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Arkansas Department of Education
Division of Elementary and Secondary Education
Rules Governing the Regulatory Basis of Accounting
November 14, 2011 Effective:

1.00 Authority

- 1.01 The Arkansas State Board of Education's authority for promulgating these Rules is pursuant to Ark. Code Ann. §§ 6-11-105, and 6-20-401, 10-4-413, and Act 867 of 2019.
- 1.02 These rules shall be known as the Arkansas ~~Department of Education~~ Division of Elementary and Secondary Education Rules Governing the Regulatory Basis of Accounting.

2.00 Purpose

- 2.01 The purpose of these Rules is to establish a consistent basis of accounting for schools.

3.00 Definitions - For purposes of these Rules, the following terms mean:

- 3.01 "Accrue" – To record revenues when earned and to record expenditures as soon as they result in liabilities, regardless of when the revenue is actually received or the payment is actually made.
- 3.02 "Assets" – Probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events. Examples include: cash, investments, receivables, prepaid items, inventory, land, building, and equipment.
- 3.03 "Deferred Revenue" – Revenue received prior to the fiscal year in which it is earned. Deferred revenue is recorded as a liability when received and as revenue in the fiscal year it is earned.
- 3.04 "Expenditures" – Charges incurred, whether paid or unpaid, which are presumed to benefit the current fiscal year.
- 3.05 "Liabilities" – Debt or other legal obligations arising out of transactions in the past ~~which~~ that are payable but not necessarily due.
- 3.06 "Regulatory Basis of Accounting" — A basis of accounting that the reporting entity (school) uses to comply with the requirements or financial reporting provisions of a governmental regulatory agency (~~Arkansas Department of Education~~ Division of Elementary and Secondary Education) to whose jurisdiction the entity is subject.

- 3.07 “Revenues” – Additions to assets ~~which~~ that do not increase a liability, do not represent the recovery of an expenditure, do not represent the cancellation of certain liabilities without a corresponding increase in other liabilities or decrease in assets, and do not represent contributions of fund capital in Food Service and Pupil Activity Funds.
- 3.08 “School” — any public school district, public charter school, educational cooperative, or any publicly supported entity having supervision over public educational entities.
- 3.09 “Uniform Rate of Tax (URT)” – Ad Valorem property tax of twenty-five (25) mills levied on the assessed value of all taxable real, personal, and utility property in the state to be used solely for maintenance and operations for the schools per Article 14, Section 3 of the Constitution of the State of Arkansas of 1874.

4.00 Financial Reporting-Regulatory Basis of Accounting

- 4.01 The financial statements shall be presented on a fund basis format. There shall be no entity-wide statements.
- 4.02 The financial statements shall consist of: Balance Sheet – Regulatory Basis; Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - Regulatory Basis; Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual — General and Special Revenue Funds — Regulatory Basis.
- 4.03 There shall be included a Schedule of Capital Assets, including land, buildings, and equipment, as supplemental information. The Capital Assets shall be reported net of accumulated depreciation.
- 4.04 Major governmental funds shall be defined as general and special revenue. Such funds shall be presented separately in the financial statements. All other governmental funds shall be presented in the aggregate. Fiduciary fund types shall be presented in a separate column in the Balance Sheet — Regulatory Basis.
- 4.05 Revenues, except for property taxes (see below), shall be reported in the financial statements in the accounting period in which they become susceptible to accrual; —that is, when they become both measurable and available to finance expenditures of the fiscal period. Expenditures shall be reported in the financial statements when the related liability is incurred. Such expenditures shall not include accruals for interest payable, compensated absences, prepaid expenses, or inventories. Reported liabilities, shall not include the current portion of long-term debt or deferred revenues. Property taxes shall be recorded in accordance with Ark. Code Ann. § 6-20-401.
- 4.06 Revenues shall be reported by major sources, and expenditures shall be reported

by major function.

- 4.07 Other transactions ~~which~~ that are not reported as revenues or expenditures shall be reported as other financing sources and uses. Transactions related to the recording of installment contracts, capital leases, and significant insurance recoveries shall be reported as other financing sources. Losses resulting from the impairment of capital assets shall not be reported in the financial statements.
- 4.08 The carrying value of sinking funds, required by the provisions of a Qualified Zone Academy Bond (QZAB), shall be reported at cost. Risk disclosures of the related investments, as addressed in Governmental Accounting Standards Board Statement No. 40, shall not be included in the Notes to Financial Statements.
- 4.09 The Notes ~~To~~ to Financial Statements (NTFS) shall include those disclosures appropriate to the regulatory basis of accounting. The NTFS shall also include the following, if applicable: material summarized reporting information, ~~if material~~, pertaining to component units, related organizations, and other affiliated organizations (as defined by the Governmental Accounting Standards Board), as well as changes in private-purpose trust funds, and required disclosures related to long-term debt.
- 4.10 There shall be no Management's Discussion and Analysis.
- 4.11 The Schedule of Expenditures of Federal Awards shall be reported on the same basis of accounting as the financial statements.
- 4.12 Those payments made by the Arkansas Department of Education (ADE) Division of Elementary and Secondary Education on behalf of schools, but not directly to schools, shall not be recorded as revenue and expenditures by the schools. (Example: Health Insurance; contributions paid by ADE the Division in accordance with Ark. Code Ann. §6-17-1117.)

5.00 Alternative Basis of Presentation

- ~~5.01 The governing body of a school district may adopt a resolution, not less than six months before the end of the school fiscal year, requiring their financial statements be presented in accordance with the standards established by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, and the United States Government Accountability Office. Once this resolution is made, it shall remain in effect until the governing board rules otherwise.~~
- ~~5.02 This resolution adopting the Alternative Basis of Presentation must be submitted to the Department of Education within ten (10) days of adoption by the local school board.~~

1 State of Arkansas
2 92nd General Assembly
3 Regular Session, 2019

A Bill

HOUSE BILL 1934

4
5 By: Representative Cozart
6

For An Act To Be Entitled

8 AN ACT TO AMEND ARKANSAS LAW CONCERNING AUDITS OF
9 SCHOOLS; AND FOR OTHER PURPOSES.

Subtitle

12 TO AMEND ARKANSAS LAW CONCERNING AUDITS
13 OF SCHOOLS.
14
15
16

17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
18

19 SECTION 1. Arkansas Code § 10-4-413(c), concerning audits of schools,
20 is amended to read as follows:

21 ~~(c)(1)(c)~~ Regulatory Basis.

22 ~~(A)(1)~~ For school financial audits, the financial statements
23 shall be presented on a fund basis format with, as a minimum, the general
24 fund and the special revenue fund presented separately and all other funds
25 included in the audit presented in the aggregate.

26 ~~(B)(2)~~ The financial statements shall consist of the following:
27 ~~(i)(A)~~ A balance sheet;
28 ~~(ii)(B)~~ A statement of revenues, expenditures, and changes
29 in fund balances;

30 ~~(iii)(C)~~ A comparison of the final adopted budget to the
31 actual expenditures for the general fund of the entity and the special
32 revenue fund of the entity; and

33 ~~(iv)(D)~~ Notes to the financial statements.

34 ~~(C)(3)~~ The report shall include a report on internal control
35 over financial reporting and on compliance and other matters based on an
36 audit of financial statements performed in accordance with the Government



1 Auditing Standards.

2 ~~(D)(4)~~ The report shall include as supplemental information a
3 schedule of capital assets, including:

- 4 ~~(i)(A)~~ Land;
- 5 ~~(ii)(B)~~ Buildings; and
- 6 ~~(iii)(C)~~ Equipment.

7 ~~(E)(5)~~ The State Board of Education shall promulgate rules
8 necessary to administer the regulatory basis provided in this subsection.

9 ~~(2) Alternative Basis.~~

10 ~~(A) As an alternative to subdivision (c)(1) of this~~
11 ~~section, the governing body of a school may adopt a resolution requiring its~~
12 ~~annual financial audit to be performed and financial statements presented in~~
13 ~~accordance with the guidelines prescribed by the Government Accounting~~
14 ~~Standards Board, the American Institute of Certified Public Accountants, and~~
15 ~~the United States Government Accountability Office, if applicable.~~

16 ~~(B) The report shall include a report on internal control~~
17 ~~over financial reporting and on compliance and other matters based on an~~
18 ~~audit of financial statements performed in accordance with the Government~~
19 ~~Auditing Standards.~~

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22 **APPROVED: 4/10/19**
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