

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

ADMIN. 1000A

STATE OF MINNESOTA

DEPARTMENT of Education

Office Memorandum

TO : Mike Miller
Attorney General's Office

DATE: 8-3-77

FROM : Leo A. Bernat LAB

SUBJECT: Temporary Rules

The attached temporary rules are being sent you pursuant to the directions of Mike Bradley. These are unique in that they have been to public hearing in a process leading to the adoption of permanent rules on the same subject. For your information, supplemental documentation from the permanent rules adoption process are included for your information.

LAB:jam

Attachment

STATE OF MINNESOTA
COUNTY OF RAMSEY

ORDER ADOPTING
RECOMMENDATION OF
TEMPORARY RULES

In the matter of the Proposed Adoption of Temporary Rules of the State Board of Education Governing School District Balance Sheets, Accounting Groups and the Verification Procedures Used in Confirming Statutory Operating Debt

Laws 1977, Chapter 447, Article VII, Section 6 provides for the promulgation of emergency (temporary) rules relating to standards for the establishment of a uniform auditing or other verification procedure to determine whether a statutory operating debt exists in any Minnesota school district as of June 30, 1977. An identical effort for permanent rules has already been initiated pursuant to Minn. Stat. 121.914, Subd. 2 and is before the board following a required hearing.

Interested persons have been afforded an opportunity to present written and oral data, statements and arguments on the proposed temporary rule; no one has. After affording interested persons an opportunity to present written and oral data, statements and arguments, having reviewed all of the testimony, having considered all the evidence adduced, having considered the Report of the Hearing Examiner, and upon all of the testimony and proceedings therein, and applicable standards or critera and having confirmed the need for the permanent rules which are formally identical to the above captioned rules, we find that the findings of fact of the Hearing Examiner with respect to the permanent rules accurately reflect the facts in the record.

NOW THEREFORE, BE IT RESOLVED that the State Board of Education hereby incorporates herein the Report of Hearing Examiner dated June 24, 1977 relative to the permanent rules which are formally identical to the above-entitled matters as provided in the documentation for and in the "Findings of fact and order adopting recommendation of hearing examiner and rules" for the permanent rules as specified above.

THEREFORE, IT IS ORDERED that the rules identified as § 1.0764 and §§ 1.0767-1.0769 are adopted this First day of August, 1977, pursuant to authority vested in us by Laws 1977, Chapter 447, Article VII, Section 6.

STATE OF MINNESOTA
STATE BOARD OF EDUCATION

Lorin Gasterland
President
State Board of Education

STATE OF MINNESOTA
COUNTY OF RAMSEY

BEFORE STEVE M. MIHALCHICK
HEARING EXAMINER
OFFICE OF HEARING EXAMINER

In the matter of the proposed adoption of Rules of the State Board of Education for School District Balance Sheets, Account Groups, and the Verification Procedures used in Confirming Operating Debt

FINDING OF FACT AND ORDER ADOPTING RECOMMENDATION OF HEARING EXAMINER AND RULES

The above-entitled matter came on for hearing on June 2, 1977, at St. Paul, Minnesota before Steve M. Mihalchick, Hearing Examiner appointed by the Chief Hearing Examiner after proper notice required by Minnesota Statutes, Section 15.0412 was served upon all persons, associations and other interested groups registered with the Secretary of State for that purpose.

After affording interested persons an opportunity to present written and oral data, statements and arguments, having reviewed all of the testimony, having considered all the evidence adduced, having considered the Report of the Hearing Examiner, and upon all of the testimony and proceedings herein, and applicable statutory standards or criteria, having withheld action on the proposed Rules for the required period of time after receipt of the Hearings Examiner's Findings and having confirmed the need for the above captioned rules, we find that the findings of fact of the Hearing Examiner accurately reflect the facts in the record.

NOW THEREFORE, BE IT RESOLVED that the State Board of Education hereby adopts and incorporates herein the Report of Hearing Examiner dated June 24, 1977 relative to the above - entitled matters to wit:

§ 1.0764 Audited and unaudited financial statements, budgets.

E. An audit shall be defined as an examination of the various financial statements of the funds and account groups of a school district by the state auditor, an independent certified public accountant, or a public accountant who for the five previous years has been actively engaged exclusively in the practice of public accounting. This examination shall be performed in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants. Audited financial statements shall be defined as those financial statements which have been ~~subject-to-audit.~~ examined pursuant to an audit.

§ 1.0767 Statutory operating debt.

A. No change.
B. No change.
C. No change.
D. No change.

~~E.--If-as-of-June-30,-1977,-the-unaudited-financial-statements-submitted-to-the department-show-an-operating-debt-in-excess-of-five-percent-of-the-expenditures identified-in-subdivision-C-or-show-that-it-will-require-more-than-two-years-to eliminate-such-debt-pursuant-to-the-statutory-operating-debt-levy,-then-the-district shall-be-required-to-levy-an-additional-1.5-mills-on-the-adjusted-assessed-valuation of-the-district-and-to-comply-with-other-provisions-of-Minn.-Stat.-§-121.917-and §-275.125,-subd.-9a.--If-subsequently,-the-audited-financial-statements-show-the district-had-not-been-in-statutory-operating-debt-and-was-thereby-ineligible-for~~

~~such additional levy, the district shall recognize the additional levy as revenue to the general fund deferred one year and shall reduce the following maintenance levy by a like amount.~~

~~F. If as of June 30, 1977, the unaudited financial statements submitted to the department show an operating debt of less than five percent of the expenditures identified in subdivision 6 and show that it will require two years or less to eliminate such debt pursuant to the statutory operating debt levy, the department shall require a reexamination of the financial statements and a redetermination of operating debt. The district shall request and utilize the services of a regional accounting coordinator, a representative of the appropriate regional service agency or a representative of the department of education to assist in this re-examination and redetermination. Upon completion the district shall recertify the financial statements as to their accuracy and compliance with this chapter and with Minn. Stat. § 121.914. If a statutory operating debt levy is authorized and subsequently the audited financial statements show the district was not in statutory operating debt and was therefore ineligible for such additional levy, the procedure in § 1.0767E is to be followed. If a statutory operating debt levy is not authorized and subsequently the audited financial statements show the district was in statutory operating debt and was therefore eligible for the additional levy, the district shall make up the levy deficiency.~~

~~G. If as of June 30, 1977, the unaudited financial statements show no operating debt, there shall be no verification procedure required for statutory operating debt. If subsequently, the audited financial statements show the district was in statutory operating debt and was thereby eligible for the additional levy, the district shall make up the levy deficiency.~~

~~H.~~ E. Prior to June 30, 1979, the commissioner may, on the basis of the audited financial statements submitted by a district to the department, pursuant to Minn. Stat. § 121.914, subd. 5, adjust the total amount of statutory operating debt of the district, determined as of June 30, 1977.

~~I. The commissioner shall not be required to certify a levy for statutory operating debt in 1977 if the unaudited financial statements for the preceding fiscal year are not submitted by August 15. If subsequently, the audited financial statements show that the district was in statutory operating debt and was therefore eligible for an additional levy, the district shall make up the levy deficiency.~~

§ 1.0768 Balance sheet. funds.

A. No change.
B.1. No change.
B.2. Cash shall include amounts on deposit in officially designated depositories, undeposited cash, petty cash, interest bearing accounts, change funds, travel advance funds and cash with fiscal agents. Investments shall include investments in securities, commercial certificates of deposit or obligations of various governments. governmental agencies.

B.3. No change.
B.4. No change.
B.5. No change.
B.6. No change.
B.7. No change.
C.1. No change.

C.2. No change.
C.3. No change.

6. 4. Amounts due to other Minnesota school districts and other governmental units includes amounts due to all districts as defined in § 1.0760.

7. 5. Claims payable include losses incurred for which claims have not been paid. This category includes estimates of expenditures for losses which have occurred in the current period but for which payments have not been made or claims have not been filed.

Administrative awards, made against a district by a state or federal agency, which are not on appeal are included if unpaid.

8. 6. Accounts and contracts payable are amounts due for goods received or services rendered.

Payroll deductions and employer contributions include amounts already expensed to appropriate accounts which are temporarily held until they are required to be transmitted.

4. 7. Property taxes levied for the subsequent year's expenditure shall be the amount, including abatements and portions to be assumed by the state, certified to the county auditor.

5. 8. Revenues collected in advance of June 30 but not earned ~~in the~~ until a following year are deferred revenues.

D. No change.
E. No change.

F. Unappropriated fund balances.
The unappropriated fund balance is equal to the assets less the sum of the liabilities, encumbrances outstanding and ~~appropriate~~ appropriated fund balances. The unappropriated fund balance represents amounts that may be expended in the future for the operation of that fund.

THEREFORE, IT IS ORDERED that the rules identified as § 1.0764 and §§ 1.0767 - 1.0769 are adopted this 1st day of August, 1977, pursuant to authority vested in us by Minn. Stat., § 121.902, subd. 1.

STATE OF MINNESOTA
STATE BOARD OF EDUCATION

Lorin Gasterland
President
State Board of Education

IN THE MATTER OF: The proposed adoption of rules of the state board of education governing the length of school day and rules for school district balance sheets, account groups and the verification procedures used in confirming statutory operating debt.

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that a public hearing in the above-entitled matter will be held in the Capitol Square Building, Room 716, St. Paul, Minnesota, on Thursday, June 2, 1977, commencing at 9:00 A.M. for the length of school day and 10:00 A.M. for school district balance sheets, account groups and the verification procedures used in confirming statutory operating debt, continuing until all persons have had an opportunity to be heard.

All interested or affected persons will have an opportunity to participate. Statements may be made orally and written materials may be submitted at the hearing. In addition, written materials may be submitted by mail to Room 300, 1745 University Avenue, St. Paul, Minnesota 55104 to the attention of Hearing Examiner Steve Mihalchick, phone number (612) 296-8112, either before the hearing or within 20 days after the close of the hearing.

A copy of the proposed rules EDU 44 and EDU 760-779 are attached hereto. Additional copies will be available at the door on the date of the hearing. The agency's authority to promulgate the proposed rules is contained within Minn. Stat. §§ 121.07, 121.11 and 121.94. A "statement of need" explaining why the agency feels the proposed rules are necessary and a "statement of evidence" outlining the testimony they will be introducing will be filed with the Hearing Examiners Office at least 25 days prior to the hearing and will be available there for public inspection.

Please be advised that Minn. Stat. Ch. 10A, requires each lobbyist to register with the Ethical Practices Board within five days after he commences lobbying. Lobbying includes attempting to influence rule making by communicating or urging others to communicate with public officials. A lobbyist is generally any individual who spends more than $250 per year for lobbying or any individual who is engaged for pay or authorized to spend money by another individual or association and who spends more than $250 per year or five hours per month at lobbying. The statute provides certain exceptions. Questions should be directed to the Ethical Practices Board, 41 State Office Building, St. Paul, Minnesota 55155, phone (612) 296-5615.

STATE OF MINNESOTA
Department of Education

Howard B. Casmey
Commissioner of Education

April 11, 1977

Rules as Proposed

Chapter Three: Classification for State Aids,

Special Requirements for Secondary Schools

EDU 44 Length of school day. In all classified secondary schools, the minimum length of the school day for each pupil, exclusive of the noon intermission, shall be six hours. [Community-based program may be approved as all or part of the school day by the state board. Employment-related community-based programs shall be supervised through the vocational-technical division, and non-employment-related community-based programs shall be supervised through the division of instruction.]

Exceptions to the six hour day may be made as follows:

A. The state board of education may approve community-based programs for all or part of the school day. Employment related, community-based programs in excess of one hour per day shall be supervised by the vocational-technical division. Non-employment related, community-based programs in excess of one hour per day shall be supervised by the division of instruction.

B. The local board of education may adopt a policy which allows secondary school principals to adjust the length of the school day for individual students provided that:

1. The student is at least 16 years of age;

and

2. The student attends supervised classes in usual school facilities for not less than five hours per day;

and

3. A written record is maintained indicating the type of work-study option or other educational experience to be pursued during the exempted time; and

4. The student's parent has approved the option in writing.

Rules as Proposed

Chapter Thirty-Eight: Financial Accounting Reporting Requirements

EDU 764 Audited and unaudited financial statements, budgets. 764 A., B., C., and D. remain unchanged.

E. An audit shall be defined as an examination of the various financial statements of the funds and account groups of a school district by the state auditor, an independent certified public accountant, or a public accountant who for the five previous years has been actively engaged exclusively in the practice of public accounting. This examination shall be performed in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants. Audited financial statements shall be defined as those financial statements which have been subjected to audit.

EDU 767 Statutory operating debt.

A. For the fiscal year ending June 30, 1977 and thereafter each district shall prepare a balance sheet as specified in EDU 768.

B. The sum of the unappropriated fund balances for the four operating funds, as defined in EDU 762 B, shall constitute operating debt if such sum is negative.

C. Operating debt shall be defined as "statutory operating debt" if the amount of operating debt exceeds two-and-one-half percent of the expenditures in the operating funds for the year specified in Minn. Stat. § 121.914.

(All following material is new)

D. Statutory operating debt, for which the statutory operating debt levy is to be provided as specified in Minn. Stat. § 275.125, subd. 9a, shall be the statutory operating debt determined as of June 30, 1977.

E. If as of June 30, 1977, the unaudited financial statements submitted to the department show an operating debt in excess of five percent of the expenditures identified in subdivision C or show that it will require more than two years to eliminate such debt pursuant to the statutory operating debt levy, then the district shall be required to levy an additional 1.5 mills on the adjusted assessed valuation of the district and to comply with other provisions of Minn. Stat. § 121.917 and § 275.125, subd. 9a. If subsequently, the audited financial statements show the district had not been in statutory operating debt and was thereby ineligible for such additional levy, the district shall recognize the additional levy as revenue to the general fund deferred one year and shall reduce the following maintenance levy by a like amount.

F. If as of June 30, 1977, the unaudited financial statements submitted to the department show an operating debt of less than five percent of the expenditures identified in subdivision C and show that it will require two years or less to eliminate such debt pursuant to the statutory operating debt levy, the department shall require a reexamination of the financial statements and a redetermination of operating debt. The district shall request and utilize the services of a regional accounting coordinator, a representative of the appropriate regional service agency or a representative of the department of education to assist in this reexamination and redetermination. Upon completion the district shall re-certify the financial statements as to their accuracy and compliance with this chapter and with Minn. Stat. § 121.914. If a statutory operating debt levy is authorized and subsequently the audited financial statements show the district was not in statutory operating debt and was therefore ineligible for such additional levy, the procedure in EDU 767E is to be followed. If a statutory operating debt levy is not authorized and subsequently the audited financial

statements show the district was in statutory operating debt and was therefore eligible for the additional levy, the district shall make up the levy deficiency.

G. If as of June 30, 1977, the unaudited financial statements show no operating debt, there shall be no verification procedure required for statutory operating debt. If subsequently, the audited financial statements show the district was in statutory operating debt and was thereby eligible for the additional levy, the district shall make up the levy deficiency.

H. Prior to June 30, 1979, the commissioner may, on the basis of the audited financial statements submitted by a district to the department, pursuant to Minn. Stat. § 121.914, subd. 5, adjust the total amount of statutory operating debt of the district, determined as of June 30, 1977.

I. The commissioner shall not be required to certify a levy for statutory operating debt in 1977 if the unaudited financial statements for the preceding fiscal year are not submitted by August 15. If subsequently, the audited financial statements show that the district was in statutory operating debt and was therefore eligible for an additional levy, the district shall make up the levy deficiency.

EDU 768 Balance sheet.

A. A balance sheet shall be prepared for each of the operating and the non-operating funds and for all funds combined as of June 30th. The balance sheet shall specify assets, liabilities, encumbrances outstanding, appropriated fund balances and unappropriated fund balances.

B. Assets.

1. The total assets shall be reported in at least the following categories:

a. Cash and investments

b. Taxes receivable

c. Accounts and interest receivable

d. Due from other funds

e. Due from other Minnesota school districts

f. Due from other governmental units

g. Inventory

h. Prepaid expenses and deposits

i. Other

2. Cash shall include amounts on deposit in officially designated depositories, undeposited cash, petty cash, interest bearing accounts, change funds, travel advance funds and cash with fiscal agents. Investments shall include investments in securities, commercial certificates of deposit or obligations of various governments.

3. Taxes receivable include the unreceived portion of current real and property tax levies including mobile home taxes, plus delinquent and non-property taxes receivable less an allowance for uncollectible taxes. The allowance for uncollectible taxes must be an estimate of taxes that will not be collected within six years.

4. Accounts receivable include all amounts due the district from outside sources other than taxes and amounts from other governmental agencies. Interest receivable is the amount of interest earned but not received on outstanding investments. Where investments have not matured, the interest shall be prorated to that year in proportion to the term of the investment occurring in that year. Interest shall be apportioned to the funds for their general purposes and not to accounts within a fund. The two approved methods for treating investment income are the equity method and the average cash balance method. For ease of handling, the average cash balance method may be used. Any other equitable method may be approved by the state auditor.

Any funds with a negative (deficit) average monthly balance shall be assessed an interest charge.

5. Due from other Minnesota school district includes amounts due from all districts as defined in EDU 760.

6. Inventories shall represent only amounts of supplies and materials which have not been expensed. The amount of inventories which have been expensed but are available for use in a subsequent year may be footnoted to the report. Such amount shall be determined by the district in a manner consistent from year to year.

The inventory figure reported on the balance sheet must have supporting documentation. This supporting documentation may take the form of a fiscal year end physical count and/or perpetual inventory records.

7. Prepaid expenses and deposits represent amounts paid for benefits or goods not yet received. Whenever a district normally expenses supplies and materials at the time of purchase, it may treat as a prepaid expense an extraordinary purchase, whenever the amount is specific, the purchase is clearly identified for future use, and the amount of the purchase is to be expensed in a future fiscal year.

C. Liabilities.

1. The total liabilities shall be reported in at least the following categories:

a. Salaries and wages payable

b. Short-term indebtedness

c. Due to other funds

d. Due to other Minnesota school districts

e. Due to other governmental units

f. Claims and judgments payable

g. Accounts and contracts payable, interest payable, payroll deductions and employer contributions payable

h. Property taxes levied for the subsequent year's expenditures

i. Deferred revenue

j. Other

2. Salaries and wages payable are amounts owed for personal services performed but not paid. This category does not include separation, sick or vacation pay since these and other similar employee benefits shall be expensed on a current basis.

3. Short-term indebtedness includes outstanding certificates of indebtedness and orders not paid for want of funds.

4. Property taxes levied for the subsequent year's expenditure shall be the amount, including abatements and portions to be assumed by the state, certified to the county auditor.

5. Revenues collected in advance of June 30 but not earned in the following year are deferred revenues.

6. Amounts due to other Minnesota school districts and other governmental units includes amounts due to all districts as defined in EDU 760.

7. Claims payable include losses incurred for which claims have not been paid. This category includes estimates of expenditures for losses which have occurred in the current period but for which payments have not been made or claims have not been filed.

Administrative awards, made against a district by a state or federal agency, which are not on appeal are included if unpaid.

8. Accounts and contracts payable are amounts due for goods received or services rendered.

Payroll deductions and employer contributions include amounts already expensed to appropriate accounts which are temporarily held until they are required to be transmitted.

D. Encumbrances outstanding.

Encumbrances outstanding include all board commitments supported by itemized purchase orders issued to outside vendors based on firm prices, provided that these expenditures have been budgeted in the current or prior year. This category does not include amounts that are set up as liabilities or amounts for personal services to be performed by a district employee.

E. Appropriated fund balances.

1. Appropriated fund balances represent available resources dedicated by law for specified purposes. These balances include amounts appropriated for:

a. Unemployment insurance

b. Bus purchases

c. Severance pay

d. Reserve for reduction of statutory operating debt

e. Building construction

2. Each of these appropriated fund balances must involve an accounting subsystem which is a part of, or an adjunct to, the overall accounting system. The amounts may be either negative or positive.

F. Unappropriated fund balances.

The unappropriated fund balance is equal to the assets less the sum of the liabilities, encumbrances outstanding and appropriate fund balances. The unappropriated fund balance represents amounts that may be expended in the future for the operation of that fund.

EDU 769 Balance sheet account groups.

A. A balance sheet shall be prepared for the general fixed asset and general long term debt groups of accounts as of June 30.

B. General fixed assets.

General fixed assets shall be carried in the books of the district at purchase price or at appraised value at date of acquisition if the property is donated. General fixed asset accounts include land, land improvements, buildings, equipment, allowances for depreciation, construction work in progress and investments in general fixed assets.

C. General long-term debt.

General long-term debt accounts include amounts available and amounts to be provided for outstanding bonds, state loans payable and separation and severance pay.