

**CHAPTER 3545**  
**STATE BOARD OF EDUCATION**  
**SCHOOL FINANCING**

**EMERGENCY AID TO DISTRESSED SCHOOL DISTRICTS**

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**EMERGENCY AID TO DISTRESSED SCHOOL DISTRICTS**

**3545.0200 APPLICATION FOR FUNDS.**

Application for emergency aid pursuant to Minnesota Statutes, section 124.24 may be made whenever the school board of a district determines that an emergency exists.

Application forms, F29-9, for emergency aid shall be prepared in duplicate, one for the school district's file, and one to be sent to the State Department of Education. Accompanying the application there shall be:

A. A statement justifying the reason for needing emergency aid.

B. A statement of detailed estimated costs of proposed repairs, construction, or other improvements for buildings and sites when emergency aid is to be used for this purpose. The amount requested is to be based on bids or estimates prepared either by architects, contractors, or commercial firms.

C. Form F29-9 supplement when emergency aid is to be used for the elimination of deficit cash balances.

D. A statement of the causes of a cash deficiency whenever emergency aid is to be used to balance a budget in a given fiscal year.

**Statutory Authority:** *MS s 124.24*

NOTE: Minnesota Statutes, section 124.24, was repealed by Laws of Minnesota 1983, chapter 314, article 6, section 33.

**3545.0300 BOARD ACTION.**

The State Board of Education as a condition of granting emergency aid, pursuant to Minnesota Statutes, section 124.221, may require changes in school district management or organization that will secure efficient and economical school administration, such as closing a school or merging or consolidating the district with another district.

If the assessment of the financial situation of the district would be enhanced by receipt of the year-end financial report, the State Board of Education may approve 60 percent of the amount of the emergency grant determined on the basis of preliminary information prior to the end of the year and may approve the balance of the emergency grant as based on final information received at year end. Each payment shall be deemed a separate grant.

**Statutory Authority:** *MS s 124.24*

NOTE: Minnesota Statutes, section 124.24, was repealed by Laws of Minnesota 1983, chapter 314, article 6, section 33.

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## **3545.0400 CRITERIA FOR THE CONSIDERATION OF EMERGENCY AID.**

Along with the other information in considering an application for emergency aid, the State Board of Education will take into account:

A. local resources (for example: income, one year's projected excess income, assets, long-term bonding, temporarily delayed receivable income, special permitted levies, potential income by referendum) to alleviate the emergency, which are available;

B. whether maximum levies had been made prior to the application for emergency aid and whether maximum levies will continue to be made after application;

C. whether the receipts and disbursements for operating costs of the district (general, food, transportation, and auxiliary school funds) are in balance for the following fiscal year and if not, whether a plan exists for bringing disbursements down to the level of receipts;

D. whether the speed-up of payment of July-August salaries to a current basis has been excluded from the grant application;

E. whether salary negotiations for the current year have been finalized;

F. whether all liabilities in the application have been calculated or estimated on a cash basis.

**Statutory Authority:** *MS s 124.24*

NOTE: Minnesota Statutes, section 124.24, was repealed by Laws of Minnesota 1983, chapter 314, article 6, section 33.

## **3545.0500 REQUIREMENTS FOR GRANT CONSIDERATION.**

No grant application shall be considered unless:

A. The amount of the grant has been adjusted for the local effort possible in part 3545.0400, item A. No bonding effort shall be required if the levy to provide payment for the bond is for a term of five years or less or if the amount of the levy in a single year is less than \$4,500. No refunding of debts shall be required.

B. The district has made maximum levies or provides a reason for not doing so which is acceptable to the State Board of Education.

C. The district has a projection or plan for being in financial balance.

**Statutory Authority:** *MS s 124.24*

NOTE: Minnesota Statutes, section 124.24, was repealed by Laws of Minnesota 1983, chapter 314, article 6, section 33.

## **FINANCIAL ACCOUNTING REPORTING REQUIREMENTS**

### **3545.0600 APPLICABILITY OF RULES.**

Parts 3545.0600 to 3545.1200 apply to all school districts; educational cooperative service units; area vocational-technical institutes; elementary, secondary and vocational regional computer centers; cooperative centers for special education; cooperative centers for vocational education; and governmental units formed by joint powers agreements entered into by school districts. For purposes of parts 3545.0600 to 3545.1200, all entities are referred to as "districts."

The requirements of parts 3545.0600 to 3545.1200 are applicable to all unaudited financial reports for the fiscal year ending June 30, 1977, and each year thereafter. These requirements shall also provide the basis for amending the unaudited financial reports for the fiscal year ending June 30, 1976, and each year thereafter. These requirements apply to all budgets prepared for the fiscal year ending June 30, 1978, and each year thereafter.

Recommendations for reporting methods. Where methods for reporting to the department are specified, such methods shall be prescribed by the commissioner after recommendations have been made by the advisory council on uniform financial accounting and reporting standards.

**Statutory Authority:** *MS s 121.902*

**3545.0700 FINANCIAL REPORTING STANDARDS.**

The requirements adopted in parts 3545.0600 to 3545.1200 shall be known as the uniform financial accounting and reporting standards for school districts. The state auditor shall have ultimate authority to decide questions relative to accounting classifications and application to district accounting transactions of the standards contained herein. Postsecondary financial reporting shall be separated from elementary-secondary financial reporting.

**Statutory Authority:** *MS s 121.902*

**3545.0800 MODIFIED ACCRUAL ACCOUNTING AND OTHER ACCOUNTING REQUIREMENTS.**

**Subpart 1. Recognition principles.** Revenues and expenditures shall be recorded and recognized in accordance with generally accepted accounting principles. Generally accepted accounting principles provide for the accrual basis of accounting and the modified accrual basis of accounting as appropriate for the particular fund. The cash basis of accounting is not acceptable for district budgeting, accounting, and reporting. Specific standards for revenue recognition are contained in Minnesota Statutes, section 121.904. Specific standards for expenditure recognition are contained in Minnesota Statutes, section 121.906.

**Subp. 2. Reporting categories.** Budgeting, accounting, and reporting systems shall be designed to provide financial data, where applicable, according to the terms and categories used in Minnesota Statutes with particular attention to categorical programs funded by the state.

**Subp. 3. Accounting structure.** Development of programmatic data for district internal reporting and management purposes, and for reporting to the public and the department, requires the use of multidimensional systems of classification of transactions.

**Subp. 4. School district accounting principles.** The "Manual for the Uniform Financial Accounting and Reporting System for Minnesota Schools," issued by the state of Minnesota, Department of Education, shall contain the standards for budgeting, accounting, and reporting. Amendments to the principles contained in this manual shall be approved by the State Board of Education.

**Subp. 5. Student activities accounting principles.** The "Manual of Instructions for Uniform Student Activities Accounting for Minnesota School Districts," issued by the state of Minnesota, Department of Education, shall contain the accounting and reporting standards for extracurricular student activities. Amendments to the generally accepted accounting principles contained in this manual shall be approved by the State Board of Education.

**Statutory Authority:** *MS s 121.902*

**3545.0900 FUND ACCOUNTING.**

**Subpart 1. Definition.** A fund is an independent accounting entity having its own assets, liabilities, obligations, revenues, expenditures, reserves, and equity balances. Funds shall be established for the purpose of accounting for those specific resources provided for the attainment of particular public objectives, as designated by statute or rule.

**Subp. 2. Funds maintained.** The following funds shall be maintained:

- A. general fund;
- B. food service fund;
- C. pupil transportation fund;
- D. community services fund;
- E. capital expenditures fund;
- F. building construction fund;
- G. debt redemption fund;

H. trust and agency fund; and

I. enterprise fund.

**Subp. 3. Operating and nonoperating funds.** The general fund, food service fund, pupil transportation fund, community services fund, and enterprise fund shall collectively be known as the operating funds. The other funds collectively shall be known as the nonoperating funds.

**Subp. 4. Enterprise fund requirement.** The enterprise fund shall be maintained by elementary, secondary, and vocational regional computer centers.

**Subp. 5. Account groups.** An account group is a self-balancing group of accounts. Account groups represent a district's general fixed assets and long-term indebtedness that are not segregated for carrying on specific activities. A general fixed asset group of accounts and a general long-term debt group shall be maintained.

**Subp. 6. Fund accounting.** Revenues and expenditures shall be recorded in the appropriate funds.

**Subp. 7. Fund transfers.** General fund assets may be used for any general or special operating purpose of a district and may be transferred permanently by school board action to any other operating fund where the resources of that other fund are not adequate to finance approved expenditures from such fund or to eliminate a negative unappropriated fund balance in a building construction fund being discontinued.

The portion of the general fund unappropriated fund balance permanently transferred to eliminate a negative building construction fund unappropriated fund balance must be reduced by the capital expenditure fund year-end unappropriated fund balance.

**Subp. 8. Special fund uses and transfer limitations.** All funds other than the general fund are special purpose funds in which expenditures may only be made for the special purposes of the fund. Transfers of moneys from special purpose funds to other funds are not permitted unless authorized by law. Transfers may be made from any fund to another fund to pay for expenditures legitimately chargeable to one fund but expended from another. Such items are most appropriately accounted for on a current basis, as interfund transactions, increasing the expenditures of one fund and reducing those of another. Transfers may be made from the capital expenditure fund to pay for expenditures from other funds for capital expenditure purposes.

**Statutory Authority:** *MS s 121.902*

### **3545.1000 REVENUE AND EXPENDITURE CLASSIFICATION PRINCIPLES.**

**Subpart 1. Definition of system.** Revenue and expenditure budgeting, accounting, and reporting is based on individual accounts. An account, in the multidimensional system, requires the use of six dimensions each of which has a distinct meaning. The revenue dimensions are fund, organization, program, finance, source, and course. The expenditure dimensions are fund, organization, program, finance, object, and course. The mutually exclusive dimensions and account components are defined in the "Manual for the Uniform Financial Accounting and Reporting System for Minnesota Schools," issued by the state of Minnesota, Department of Education on July 1, 1981. All revenue and expenditure accounts shall specify classification detail to permit grouping in the respective revenue and expenditure categories and to permit required state and federal reporting.

**Subp. 2. Netting principles.** Netting revenues and expenditures is not permissible except as allowed under generally accepted accounting principles.

**Subp. 3. Account distribution.** District accounting practice must include requirements for appropriate expenditure account distribution, according to generally accepted accounting principles.

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Subp. 4. **Account structure for indirect costs.** Appropriate account codes shall be used to identify indirect cost factors, as required for federal programs.

Subp. 5. **Capital expenditures classification.** Maintenance and capital improvements expenditures shall be distinguished, in accordance with generally accepted accounting principles. Capital expenditures are those which extend the life of an asset, increase its value, or change its use or character.

Subp. 6. **Supply classification.** Supplies and equipment shall be distinguished in accordance with generally accepted accounting principles and item definitions. Supplies are those items which have a nominal value and are expendable or are consumed in use. Equipment items are tangible units of nonexpendable character, are not consumed in use, have an extended useful life, and are of material value.

**Statutory Authority:** *MS s 121.902*

## 3545.1100 UNAUDITED AND AUDITED FINANCIAL REPORTS, STATEMENTS, BUDGETS.

Subpart 1. **Unaudited financial reporting.** The unaudited financial report is to be submitted to the commissioner by the district through an elementary, secondary, and vocational regional computer center. This report shall contain total fiscal year amounts by fund for assets, liabilities, fund balances, revenues, and expenditures as well as the general fixed asset and general long-term debt groups of accounts. The account structure and account definitions for these accounts are contained in the "Manual for the Uniform Financial Accounting and Reporting System for Minnesota Schools," issued by the state of Minnesota, Department of Education, September, 1977. Material audit adjustments of the unaudited financial reports shall be submitted to the commissioner by the district through an elementary, secondary, and vocational regional computer center.

Subp. 2. **Audited financial statements.** An audit is an examination of the various financial statements of the funds and account groups of a district by the state auditor or an independent certified public accountant. This examination shall be performed in accordance with generally accepted auditing standards as set forth in "AICPA Professional Standards," issued by the American Institute of Certified Public Accountants (New York, New York, 1974). It shall also meet the audit requirements contained in the Office of Management and Budget Circular A-102 Revised and published in the Federal Register, volume 42, pages 45828 to 45891 (1977).

Subp. 3. **Audited financial statement format.** Audited financial statements are those financial statements which have been examined pursuant to an audit. The format of these statements shall comply with the standards in "Governmental Accounting, Auditing, and Financial Reporting," issued by the Municipal Finance Officers Association of the United States and Canada (Chicago, Illinois, 1980). If a district levies to retire its statutory operating debt, the district shall footnote its audited financial statement. An historical analysis of the statutory operating debt shall be provided in the audited financial report.

Subp. 4. **Budget requirement.** By August 15 each year, a revenue and expenditure budget for that fiscal year shall be submitted to the commissioner through an elementary, secondary, and vocational regional computer center. Revenue and expenditure budget amounts are required by fund and in sufficient detail to permit comparison with actual revenue and expenditure amounts reported at the end of the fiscal period. Subsequent revisions to the budget which are of a material amount shall also be submitted to the commissioner through the elementary, secondary, and vocational regional computer center.

**Statutory Authority:** *MS s 121.902*

## 3545.1200 FIXED ASSETS.

For the fiscal year ending June 30, 1984 and each year thereafter, each area

vocational-technical institute shall report its fixed assets by item and categories as defined in accordance with the uniform property accounting and reporting standards in parts 3545.0600 to 3545.1200 adopted by the State Board of Education. Fixed asset accounting principles and definitions shall be contained in the "Manual for the Uniform Financial Accounting and Reporting System for Minnesota Schools," issued by the state of Minnesota, Department of Education on June 7, 1982.

**Statutory Authority:** *MS s 121.902*

### CAPITAL LOAN PROGRAM

#### 3545.2100 PREAPPLICATION REQUIREMENT.

A school board which intends to submit an application for a capital loan, regardless of the capital expenditure amount, shall submit the construction proposal to the commissioner of education for a review and comment statement pursuant to Minnesota Statutes, section 121.15.

**Statutory Authority:** *MS s 124.41*

#### 3545.2200 REVIEW AND COMMENT BY COMMISSIONER.

The commissioner shall base the review and comment statement on information required to be provided pursuant to Minnesota Statutes, section 121.15. In determining the educational and economic advisability of the proposed facility, the commissioner shall:

A. determine if the size of the proposed facility is appropriate for the projected number of pupils;

B. determine whether the pupil enrollment will continue to be sufficient to support the need for the proposed facility for at least ten years;

C. determine if currently recommended energy conservation methods will be used;

D. determine whether the projected annual operating costs will be consistent with current construction projects of a similar size and nature;

E. determine whether the proposed facility can also be used for community education programs, as a meeting facility, or in ways other than direct delivery of educational services; and

F. determine the availability and cost-effectiveness of purchasing or leasing existing facilities from adjacent school districts or from other institutions. The commissioner shall take into consideration: the size, nature, and age of existing facilities; whether existing facilities meet current fire safety and other applicable codes and requirements established in state and federal law; and the cost of any remodeling required to make the facilities satisfy district needs.

**Statutory Authority:** *MS s 124.41*

#### 3545.2300 RECOMMENDATION BY COMMISSIONER.

Based upon the determinations in part 3545.2200, the commissioner shall recommend to the State Board of Education whether the amount of the capital loan should be approved in the requested amount, denied, or reduced.

**Statutory Authority:** *MS s 124.41*

#### 3545.2400 APPROVAL RECOMMENDATION BY STATE BOARD.

The State Board of Education shall recommend approval of a loan if all of the criteria in items A to C are met, unless the loan is denied pursuant to the provisions of part 3545.2600.

A. The commissioner's review and comment statement must recommend approval.

B. The facilities must be comparable in size and quality to facilities constructed within the last decade and financed by a local bond issue in no less than three districts with similar pupil enrollment.

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C. The facilities are needed either:

(1) to replace facilities that no longer comply with current fire safety codes and other applicable codes and requirements established in state and federal law; or

(2) to provide adequate and sufficient instructional areas to carry out the educational requirements for pupils for whom adequate facilities do not exist.

To satisfy requirement item C, subitem (2) the district shall provide documentation that one or more of the following situations exist: the programs are not provided due to lack of space or the programs are provided in inappropriate spaces, such as temporary buildings or rented buildings not intended for educational purposes.

**Statutory Authority:** *MS s 124.41*

**3545.2500 INFORMATION REQUIRED BY STATE BOARD.**

In making its application to the State Board of Education, the applying school district shall supply the following information about adjacent school districts: projected enrollment for each district; size, nature, and age of their present educational facilities; and whether the buildings meet current fire safety and other applicable codes and requirements established in state and federal law.

**Statutory Authority:** *MS s 124.41*

**3545.2600 DENIAL RECOMMENDATION BY STATE BOARD.**

Based upon the information submitted pursuant to parts 3545.2200 and 3545.2500, the State Board of Education shall recommend denial of a loan if the facility could be made available in at least one of the following ways:

A. through the purchase or lease of a facility from an existing institution within the district or adjacent districts;

B. through an interdistrict cooperation agreement with another district;

C. by dissolving the applicant district and attaching it to another district; or

D. through consolidation with another district.

**Statutory Authority:** *MS s 124.41*

**3545.2700 REDUCTION RECOMMENDATION BY STATE BOARD.**

Based upon the information submitted in parts 3545.2200, 3545.2300, and 3545.2500, the State Board of Education shall recommend loan approval in a reduced amount when the problems may be resolved through a less costly manner.

**Statutory Authority:** *MS s 124.41*