



Districts with Statutory Operating Debt

Fiscal Year 2016

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, 2016

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FY 2015

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Cost of Report Preparation

The total cost for the Minnesota Department of Education (MDE) to prepare this report was approximately **\$ 189.82**. 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) 2015

Legislative Charge

Under Minnesota Statutes, section 123B.81, a school district or charter school¹ is in SOD when it reports a year-end negative Net Unreserved General Fund Balance (NUGFB) which exceeds 2.5 percent of its unreserved/undesigned 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, (2015):

“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 FY 2015 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.

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 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 2015

³ Fifteen reporting entities had net negative unreserved general fund balances in FY 2015. One Charter School, Woodson Institute for Student Excellent #4086 closed. Three active SOD schools are listed in Table One.

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

²

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

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.

Analysis

There were three active³ schools in SOD at the close of FY 2015: two independent school districts and one charter school (Table One). Fiscal Year 2014 had a total of seven independent school districts and four charter schools in SOD status.

The following districts/charter schools in SOD in FY 2014 were no longer in SOD at the close of FY 2015: Brooklyn Center #286, Franconia #323, Ivanhoe #403, Clearbrook-Gonvik # 2311, Glenville-Emmons #2886, Dakota Area Community Charter #4123, Upper Mississippi Academy #4210, and Art and Science Academy #4227.

Among the entities in SOD at the close of FY 2015, two school districts had been in SOD in prior periods: Swanville Public School #486 in FY 2014d, Kimball Public School #739 in FY 2014, and New Heights School, Inc. #4003 in FY 2002.

Swanville #486 and Kimball #739 made adequate progress on their special operating plans in FY 2015.

Table One: Active School Districts and Charter Schools in SOD at the Close of FY 2015

| Number | Type | Name | Unreserved General Fund Balance | General Fund Expenditures | FY 2015 SOD Calculation | Final UFARS Received | Final Audit Received | FY 2015 SOD Plan Received | Fiscal Years in SOD |
|----------------|---------------|--------------------------|---------------------------------|---------------------------|-------------------------|----------------------|----------------------|---------------------------|---------------------|
| 486 | 1 | Swanville | -290,423 | 2,805,082 | -10.35 | X | X | Yes | 2013 – 2015 |
| 739 | 1 | Kimball | -194,971 | 6,137,575 | -3.18 | X | X | Yes | 2013 - 2015 |
| <i>Charter</i> | <i>School</i> | | | | | | | | |
| 4003 | 7 | New Heights School, Inc. | -57,902 | 1,257,935 | -4.60 | X | X | Yes | 2015 |

Conclusion

Table Two 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 Two: School Districts (Types 1, 2, 3, 6, and 8) and Charter Schools (Type 7)
Fiscal Years 1995 through 2015
Negative Net Unappropriated Operating Debt and Statutory Operating Debt**

| Category | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| School Districts | - | - | - | 349 | 347 | 346 | 345 | 343 | 343 | 343 | 343 | 343 | 340 | 340 | 340 | 340 | 340 | 340 | 339 | 338 | 335 |
| Charter Schools | - | - | - | 29 | 40 | 56 | 68 | 82 | 87 | 112 | 134 | 139 | 149 | 156 | 157 | 154 | 154 | 150 | 156 | 157 | 167 |
| Total | 395 | 378 | 374 | 378 | 387 | 402 | 413 | 425 | 430 | 455 | 477 | 482 | 489 | 496 | 497 | 494 | 494 | 490 | 495 | 495 | 502 |
| Net Negative Unappropriated Operating Fund Balance (1,2,4) | 33 | 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 |
| Active Units in Statutory Operating Debt | 29 | 17 | 19 | 15 | 31 | 33 | 45 | 40 | 25 | 25 | 24 | 22 | 24 | 17 | 11 | 9 | 8 | 10 | 12 | 11 | 3 |

Bibliography

Minnesota Department of Education Data Bridge Database for School Year 2014-2015