



**Districts with
Fiscal Year 2012
Statutory Operating Debt**

February 15, 2013

**FY 2012
Report
To the
Legislature**

**As required by
Minnesota Statutes 2012
Section 123B.83
Subdivision 3**

COMMISSIONER:
Brenda Cassellius

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**As required by
Minnesota Statutes 2012
Section 123B.83
Subdivision 3**

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 \$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 report preparation must be provided.

Report on Minnesota School Districts and Charter Schools in Statutory Operating Debt (SOD) for Fiscal Year (FY) 2012

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, (2012):

“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 2012 Uniform Financial Accounting and Reporting Standards (UFARS) financial data. All Minnesota school districts and charter schools¹ 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 school² 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 district’s/school’s 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 2012 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.

There were 10³ active schools in SOD at the close of FY 2012: four independent school districts and six charter schools (Table One). Fiscal Year 2011 had a total of five independent school districts and three charter schools in SOD status.

Two school districts in SOD in FY 2011 were no longer in SOD at the close of FY 2012: Carlton, Independent School District #93 and Truman Independent School District #458.

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.

³ Twelve reporting entities had net negative unreserved general fund balances in FY 2012. Two charter schools, Academy of North Minneapolis and General John Vessey Jr. Leadership, closed. Ten active SOD schools are listed in Table One

Among the entities in SOD at the close of FY 2012, three of the charter schools had been in SOD in prior periods: Woodson Institute for Excellence in FY 2004, Watershed High School from FY 2006 to FY 2007, and Quest Academy in FY 2009.

Alden-Conger, Hills-Beaver Creek, Metro Tech Career Academy and Watershed High School, units on the FY 2011 SOD list, did not meet their FY 2012 special operating plan goals. Brooklyn Center and Quest exceeded their SOD goals.

Table One: Active School Districts and Charter Schools in SOD at the Close of FY 2012

Number	Type	Name	Unreserved General Fund	General Fund Expenditures	FY 2012 SOD Calculation	Final UFARS Received	Final Audit Received	Fiscal Years in SOD
School Districts								
242	1	Alden-Conger	-595,710	3,837,007	-15.53%	X	X	2010-2012
286	1	Brooklyn Center	-2,282,830	19,673,812	-11.60%	X	X	2002 - 2012
402	1	Hendricks	-62,367	1,298,443	-4.80%	X	X	2012
671	1	Hills-Beaver Creek	-605,492	3,044,127	-19.89%	L	X	2010 - 2012
Charter Schools								
4082	7	Bluesky Charter School	-193,620	5,475,049	-3.54%	X	X	2012
4086	7	Woodson Institute for Student Excellence	-733,743	4,526,084	-16.21%	X	X	2012
4092	7	Watershed High School	-172,353	834,539	-20.65%	X	X	2010 - 2012
4139	7	Loveworks Academy for Arts	-97,617	2,478,837	-3.94%	X	X	2012
4173	7	Metro Tech Career Academy	-174,862	1,398,606	-12.50%	X	X	2011-2012
4182	7	Quest Academy	-130,621	1,009,683	-12.94%	X	U	2011-2012

X = Submitted by statutory deadline
 L = Late - submitted after the statutory deadline
 U = Unsubmitted final audit

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 1993 through 2012
 Negative Net Unappropriated Operating Debt and Statutory Operating Debt**

Category	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
School Districts						349	347	346	345	343	343	343	343	343	340	340	340	340	340	340
Charter Schools						29	40	56	68	82	87	112	134	139	149	156	157	154	154	150
Total	413	401	395	378	374	378	387	402	413	425	430	455	477	482	489	496	497	494	494	490
Net Negative Unappropriated Operating Fund Balance (1,2,4)	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	12
Active Units in Statutory Operating Debt	54	59	29	17	19	15	31	33	45	40	25	25	24	22	24	17	11	9	8	10