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# Districts with Statutory Operating Debt Fiscal Year 2021

Report to the Legislature

As required by Minnesota Statutes 2021, section 123B.83, subdivision 3

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As requested by Minnesota Statutes 2021, section 3.197: This report cost approximately \$245.13 to prepare, including staff time, printing and mailing expenses.

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## Table of Contents

For more information:.....	2
Legislative Charge.....	4
Introduction.....	4
Analysis.....	5
Conclusion .....	6
Bibliography.....	6

## Legislative Charge

Under Minnesota Statutes 2021, section 123B.81, subdivision 2, a school district or charter school is in statutory operating debt (SOD) when it reports a year-end net negative unreserved general fund balance exceeding more than 2.5% of its unreserved/undesignated operating expenditures.

## Introduction

This report is notification to the Legislature of school districts and charter schools<sup>1</sup> in statutory operating debt (SOD), as required by Minnesota Statutes 2021, section 123B.83, subdivision 3:

“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 2021 Uniform Financial Accounting and Reporting Standards (UFARS) financial data. All Minnesota school districts and charter schools<sup>2</sup> 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 (Minnesota Statutes, 123B.77, subdivision 3 [2021]).

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 that is formally approved through a board resolution and submitted to the commissioner of MDE for approval. SOD plan requirements consist of narratives on the district or charter 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 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 includes the following fund balance accounts: 418 Committed for Separation/Retirement Benefits; 460

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<sup>1</sup> Under Minnesota Statutes 2021, section 124E.16, subdivision 1, charter schools must comply with Minnesota Statutes 2021, section 123B.83.

<sup>2</sup> Under Minnesota Statutes 2021, section 124E.16, subdivision 1, charter schools must comply with Minnesota Statutes 2021, section 123B.77.

Nonspendable Fund Balance; 461 Committed Fund Balance; 462 Assigned Fund Balance; 464 Restricted Fund Balance; and 422 Unassigned Fund Balance.

## Analysis

There were 4 active LEAs in SOD at the close of FY 2020: two independent school districts and two charter schools. Fiscal Year 2021 had a total of one independent schools district and four charter schools in SOD status (Table 1).

Both charter schools in SOD for FY 2020 were no longer in SOD at the close of FY 2021: Great Oaks Academy #4268 and Three Rivers Montessori #4266. One independent school district in SOD in FY 2020 remained in SOD at the close of FY 2021, Waconia #110.

Among the entities in SOD at the close of FY 2021, one school districts had been in SOD in prior periods: Waconia #110 in FY 2018, FY 2019 and FY 2020.

**Table 1: Active School Districts and Charter Schools in SOD at the Close of FY 2021**

Number	Type	Name	Unreserved General Fund Balance	General Fund Expenditures	FY 2021 SOD Calculation	Final UFARS Received	Final Audit Received	FY 2021 SOD Plan Received <sup>3</sup>	Fiscal Years in SOD
110	1	Waconia Public School District	\$-5,051,933	\$42,813,441	-11.80%	Yes	Yes	No	2018, 2019, 2020
4263	7	Progeny Academy Charter School	\$-107,927	\$1,030,809	-10.47%	Yes	Yes	No	2019
4280	7	Aspire Academy Charter School	\$-20,865	\$154,612	-13.49%	Yes	No	No	
4282	7	Innovation Science and Technology Academy Charter School	\$-46,343	\$1,023,907	-4.53%	Yes	Yes	No	
4287	7	Cross River Charter School	\$-11,004	\$44,148	-24.92%	Yes	No, Audit Exception	No	

<sup>3</sup> SOD plan due date of January 31 is after the due date of this report.

## Conclusion

Table 2 illustrates historical data. Since Fiscal Year 2002, Statutory Operating Debt has been calculated using the sum of the Unreserved/Undesignated fund balance accounts of the general fund only.

**Table 2: School Districts (Types 1, 2, 3, 6, and 8) and Charter Schools (Type 7)**

**Fiscal Years 2002–21**  
**Net Negative Unreserved General Fund Balance and Statutory Operating Debt**

Category	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>School Districts</b>	343	343	343	343	343	340	340	340	340	340	340	339	338	336	336	336	335	335	335	334
<b>Charter Schools</b>	82	87	112	134	139	149	156	157	154	154	150	156	157	167	176	169	168	176	175	181
<b>Total</b>	425	430	455	477	482	489	496	497	494	494	490	495	495	503	512	505	503	511	510	515
<b>Net Negative Unreserved General Fund Balance</b>	55	40	32	31	36	44	35	23	20	10	12	17	12	15	16	9	12	21	12	6
<b>Active Units in Statutory Operating Debt</b>	40	25	25	24	22	24	17	11	9	8	10	12	11	3	5	4	6	10	4	5

## Bibliography

Minnesota Department of Education Data Bridge Database for School Year 2020-21.