \$545,000

Disclaimer: If option 3 and/or 4 is decided and approved, the Board is making a motion to pursue the possibility of closing a school building. This process would include a published notice, public hearing, public testimony, and a hearing officer. This process is pursuant to MN Statute 123B.51 Schoolhouses and sites; uses for school and non-school purposes; closings.

If the Board Chooses Option #3 or #4, here are some things to consider.

ANALYSIS

Minnesota Statutes section 123B.09, subdivision 1, provides that the care, management and control of the School District is vested in the School Board. Minnesota Statutes section 123B.02, subdivision 1, provides that the School Board shall have charge of the schoolhouses of the School District. Minnesota Statutes section 123B.02, subdivision 2, grants authority to the School Board to discontinue such schools as it may deem advisable.

The statutory procedural requirements for closing a school are set forth in Minnesota Statutes section 123B.51, subdivision 5, which provides:

Accordingly, the following is an outline of the procedural steps that the School Board must follow under the statute in order to close a school:

The board may close a schoolhouse only after a public hearing on the question of the necessity and practicability of the proposed closing.

Published notice of the hearing shall be given for two weeks in the official newspaper of the district.

The time and place of the meeting, the description and location of the schoolhouse, and a statement of the reasons for the closing must be specified in the notice.

Parties requesting to give testimony for and against the proposal shall be heard by the board before it makes a final decision to close or not to close the schoolhouse.

1. The School Board must publish notice of a public hearing on the necessity and practicability of the proposed school closing.

a. The notice must be published at least once a week for two weeks in the official newspaper of the School District.

b. The notice must specify:

- i. The time of the hearing;
- ii. The place of the hearing;
- iii. The description and location of the school to be closed;
- iv. A statement of the reasons for the proposed closing.

2. The date for the public hearing must be scheduled at least seven days after the last date of publication.

3. The public hearing must be held before the School Board makes its final decision.

4. The School Board must allow testimony for and against the proposal before a final decision is made.

5. The School Board must then vote on whether or not to close the school.