

CHAPTER 3545
STATE BOARD OF EDUCATION
SCHOOL FINANCING

FINANCIAL ACCOUNTING REPORTING REQUIREMENTS		3545.2400	APPROVAL RECOMMENDATION BY STATE BOARD.
3545.0600	APPLICABILITY OF RULES.	3545.2500	INFORMATION REQUIRED BY STATE BOARD.
3545.0700	FINANCIAL REPORTING STANDARDS.	3545.2600	DENIAL RECOMMENDATION BY STATE BOARD.
3545.0800	MODIFIED ACCRUAL ACCOUNTING AND OTHER ACCOUNTING REQUIREMENTS.	COOPERATIVE SECONDARY FACILITIES GRANTS	
3545.0900	FUND ACCOUNTING.	3545.3008	RECEIPT OF APPLICATION.
CAPITAL LOAN PROGRAM		3545.3010	MAXIMUM GRANT.
3545.2100	PREAPPLICATION REQUIREMENT.	3545.3018	APPROVAL OF PILOT PROJECTS.
3545.2200	REVIEW AND COMMENT BY COMMISSIONER.	3545.3020	REFERENDUM: BOND ISSUE.

3545.0200 [Repealed, L 1983 c 314 art 6 s 33]

3545.0300 [Repealed, L 1983 c 314 art 6 s 33]

3545.0400 [Repealed, L 1983 c 314 art 6 s 33]

3545.0500 [Repealed, L 1983 c 314 art 6 s 33]

FINANCIAL ACCOUNTING REPORTING REQUIREMENTS

3545.0600 APPLICABILITY OF RULES.

Parts 3545.0600 to 3545.1200 apply to all school districts; service cooperatives; technical colleges; 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*

History: *L 1987 c 258 s 12; L 1989 c 246 s 2; L 1996 c 305 art 1 s 138*

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 undesignated fund balance in a building construction fund being discontinued.

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

poses 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*

History: *L 1987 c 398 art 7 s 42*

3545.1000 [Repealed, L 1993 c 224 art 12 s 39]

3545.1100 [Repealed, L 1993 c 224 art 12 s 39]

3545.1200 [Repealed, L 1993 c 224 art 12 s 39]

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 children, families, and learning for a review and comment statement pursuant to Minnesota Statutes, section 121.15.

Statutory Authority: *MS s 124.41*

History: *L 1995 1Sp3 art 16 s 13*

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 [Repealed, L 1993 c 224 art 12 s 39]

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.

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 [Repealed, L 1993 c 224 art 12 s 39]

3545.3000 [Repealed, L 1993 c 224 art 12 s 39]

3545.3002 [Repealed, L 1993 c 224 art 12 s 39]

3545.3004 [Repealed, L 1993 c 224 art 12 s 39]

3545.3005 [Repealed, L 1993 c 224 art 12 s 39]

COOPERATIVE SECONDARY FACILITIES GRANTS

3545.3008 RECEIPT OF APPLICATION.

When an application is received, the Department of Children, Families, and Learning shall obtain information from the commissioner of revenue, public utilities commission, or other official records that are required to be used in computing the debt limit of the joint powers district under Minnesota Statutes, section 475.53, subdivision 4. If any joint powers district is found not qualified according to the requirements of CSFGA, it shall be notified promptly by the commissioner of children, families, and learning.

Statutory Authority: *MS s 169.45*

History: *12 SR 1107; L 1995 1Sp3 art 16 s 13*

3545.3010 MAXIMUM GRANT.

Grant funds provided under this program may constitute up to 75 percent of the approved construction costs of the cooperative secondary education facilities. To the extent money is available, the commissioner of children, families, and learning may approve not more than two pilot projects from the applications submitted under this chapter.

Statutory Authority: *MS s 169.45*

History: *12 SR 1107; L 1995 1Sp3 art 16 s 13*

3545.3014 [Repealed, L 1993 c 224 art 12 s 39]

3545.3018 APPROVAL OF PILOT PROJECTS.

Department of Children, Families, and Learning staff shall advise the commissioner of children, families, and learning of applications meeting the requirements of parts 3545.3000 to 3545.3024 and the results of the application rating performed in part 3545.3014. An application must receive a minimum of 75 application rating points under part 3545.3014 in order to receive consideration for a grant award by the commissioner of children, families, and learning. The commissioner of children, families, and learning shall award grants based on the total points assigned in the application rating and total grant funds available. The commissioner shall use state geographic balance as a deciding factor if application ratings are within ten points of each other.

The commissioner of children, families, and learning must not approve an application for a grant unless the facility receives a favorable review and comment as provided in Minnesota Statutes, section 121.15 and the requirements under parts 3545.3000 to 3545.3024 are fully complied with. The commissioner shall promptly certify to each qualified joint powers district the amount, if any, of the grant awarded.

Statutory Authority: *MS s 169.45*

History: *12 SR 1107; L 1995 1Sp3 art 16 s 13*

3545.3020 REFERENDUM; BOND ISSUE.

Within 90 days after being awarded a grant under part 3545.3018, the joint powers board shall submit the question of authorizing the borrowing of funds for the cooperative secondary facilities to the voters of the member districts at a special election. The question submitted shall state the total amount of funding needed from all sources. A majority of those voting in the affirmative on the question is sufficient to authorize the joint powers board to issue the bonds on public sale in accordance with Minnesota Statutes, chapter 475. The clerk of the joint powers board must certify the vote of the bond election to the Department of Children, Families, and Learning. If the bonds are authorized by the voters, the Department of Children, Families, and Learning shall notify the county auditor of each county in which a member district is located that the grant amount certified in part 3545.3018 is available and appropriated for payment of principal and interest on the bonds issued under this part, and the auditor shall reduce the joint power district's debt service levies accordingly. If a majority of those voting on the question do not vote in the affirmative, the grant must be canceled.

Statutory Authority: *MS s 169.45*

History: *12 SR 1107; L 1995 1Sp3 art 16 s 13*

3545.3022 [Repealed, L 1993 c 224 art 12 s 39]

3545.3024 [Repealed, L 1993 c 224 art 12 s 39]