

ARKANSAS REGISTER

Transmittal Sheet

Use only for **FINAL** and **EMERGENCY RULES**



Secretary of State
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For Office
Use Only:

Effective Date _____ Code Number _____

Name of Agency Arkansas Division of Elementary and Secondary Education

Department Fiscal and Administrative Services

Contact Lori Freno E-mail lori.freno@arkansas.gov Phone 501-682-4234

Statutory Authority for Promulgating Rules Ark. Code Ann. 6-11-105, 6-20-401, 10-4-413, ct 867 of 2019

Rule Title: Arkansas Division of Elementary and Secondary Education Rules Governing the Regulatory Basis of Accounting

Intended Effective Date
(Check One)

Date

Emergency (ACA 25-15-204)

Legal Notice Published

9/20, 21, 22, 2019

10 Days After Filing (ACA 25-15-204)

Final Date for Public Comment

10-19-2019

Other _____
(Must be more than 10 days after filing date.)

Reviewed by Legislatice Council

12-18-2019

Adopted by State Agency

11-14-2019

Electronic Copy of Rule e-mailed from: (Required under ACA 25-15-218)

Lori Freno

lori.freno@arkansas.gov

12-20-19

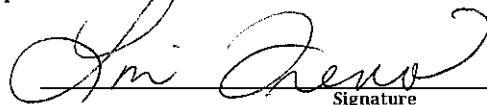
Contact Person

E-mail Address

Date

CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted
In Compliance with the Arkansas Administrative Act. (ACA 25-15-201 et. seq.)


Signature

(501) 682-4234

lori.freno@arkansas.gov

Phone Number

E-mail Address

General Counsel

Title

12-20-19

Date

FINANCIAL IMPACT STATEMENT
PLEASE ANSWER ALL QUESTIONS COMPLETELY

DEPARTMENT Arkansas Department of Education, Division of Elementary and Secondary Education

DIVISION Fiscal and Administrative Services

PERSON COMPLETING THIS STATEMENT Lori Freno, General Counsel

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To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE Rules Governing the Regulatory Basis of Accounting

1. Does this proposed, amended, or repealed rule have a financial impact? Yes No
2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule? Yes No
3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes No

If an agency is proposing a more costly rule, please state the following:

(a) How the additional benefits of the more costly rule justify its additional cost;
N/A

(b) The reason for adoption of the more costly rule;
N/A

(c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and;
N/A

(d) Whether the reason is within the scope of the agency's statutory authority; and if so, please explain.
N/A

4. If the purpose of this rule is to implement a federal rule or regulation, please state the following:

(a) What is the cost to implement the federal rule or regulation?

Current Fiscal Year

General Revenue N/A
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total _____

Next Fiscal Year

General Revenue N/A
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total _____

(b) What is the additional cost of the state rule?

Current Fiscal Year

General Revenue Zero
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total _____

Next Fiscal Year

General Revenue Zero
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total _____

5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

Current Fiscal Year

\$ Zero

Next Fiscal Year

\$ Zero

6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

\$ Zero

Next Fiscal Year

\$ Zero

7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes No

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
 - (a) justifies the agency's need for the proposed rule; and
 - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;

- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
 - (a) the rule is achieving the statutory objectives;
 - (b) the benefits of the rule continue to justify its costs; and
 - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

Arkansas Division of Elementary and Secondary Education
Rules Governing the Regulatory Basis of Accounting
Effective: December 30, 2019

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, 6-20-401, 10-4-413, and Act 867 of 2019.
- 1.02 These rules shall be known as the Arkansas 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 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 Division of Elementary and Secondary Education) to whose jurisdiction the entity is subject.
- 3.07 "Revenues" – Additions to assets 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 through the 2020-2021 fiscal year.
- 4.06 Revenues shall be reported by major sources, and expenditures shall be reported by major function.
- 4.07 Other transactions 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 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 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 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 the Division in accordance with Ark. Code Ann. §6-17-1117.)