Minnesota Department of Education

Districts with Statutory Operating Debt

Fiscal Year 2013

Report

To the

Legislature

As required by

Minnesota Statutes,

section 123B.83, Subdivision 3

COMMISSIONER:

Brenda Cassellius, Ed. D.

Districts with Statutory Operating Debt

February 15, 2014

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Cost of Report Preparation

The total cost for the Minnesota Department of Education (MDE) to prepare this report was approximately $260.00 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.

Report on Minnesota School Districts and Charter Schools in Statutory Operating Debt (SOD) for Fiscal Year (FY) 2013

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, (2013):

"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."

The information in this report has been compiled from FY 2013 Uniform Financial Accounting and Reporting Standards (UFARS) financial data. All Minnesota school districts and charter schools[1] 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.

Under Minnesota Statutes, section 123B.81, a school district or charter school[2] is in SOD when it reports a year-end negative Net Unreserved General Fund Balance (NUGFB) which exceeds 2.5 percent of its unreserved/undesignated operating expenditures.

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 the Minnesota Department of Education 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 new accounting standards, general fund ending balances formerly reported in 422 Unreserved/Undesignated are now classified into one of five categories: 1) Nonspendable, 2) Restricted, 3) Committed,4) Assigned or 5) Unassigned. The SOD calculation for FY 2013 includes the following fund balance accounts: 418 Committed for Separation/Retirement Benefits; 460 Nonspendable Fund Balance; 461 Committed Fund Balance; 462 Assigned Fund Balance; 464 Restricted Fund Balance; and 422 Unassigned Fund Balance.

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[1] Under Minnesota Statutes, section 124D.10, Subdivision 8 (j), charter schools must comply with Minnesota Statutes, section 123B.77.

[2] Under Minnesota Statutes, section 124D.10, Subdivision 8 (j), charter schools must comply with Minnesota Statutes, section 123B.81.

There were 12 active[3] schools in SOD at the close of FY 2013: seven independent school districts and five charter schools (Table One and Two). Fiscal Year 2012 had a total of four independent school districts and six charter schools in SOD status.

The following districts/charter schools in SOD in FY 2012 were no longer in SOD at the close of FY 2013: Hendricks Public School #402, Bluesky Charter School #4082, Watershed High School #4092.

Among the entities in SOD at the close of FY 2013, one school district and one charter school had been in SOD in prior periods: Kimball Public School #739 in FY 2005 and Woodson Institute for Excellence #4086 in FY 2004.

Loveworks Academy for Arts #4139 and Woodson Institute for Student Excellence #4086, on the FY 2012 SOD list, did not meet their FY 2013 special operating plan goals.

Table One: Active School Districts in SOD at the Close of FY 2013

School District Number	School District Type	Name	Unreserved General Fund	General Fund Expenditures	FY 2013 SOD Calculation	Final UFARS Received	Final Audit Received	FY 2013 SOD Plan Received	Fiscal Years in SOD
242	1	Alden-Conger	-362,111	3,924,570	-9.23	X	X	Yes	2010 - 2013
286	1	Brooklyn Center	-1,311,661	20,253,062	-6.48	L	X	Yes	2002 - 2013
403	1	Ivanhoe	-950,608	3,047,432	-31.19	L	L	Yes	2013
486	1	Swanville	-154,207	2,997,139	-5.15	X	X	Yes	2013
671	1	Hills-Beaver Creek	-402,563	2,935,076	-13.72	X	X	Yes	2010 - 2013
739	1	Kimball	-255,681	6,093,196	-4.20	X	X	Yes	2013
2759	1	Eagle Valley	-275,606	2,568,229	-10.73	X	X	Yes	2013

Table Two: Active Charter Schools in SOD at the Close of FY 2013

Charter School Number	Charter School Type	Name	Unreserve d General Fund	General Fund Expenditures	FY 2013 SOD Calculation	Final UFARS Received	Final Audit Received	FY 2013 SOD Plan Received	Fiscal Years in SOD
4086	7	Woodson Institute for Student Excellence	-890,835	3.607,142	-24.70	X	X	Yes	2012 - 2013
4139	7	Loveworks Academy for Arts	-112,633	2,265,370	-4.97	X	X	Yes	2012 - 2013
4203	7	Minneapolis College Preparatory	-179,721	1,068,178	-16.83	X	X	Yes	2013
4208	7	Nasha Shkola	-29,818	1,179,574	-2.53	X	X	Yes	2013
4209	7	Mastery School	-175,465	2,169,234	-8.09	X	X	Yes	2013

X = UFARS financial data submitted by statutory deadline
L = UFARS late submission – financial data submitted after the statutory deadline
N = UFARS final audited data not submitted
Yes/No = FY 2013 SOD special operating plan received by statutory deadline

[3] Seventeen reporting entities had net negative unreserved general fund balances in FY 2013. Four charter schools, Lakes Area Charter School #4045, Metro Tech Academy #4173, Quest Academy #4182 and Minnesota School of Science #4202, closed. One school district, Round Lake Public School #516, consolidated with Brewster Public School District #513 effective FY 2014 (new Independent School District (ISD) #2907). Twelve active SOD schools are listed in Table One.

Table Three illustrates historical data. Since Fiscal Year 2000, Statutory Operating Debt has been calculated using the sum of the Unreserved/Undesignated fund balance accounts of the general fund only. Prior to Fiscal Year 2000, the SOD calculation included food service fund and community service fund balances, as well as statutory reserve accounts in the general fund.

Table Three: School Districts (Types 1, 2, 3 and 6) and Charter Schools (Type 7) Fiscal Years 1994 through 2013

Negative Net Unappropriated Operating Debt and Statutory Operating Debt

Category	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
School Districts					349	347	346	345	343	343	343	343	343	340	340	340	340	340	340	339
Charter Schools					29	40	56	68	82	87	112	134	139	149	156	157	154	154	150	156
Total	401	395	378	374	378	387	402	413	425	430	455	477	482	489	496	497	494	494	490	495
Net Negative Unappropriated Operating Fund Balance (1,2,4)	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	10	12	17
Active Units in Statutory Operating Debt	59	29	17	19	15	31	33	45	40	25	25	24	22	24	17	11	9	8	10	12