R277. Education, Administration.

R277-425. Budgeting, Accounting, and Auditing for Utah Local Education Agencies (LEAs).

R277-425-1. Definitions.

A. "Accrual accounting" means a basis of accounting that measures the performance of an entity by recognizing economic events regardless of when cash transactions occur. Economic events are recognized by matching revenues to expenses at the time in which the transaction occurs rather than when payment is made.

[~~A~~]B. "Board" means the Utah State Board of Education.

C. "FASB" means the Financial Accounting Standards Board that has legal authority to establish financial accounting and reporting standards (GAAP) for publicly held companies and nonprofit organizations.

[~~C~~]D. "GAAP" means Generally Accepted Accounting Principles, as defined in the Codification of Governmental Accounting and Financial Reporting Standards, as published by the Governmental Accounting Standards Board.

[~~D~~]E. "GAAS" means auditing standards established by the American Institute of Certified Public Accountants, generally referred to as Generally Accepted Auditing Standards.

F. "GASB" means the Governmental Accounting Standards Board that is the source of generally accepted accounting principles (GAAP) used by state and local governments in the United States.

[~~E~~]G. "LEA" means local education agency which includes school districts and charter schools.

[~~B~~]H. "Modified accrual[~~ basis of~~] accounting" means a [~~method under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when they become measurable and available to finance expenditures of the current period~~]basis of accounting, commonly used by government agencies, that recognizes revenues when they become available and measureable and, recognizes expenditures when liabilities are incurred.

I. "Non-operating LEA" means an LEA that has not received minimum school program funds or federal funds and is not providing educational services during a fiscal year, such as an LEA in a start-up year(s).

J. "Operating LEA" means an LEA that has received state minimum school program funds or federal funds and is providing educational services during a fiscal year.

[~~F~~]K. "USOE" means the Utah State Office of Education.

R277-425-2. Authority and Purpose.

A. This rule is authorized by Utah Constitution Article X, Section 3 which vests general control and supervision over public education in the Board, Section 53A-1-402(1)(e)(iv) which allows the Board to adopt rules regarding financial, statistical, and student accounting requirements, Section 53A-1-404 which allows the Board to approve auditing standards for school boards, Section 53A-1-405 which requires the Board to verify accounting procedures of school boards for the purpose of determining the allocation of Uniform School Funds, and Section 53A-1-401(3) which allows the Board to adopt rules in accordance with its responsibilities.

B. The purpose of this rule is to specify uniform budgeting, accounting, and auditing procedures for LEAs consistent with Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS).

R277-425-3. LEA Audit Requirements.

[~~A. Each LEA with expenditures of less than $500,000 shall file an unaudited financial statement with the State Auditor's office on forms prescribed by the State Auditor.~~

~~B. The State Auditor sets timelines and format for the state auditing reporting requirement.~~]

A. An operating LEA shall cause an audit to be made of its accounts by a competent, independent certified public accountant. Utah Code Section 51-2a-201-1 requires audits for an entity whose revenues or expenditures of all funds is $500,000 or more. Section 51-2a-201-2 require an entity whose

revenues or expenditures of all funds less than $500,000 cause a financial report to be made in a manner prescribed by the state auditor. The state auditor provides for external parties to require audits of their entities.

B. A non-operating LEA shall cause a financial report to be made consistent with Utah Code section 51-2a-201.

R277-425-[~~3~~]4. Reporting Standards.

A. Each LEA's financial reporting shall be in accordance with GAAP which include GAAS.

[~~B. Each LEA's financial reporting shall be provided in the modified accrual basis of accounting in accordance with GAAP. LEAs that use nonprofit accounting shall also provide a reconciliation between the two bases of accounting and reporting.~~]

B. LEA's financial reporting shall be provided in a manner consistent with the basis of accounting as determined by the entity's GAAP, consistent with either GASB or FASB. If FASB standards are followed, the LEA shall provide reconciliation between the accrual basis of accounting and modified accrual basis of accounting.

C. LEAs shall provide data and information consistent with School Finance budgeting, accounting and auditing standards for Utah LEAs provided online by the Utah State Office of Education, October, [~~2011~~]2013 and reviewed annually. The USOE School Finance website contains applicable Utah statutes, applicable Board rules, and uniform rules for:

(1) budgeting;

(2) financial accounting which includes a chart of accounts for LEAs required under Section [~~63A-3-406~~]53A-1-301(3)(d)(v);

(3) student membership and attendance accounting;

(4) indirect costs and proration;

(5) financial audits;

(6) statistical audits; and

(7) compliance and performance audits.

D. Section 53A-19-103 allows LEAs to have an

109 undistributed reserve not to exceed five percent of the LEA
110 general fund budgeted expenditures. The purpose of the
111 reserve is to meet unexpected and unspecified contingencies.

112 **KEY: education finance**
113 **Date of Enactment or Last Substantive Amendment: [~~February 7,~~**
114 **~~2012~~]2013**
115 **Notice of Continuation: [~~February 13, 2009~~]2013**
116 **Authorizing, and Implemented or Interpreted Law: Art X Sec 3;**
117 **53A-1-402(1)(e); 53A-1-404; 53A-1-405; 53A-1-401(3)**