Minnesota Department of Education

Districts with

Fiscal Year 2011

Statutory Operating Debt

February 15, 2012

FY 2011
Report
To the
Legislature

As required by
Minnesota Statutes
2011
Section 123B.83,
Subdivision 3

COMMISSIONER:

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As required by
Minnesota Statutes
2011
Section 123B.83
Subdivision 3

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

Cost of Report Preparation

The total cost for the Minnesota Department of Education (MDE) to prepare this report was approximately $250.00. 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 2011, 3.197, which requires that at the beginning of a report to the legislature, the cost of report preparation must be provided.

Report on Minnesota School Districts and Charter Schools in Statutory Net Negative Operating Debt at the End of Fiscal Year (FY) 2011

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, (2011):

> *"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 2011 Uniform Financial Accounting and Reporting Standards (UFARS) 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 have been 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 2011 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, Subd. 8 (j), charter schools must comply with Minn. Stat.§ 123B.77.
[2] Under Minnesota Statutes, section 124D.10, Subd. 8 (j), charter schools must comply with Minn. Stat.§ 123B.81.

There were eight schools in SOD at the close of FY 2011: five independent school districts and three charter schools (Table One). Fiscal Year 2010 had a total of six independent school districts and three charter schools in SOD status.

The following districts/schools in SOD in FY 2010 were no longer in SOD at the close of FY 2011: Litchfield, ISD No. 465; New Visions Charter School, No. 4011; and Richard Allen Math & Science Academy, No. 4196 (Richard Allen Math & Science Academy closed on June 30, 2011). Two new charter schools were added to the SOD list: Metro Tech Academy, No. 4173 (formerly Dunwoody Academy), and Quest Academy, No. 4182.

Table One: Active School Districts and Charter Schools in SOD at the Close of FY 2011

Number	Type	Name	Unreserved General Fund	General Fund Expenditures	FY 2011 SOD Calculation	Final UFARS Received	Final Audit Received	Fiscal Years in SOD
School Districts								
93	1	Carlton	-752,082	4,516,732	-16.65%	X	X	2006 - 2011
242	1	Alden-Conger	-703,800	3,751,615	-18.76%	X	X	2010 - 2011
286	1	Brooklyn Center	-3,219,481	21,369,947	-15.07%	X	X	2002 - 2011
458	1	Truman	-211,353	3,030,042	-6.98%	L	X	2006 - 2011
671	1	Hills-Beaver Creek	-143,926	3,123,699	-4.61%	L	X	2010 - 2011
Charter Schools								
4092	7	Watershed High School	-229,885	900,514	-25.53%	L	L	2010 - 2011
4173	7	Metro Tech Academy (Dunwoody Academy)	-490,297	2,114,084	-23.19%	L	X	2011
4182	7	Quest Academy	-185,225	1,492,953	-12.41%	L	L	2011

Submitted by statutory deadline
L = Submitted after the statutory deadline

Among the entities in SOD at the close of FY 2011, two of the school districts and two of the charter schools had been in SOD in prior periods: Carlton from FY 2002 through FY 2004; Truman from 2000 to 2004; Watershed High School from 2006 to 2007 and Quest Academy in 2009.

Carlton, Brooklyn Center and Watershed High School, units on the FY 2010 SOD list, did not meet their FY 2011 special operating plan goals. Alden-Conger, Truman and Hills Beaver Creek improved their SOD status.

Table Two illustrates historical data. Since FY 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 Two: Districts and Charter Schools – Fiscal Years 1992 through 2011
Negative Net Unappropriated Operating Debt and Statutory Operating Debt

Category	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
School Districts							349	347	346	345	343	343	343	343	343	340	340	340	340	340
Charter Schools							29	40	56	68	82	87	112	134	139	149	156	157	154	154
Total	425	413	401	395	378	374	378	387	402	413	425	430	455	477	482	489	496	497	494	494
Net Negative Unappropriated Operating Fund Balance (1,2,4)	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	10
Active Units in Statutory Operating Debt	48	54	59	29	17	19	15	31	33	45	40	25	25	24	22	24	17	11	9	8