

## **Title 6. Education**

### **Chapter I. Division of Elementary and Secondary Education**

#### **Subchapter I. Finance**

#### **Part 276. Regulatory Basis of Accounting**

**Codification Notes.** This part as promulgated prior to codification into the Code of Arkansas Rules provided as follows: "Effective: December 30, 2019".

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

#### **Subpart 1. Generally**

##### **6 CAR § 276-101. Purpose.**

The purpose of this part is to establish a consistent basis of accounting for schools.

**Authority.** Arkansas Code § 10-4-413.

##### **6 CAR § 276-102. Definitions.**

For purposes of this part, the following terms mean:

(1) "Accrue" means 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;

(2)(A) "Assets" means future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.

(B) Examples include:

- (i) Cash;
- (ii) Investments;
- (iii) Receivables;

- (iv) Prepaid items;
- (v) Inventory;
- (vi) Land;
- (vii) Building; and
- (viii) Equipment;

(3)(A) "Deferred revenue" means revenue received prior to the fiscal year in which it is earned.

(B) Deferred revenue is recorded as a liability when received and as revenue in the fiscal year it is earned;

(4) "Expenditures" means charges incurred, whether paid or unpaid, which are presumed to benefit the current fiscal year;

(5) "Liabilities" means debt or other legal obligations arising out of transactions in the past that are payable, but not necessarily due;

(6) "Regulatory basis of accounting" means a basis of accounting that the reporting entity (school) uses to comply with the requirements or financial reporting provisions of a governmental regulatory agency (Division of Elementary and Secondary Education) to whose jurisdiction the entity is subject;

(7) "Revenues" means additions to assets that do not:

- (A) Increase a liability;
- (B) Represent the recovery of an expenditure;
- (C) Represent the cancelation of certain liabilities without a corresponding increase in other liabilities or decrease in assets; and
- (D) Represent contributions of fund capital in food service and pupil activity funds;

(8) "School" means any public school district, public charter school, educational cooperative, or any publicly supported entity having supervision over public educational entities; and

(9) "Uniform Rate of Tax (URT)" means 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 Arkansas Constitution, Article 14 § 3.

**Authority.** Arkansas Code § 10-4-413.

**6 CAR § 276-103. Financial reporting — Regulatory basis of accounting.**

(a)(1) The financial statements shall be presented on a fund basis format.

(2) There shall be no entity-wide statements.

(b) The financial statements shall consist of:

(1) Balance Sheet — Regulatory Basis;

(2) Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds — Regulatory Basis; and

(3) Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual — General and Special Revenue Funds — Regulatory Basis.

(c)(1) There shall be included a schedule of capital assets, including land, buildings, and equipment, as supplemental information.

(2) The capital assets shall be reported net of accumulated depreciation.

(d)(1) Major governmental funds shall be defined as general and special revenue.

(2) Such funds shall be presented separately in the financial statements.

(3) All other governmental funds shall be presented in the aggregate.

(4) Fiduciary fund types shall be presented in a separate column in the Balance Sheet — Regulatory Basis.

(e)(1) 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.

(2) That is when they become both measurable and available to finance expenditures of the fiscal period.

(3) Expenditures shall be reported in the financial statements when the related liability is incurred.

(4) Such expenditures shall not include accruals for:

- (A) Interest payable;
- (B) Compensated absences;
- (C) Prepaid expenses; or
- (D) Inventories.

(5) Reported liabilities shall not include the current portion of long-term debt or deferred revenues.

(6) Property taxes shall be recorded in accordance with Arkansas Code § 6-20-401 through the 2020-2021 fiscal year.

(f) Revenues shall be reported by major sources, and expenditures shall be reported by major function.

(g)(1) Other transactions that are not reported as revenues or expenditures shall be reported as other financing sources and uses.

(2) Transactions related to the recording of installment contracts, capital leases, and significant insurance recoveries shall be reported as other financing sources.

(3) Losses resulting from the impairment of capital assets shall not be reported in the financial statements.

(h)(1) The carrying value of sinking funds, required by the provisions of a qualified zone academy bond, shall be reported at cost.

(2) 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.

(i)(1) The notes to financial statements (NTFS) shall include those disclosures appropriate to the regulatory basis of accounting.

(2) The NTFS shall also include the following, if applicable:

(A) Material summarized reporting information pertaining to component units;

(B) Related organizations, and other affiliated organizations (as defined by the Governmental Accounting Standards Board); and

(C) Changes in private-purpose trust funds and required disclosures related to long-term debt.

(j) There shall be no Management's Discussion and Analysis.

(k) The schedule of expenditures of federal awards shall be reported on the same basis of accounting as the financial statements.

(l)(1) Those payments made by the 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.

(2) **Example.** Health insurance contributions paid by the division in accordance with Arkansas Code § 6-17-1117.

**Authority.** Arkansas Code § 10-4-413.