



Districts with Statutory Operating Debt

Fiscal Year 2017

Report to the Legislature

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

COMMISSIONER:

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Cost of Report Preparation

The total cost for the Minnesota Department of Education (MDE) to prepare this report was approximately **\$228.55**. Most of these costs involved staff time in analyzing data from surveys and preparing the written report. Incidental costs include paper, copying and other office supplies.

Estimated costs are provided in accordance with Minnesota Statutes, section 3.197, which requires that at the beginning of a report to the Legislature, the cost of preparing the report must be provided.

Legislative Charge

Under Minnesota Statutes, section 123B.81, Subdivision 2 a school district or charter school¹ is in Statutory Operating Debt (SOD) when it reports a year-end net negative unreserved general fund balance exceeding more than 2-1/2 percent of its unreserved/undesignated operating expenditures.

Introduction

This report is notification to the Legislature of school districts and charter schools in Statutory Operating Debt (SOD), as required by Minnesota Statutes, section 123B.83, Subdivision 3, (2016):

“If a 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.”

The information in this report has been compiled from Fiscal Year (FY) 2016 Uniform Financial Accounting and Reporting Standards (UFARS) financial data. All Minnesota school districts and charter schools² must report their audited financial data for the previous fiscal year to the Minnesota Department of Education (MDE) by November 30 and submit an audited financial statement to MDE by December 31 (Minn. Stat. § 123B.77, Subd. 3).

By January 31 of the following fiscal year, a district/school in SOD and its 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 MDE for approval. SOD plan requirements consist of narratives on the districts/schools current SOD position; budget development and financial management processes; ongoing financial monitoring processes and procedures; special operating plan budget projections and school board resolution. MDE staff members work with school districts and charter schools in preparation of the special operating plan and monitor district/school progress.

Note: Effective for FY 2011 and later years, UFARS fund balance account codes were modified to accommodate the implementation of Government Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. Under these.

¹ Under Minnesota Statutes, section 124E.16, Subdivision 1, charter schools must comply with Minnesota Statutes, section 123B.81.

² Under Minnesota Statutes, section 124E.16, Subdivision 1, charter schools must comply with Minnesota Statutes, section 123B.77.

Analysis

There were five active³ schools in SOD at the close of FY 2016: three independent school districts and two charter schools (Table 1). FY 2015 had a total of two independent school districts and one charter school in SOD status.

One charter school in SOD in FY 2015 was no longer in SOD at the close of FY 2016: New Heights School Incorporated #4003.

Among the entities in SOD at the close of FY 2016, three school districts had been in SOD in prior periods: Swanville Public Schools #486 in FY 2013 – FY 2015, Truman Public Schools #458 in FY 2011 and Eagle Valley Public Schools #2759 in FY 2013.

Table 1: Active School Districts and Charter Schools in SOD at the Close of FY 2016

Number	Type	Name	Unreserved General Fund Balance	General Fund Expenditures	FY 2016 SOD Calculation	Final UFARS Received	Final Audit Received	FY 2016 SOD Plan Received	Fiscal Years in SOD
458	1	Truman	-414,648	2,529,305	-16.39	X	X	Yes	Preceding Year 2011 and 2016
486	1	Swanville	-241,294	2,821,421	-8.55	X	X	Yes	2013-2016
2759	1	Eagle Valley	-163,153	2,542,534	-6.42	X	X	No	Preceding Year 2013 and 2016
<i>Charter</i>	<i>School</i>								
4230	7	Minnesota Early Learning Academy	-243,081	1,968,792	-12.35	X	X	Yes	2016
4250	7	Athlos Academy of Saint Cloud	-9,709	14,709	-66.01	X	X	Yes	2016

³ Sixteen reporting entities had net negative unreserved general fund balances in FY 2016. Two charter schools closed: Minneapolis College Preparatory Charter School #4203 and Freedom Academy Charter School #4216. Five active SOD schools in FY 2016 are listed in Table 1.

Conclusion

Table 2 illustrates historical data. Since FY 2000, SOD has been calculated using the sum of the unreserved/undesignated fund balance accounts of the general fund only. Prior to FY 2000, the SOD calculation included food service fund and community service fund balances, as well as statutory reserve accounts in the general fund.

**Table 2: School Districts (Types 1, 2, 3, 6, and 8) and Charter Schools (Type 7)
Fiscal Years 1996 through 2016
Negative Net Unappropriated Operating Debt and Statutory Operating Debt**

Category	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
School Districts	-	-	349	347	346	345	343	343	343	343	343	340	340	340	340	340	340	339	338	336	336
Charter Schools	-	-	29	40	56	68	82	87	112	134	139	149	156	157	154	154	150	156	157	167	176
Total	378	374	378	387	402	413	425	430	455	477	482	489	496	497	494	494	490	495	495	503	512
Net Negative Unappropriated Operating Fund Balance (1,2,4)	27	29	33	52	56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Negative Unreserved General Fund Balance	-	-	-	-	71	69	55	40	32	31	36	44	35	23	20	10	12	17	12	15	16
Active Units in Statutory Operating Debt	17	19	15	31	33	45	40	25	25	24	22	24	17	11	9	8	10	12	11	3	5

Bibliography

MDE Data Bridge Database for school year 2015-2016.