STATE OF UTAH
LEGAL COMPLIANCE AUDIT GUIDE

Subject: Minimum School Program, Utah State Office of Education (USOE), Division of Business Services, School Finance Section

TYPES OF AGREEMENTS:	Allocated per *Utah Code* Formulas
TYPES OF RECIPIENTS:	School Districts, Charter Schools, Regional Services Centers, etc.
SOURCE OF AUTHORIZATION AND REGULATIONS:	*Utah Code* Title 53A
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EFFECTIVE DATE:	Year Ending 30 June 2012

A. PROGRAM OBJECTIVES

The objective of the Minimum School Program is to provide reasonably equal educational opportunities for all children in the State of Utah regardless of where they live or their economic status. This *Compliance Audit Guide* applies to the 2011-2012 school year.

B. PROGRAM PROCEDURES

Minimum School Program funds are allocated to school districts and charter schools by the School Finance and Statistics Section of the USOE based on formulas provided by the Minimum School Finance Act and State Board of Education administrative rules. The largest share of funds use allocations based on average daily membership and fall enrollment. Some allocations are based on fixed or competitive grant application.

1. CATEGORIES OF SCHOOL PROGRAMS

Compliance Requirements:

The Minimum School Program provides funding for most educational activities. The descriptions for these programs can be found at the following website:

http://www.schools.utah.gov/finance/Minimum-School-Program/MSP-Descriptions.aspx

There are seven major categories of school programs within the Minimum School Program:

a. **Regular Basic School Programs** – The funds received for the following programs are basically unrestricted and can be used for any educational purpose.

Kindergarten – To support educational services for students in kindergarten.

Grades 1-12 – To support educational services for students in grades 1 through 12. Example: supplies, personnel, textbooks.

Foreign Exchange Students – To support the educational services for students enrolled under an interstate compact or a student receiving services under the Compact on Placement of Children.

Necessarily Existent Small Schools – To assist small schools that are located in remote areas and are therefore expensive to operate.

Professional Staff – To support local education agencies (LEAs) in recruiting and retaining highly educated and experienced educators for instructional, administrative, and other types of professional employment in public schools. Example: signing bonus, retention bonus, and advertising.

Administrative Costs – To support school districts – especially school districts with small enrollments – in maintaining administrative resources. Example: audits, reports, postage, technology.

b. **Restricted Basic School Programs** – The funds received for the following programs must be expended specifically for the program(s) designated.

Special Education – Regular Program – Add-on – To provide additional educational services for students with disabilities as required by federal law. Example: Special Education personnel, texts, supplies.

Special Education – Self Contained – To compensate for the higher cost of providing more extensive educational services to students who are in a self contained setting (enrolled in special education for 180 minutes or more each day). Unlike resource students, self contained students do not generate a "regular" WPU.

Special Education – Preschool – To provide preschool educational services for children with disabilities from ages 3 through 5 as required by federal law.

Extended Year for Severely Disabled – To provide a longer school year for those students with disabilities whose regression over school breaks is so severe that an inordinate amount of time is necessary to recoup previous learning.

Special Education – State Programs – To support school districts and charter schools in serving special education students whose extensive needs cost the school district or charter school more than $15,000 per student.

> Special Education – State Programs – Extended Year for Special Educators – Of the money appropriated, the State Board of Education shall distribute the revenue generated from 909 WPUs to school districts, charter schools, and the Utah Schools for the Deaf and the Blind for stipends to special educators for additional days of work pursuant to the requirements of Section 53A-17a-158.

Career and Technical Education (CTE) – Add-On – To compensate for the higher cost of state approved CTE courses provided either directly by school districts and charter schools or through external providers on contract to school districts. Example: supplies, textbooks, personnel.

Class Size Reduction – To reduce the size of classes or maintain smaller classes in grades Kindergarten through 8. Example: personnel.

c. **Related to Basic Programs** – The funds received for the following programs are for transportation and other programs specified by state legislature.

Pupil Transportation To and From School / Guarantee on Special Transportation Levy – To support school districts for the transportation of students to and from school, including the training of school district transportation personnel and replacement of school buses.

Flexible Allocation – WPU Distribution – New in 2011, the legislature appropriated a flexible source of funding for school districts and charter schools to assist in managing budget reductions. Currently these funds are not designated for a specific purpose.

Charter School In Lieu of Local Funding (Local Replacement) – Established to provide revenue to charter schools to assist in general educational and capital facility needs. This funding is intended to replace some of the locally generated property tax revenue charter schools cannot access.

Charter School Administrative Costs – To support charter schools in maintaining administrative resources. Example: audits, reports, postage, technology.

d. **Special Populations** – The funds for these programs are distributed based on approved RFPs or formulas and must be spent within the respective special populations. Special populations include Enhancement for At-Risk Students, Enhancement for Accelerated Students, Youth in Custody, and Concurrent Enrollment.

e. **Other Minimum School Programs** – The funds distributed for these programs are mostly unrestricted or can be used for educational purposes related to programs such as school land trust, reading achievement, USTAR centers, educator salary adjustments, etc.

f. **Leeway Programs** – The funds received for these programs are based on specific leeway formulas. Voted leeway proceeds are to be expended for general fund (maintenance and operation) purposes only. Board leeway proceeds are to be expended for class size reduction or other duly authorized purposes as set forth by statute.

g. **One-Time Programs** – These funds are to finance programs such as classroom supplies and materials and the Beverley Taylor Sorenson Elementary Arts Learning Program.

Other state funding can be classified as **Non-MSP Programs**. These other state programs include capital outlay and enrollment growth foundation (dealt with in SOE-2, School Building Program), state liquor control tax (considered state matching funds for the federal National School Lunch Program), state driver training tax (dealt with in SOE-3, Driver Education), and U-PASS Administration.

2. RISK-BASED AUDIT APPROACH

The school programs within the Minimum School Program can be divided into three groups: state major programs, general, and restricted.

"State major programs" are defined in the introduction of the *State of Utah Legal Compliance Audit Guide*. The capital outlay and enrollment growth foundation, a school program within the Minimum School Program, is considered a separate state program and should be considered a major program when revenues or expenditures exceed $350,000 in the current year (see SOE-2).

"General" school programs have few compliance requirements or are not structured for specific program testing. General school programs include the following school programs within the Minimum School Program:

K-12
Foreign Exchange Students
Necessarily Existent Small Schools
Professional Staff
Administrative Costs
Flexible Allocation – WPU Distribution
Charter School Local Replacement
Charter School Administrative Costs
Educator Salary Adjustments
Voted Leeway Program

"Restricted" school programs are those school programs within the Minimum School Program that are to be used for those specific purposes outlined in Utah statute. These programs are to be evaluated for risk and tested for compliance on a rotating basis.

The risk-based approach requires the following:

a. Calculate the total expenditures of restricted school programs expended during the year.

b. Select which restricted school programs to test.

1) *Significant restricted programs* (those programs with expenditures totaling 3% or more of the calculated total) must be selected at least once every three years. If a significant restricted program is new to the school district or charter school in the current year, it should be selected in the current year because it was not selected in one of the prior two years. Also, a program that reaches the 3% threshold for the first time and has not been selected in one of the prior two years must be selected in the current year. If a school reaches the $350,000 threshold, then each significant restricted program needs to be selected once during a 3-year period.

2) Restricted programs designated as high risk by the State of Utah Office of Education or for which there were audit findings in either of the preceding two years must be selected in the current year.

3) A *cluster of programs* is a grouping of closely related restricted programs that share common compliance requirements. Three clusters (Special Education, Career and Technical Education, and Enhancement for Accelerated Students) have been identified. These clusters of restricted programs should be treated as one program when determining which programs to select.

   The Special Education cluster includes the following school programs within the Minimum School Program:

   - Special Education – Regular Program – Add-On
   - Special Education – Self Contained
   - Special Education – Preschool
   - Extended Year Severely Disabled
   - Special Education – State Programs
   - Extended Year Special Educators
   - Special Education Maintenance of Effort (MOE)

   The Career and Technical Education cluster includes the following school programs within the Minimum School Program:

   - Career and Technical Education (CTE) Add-On
   - CTE Maintenance of Effort (MOE)

   The Enhancement for Accelerated Students cluster includes the following school programs with the Minimum School Program:

   - Gifted and Talented
   - Advanced Placement
   - International Baccalaureate

4) The combined amount of expenditures for the restricted programs selected must be equal to or greater than 25% of the calculated total of all restricted programs. Therefore, additional programs may need to be selected to meet the required percentage of coverage. These additional programs are selected by the auditor, using professional judgment and considering risks of noncompliance.

c. Identify compliance requirements for general and restricted school programs.

1) Tests for compliance for general school programs are included with the suggested general audit procedures for the Minimum School Program in this *Compliance Audit Guide*.

2) Suggested tests for compliance for common restricted programs are provided in this *Compliance Audit Guide*. Tests for compliance for restricted programs not included in this *Compliance Audit Guide* can be determined by consulting applicable state laws and rules and state program administrators.

d. The auditor should document the risk assessment process used in determining restricted programs selected. When the determination of restricted programs selected is performed and documented by the auditor in accordance with this *Compliance Audit Guide*, the auditor's judgment in applying the risk-based approach is presumed correct. However, the State of Utah Office of Education may provide the auditor with guidance about the risk of a particular program, which the auditor should consider when determining programs to select for testing.

C. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

Suggested General Audit Procedures (consider annually):

Trace the flow of funding for each individual program to the final disposition.

1. Trace the entity's reconciliation of program activities from reports prepared by USOE (project allotment memorandums, recipient reports, and school district summary or charter school summary reports) to the entity's records and reports (general ledger, program revenue and expenditure reports, claims for reimbursement, financial statements, Annual Program Report, and Annual Financial Report).

2. Verify that program balances agree with prior-year and current-year ending balances on reports prepared by the entity. (For each program, the entity's reconciliation should include beginning receivable or deferred program balance, receipts, expenditures, adjustments, and ending receivable or deferred program balance.) The attached Sample State and Federal Revenue Reconciliation worksheet could be used.

General school programs:

K-12, Foreign Exchange Students, Professional Staff, Necessarily Existent Small Schools, Administrative Costs, Flexible Allocation – WPU Distribution, Charter School Administrative Costs, Charter School Local Replacement (portion not spent on facilities-related costs) and Voted Leeway Program – These funds are fairly broad in their use and discretion. No specific tests of compliance are provided here for these funds. The auditor is reminded that he or she should consider the entity's internal control over compliance and obtain sufficient appropriate audit evidence to form an opinion and report on whether the entity complied in all material respects with the applicable compliance requirements of the Minimum School Program. The auditor should also consider indications of abuse.

These funds are to be used to support educational and administrative activities of the entity. Compliance requirements of these funds include the following: allowable activities, allowable costs, equipment management, procurement, and reporting. The auditor could select samples from these programs and test for compliance. The auditor could also consider procedures performed in the audit of the financial statements or other areas as long as those procedures represent sufficient evidence to form an opinion.

Procedure – Document your consideration of the entity's control over compliance with the applicable requirements of the Minimum School Program. Select samples of costs charged to these funds and test for compliance or document your consideration of how audit procedures

performed in other areas support an opinion on whether the entity complied in all material respects with the applicable compliance requirements of the Minimum School Program.

Charter School Local Replacement – At least ten percent of this program is to be used for facilities-related costs; the remainder is unrestricted.

Procedure – Verify that at least ten percent of this program is used for facilities-related costs.

Educator Salary Adjustments – These funds are appropriated by the Utah Legislature to give an on-going salary adjustment to each qualifying educator and school administrator employed by the school district or charter school. A qualifying educator means a person employed by a school district or charter school who holds a license and a position as a classroom teacher, speech pathologist, librarian or media specialist, preschool teacher, mentor teacher, teacher specialist or teacher leader, guidance counselor, audiologist, psychologist, or social worker. A school administrator means persons employed by the school district or charter school who are "licensed educators, which hold an Administrative/Supervisory area of concentration, who serve as formal leaders at each school site. Duties include items such as school safety, budget, building operations and maintenance, teacher quality, student achievement, parent and community relations, core instruction, and extracurricular activities. Principals, assistant principals and administrative interns are included in this definition" (see CACTUS Educator Categories – 4/26/2010 at the following site:

http://www.schools.utah.gov/curr/main/Core_Codes/documents/CACTUSEducatorCategories.pdf).

Salary adjustments are to be the same for each full-time qualifying position; a person who is not in a full-time qualifying position receives a partial salary adjustment based on the number of hours the person works in a qualifying position. Salary adjustments may be awarded only to qualifying employees who have received a satisfactory rating or above on their most recent evaluation. Educator salary adjustments can include costs for the following employer-paid benefits: retirement, worker's compensation, Social Security, and Medicare.

Procedure – Select a sample of persons whose salary has been charged to this program and verify that these employees are currently employed in a qualifying position and who have received a satisfactory rating or above on their most recent evaluation. Also, review employer-paid benefits charged to the programs for allowability.

Suggested Specific Audit Procedures for Common Restricted School Programs (consider for each restricted program selected for testing):

Verify that the funds were expended appropriately.

1. Identify the allowable activities and costs for each selected program.

2. Select samples of expenditures from each selected program and perform procedures and tests to verify that activities were allowable and transactions were properly classified and

accumulated into the activity totals. Ensure adjustments are included as part of the sample when performing these procedures and tests.

3. Select samples of expenditures from each selected program and perform procedures and tests to determine that direct charges to programs were for allowable costs. (The criteria affecting the allowability of costs include whether the costs are reasonable and necessary; allocated in accordance with relative benefits received; are given consistent treatment; conform to any limitations established by State laws or administrative rules; are supported with appropriate documentation; represent charges for actual costs, not budgeted or projected amounts; are net of all applicable credits; and are calculated in conformity with generally accepted accounting principles. See OMB Circular A-87 for governments or OMB Circular A-122 for nonprofit organizations for guidance on cost principles.)

4. Perform procedures and tests to verify that indirect cost rates were applied in accordance with approved rate limitations and guidelines.

Common restricted school programs and related compliance procedures:

Special Education Cluster – Special education programs are to provide *additional* or *special* services to students with disabilities. For example, students participating in the state special education add-on program qualify for one WPU of regular classroom funding and one additional WPU for state special education add-on funding. Accordingly, costs charged to special education programs are for services performed in addition or supplementary to regular services that are provided in the regular classroom, such as aids, program modifications, and support that are provided in conjunction with regular classroom instruction. Costs can also be for special classes, resource room or itinerant instruction, related supplies, testing, specialists, and direct supervision of special education services.

These funds are restricted. Funds may be spent only for direct costs. Indirect costs are not allowable.

Allowable direct costs for approved programs for students with disabilities are published in the USOE Special Education Rules (Rules), beginning on page 201, located at http://www.schools.utah.gov/sars/DOCS/law/finalrules.aspx. Unallowable direct costs are also listed in the Rules, beginning on page 203.

The school district or charter school is to ensure that current year expenditures in its state special education programs are equal to or greater than the level of those expenditures of the preceding year. Certain exceptions apply. See the Rules, beginning on page 190, regarding maintenance of effort. Special education maintenance of effort is the amount of local funds or state unrestricted sources that must be added to the program each year.

Procedure – Obtain either class rolls or inquiry access to the student information system (SIS) and verify that students enrolled in special education programs have been included in the December 1 count of students used to drive the special education funding. An alternative step would be to review the criteria used by the school district or charter school to identify students as having disabilities to qualify them for inclusion in the December 1 count. [Note that the funding

is determined by the level of service required by the student and that the LEA may not inflate the level of service required in order to generate additional funds. Programmatic compliance reviews are conducted to ensure students receive only the level of service (and therefore funding) that is required to implement their Individualized Educational Plan.] Select a sample of costs charged to state special education programs and test for allowability. Ensure that costs for regular classroom instruction have not been included with or allocated to state special education programs. [Although a regular education teacher of a student with a disability is a member of the individualized education program (IEP) team and participates in the development of the IEP of the student or reviews the IEP of the student that participates in the general education classroom, none of the regular education teacher's personnel costs can be allocated to a special education program. Note that special education services and aids that provide incidental benefit to nondisabled children may be allowable. The costs of special education and related services, and supplementary aids and services, provided in a regular class or other education-related setting to a student with a disability in accordance with the IEP of the student are allowable, even if one or more nondisabled students benefit from these services.]

Ensure the special education maintenance of effort is recorded as special education program revenue.

Career and Technical Education (CTE) Cluster – These funds are designated to encourage classes in technical education. Funding for these classes is only available to students in grades 9-12. Some school districts may allow students of lower grades to participate in these classes; however students from these lower grades may not be counted towards membership for CTE purposes.

CTE maintenance of effort as calculated by the Utah State Office of Education located at http://www.schools.utah.gov/cte/documents/funding/AllocationMOE11.pdf must be added to the program. The CTE maintenance of effort can be from local funds or state unrestricted sources.

Procedure – Obtain a copy of the class listings, preferably with either the grade or birthdates and verify that students fall within the acceptable grades for CTE funding or that their information is correct within the Student Information System.

Ensure the CTE maintenance of effort is recorded as CTE program revenue. If students in grades 7-8 are also enrolled in a CTE course, local revenue beyond that required for meeting CTE Maintenance of Effort requirements must be included with local revenue for the program. The amount of local revenues should be equivalent to the CTE funding for students in grades 9-12 on a per student basis.

Class Size Reduction – These funds are to be used to reduce class size in any or all grades kindergarten through eighth grade. Fifty percent of the funds must be used to reduce class size in any one or all of grades kindergarten through grade two, with an emphasis on improving student reading skills. If the average class size of a school district or charter school is below 18 in grades kindergarten through two, it may petition the state board for a waiver of the fifty percent requirement. Twenty percent of the funds may be used for capital facilities projects that help reduce class size. If student population increases by five percent or 700 students from the

previous school year, the school district or charter school may use up to fifty percent of its funds for classroom construction.

This funding is to supplement any other appropriation for class size reduction.

Although not required, it is recommended the entity maintain a list of educators and related benefits paid from this funding.

Procedure – Verify that at least fifty percent of the allocation is used to reduce class size in any one or all of grades kindergarten through grade two, unless a waiver has been granted. Select a sample of costs charged to this program and test for allowability (personnel and related benefit costs for qualifying classroom teachers and facility costs for qualifying classroom projects). Verify that funding is used to supplement other class size reduction programs.

Pupil Transportation To and From School – Two primary sources of student transportation funding are available to school districts: pupil transportation (state) and special transportation levy (local). Procedures are to be performed by the auditor to verify that costs charged transport students are allowable.

Allowable costs include costs to transport students (function 2700). Transportation and maintenance costs for administrative or other purposes should not be charged to these funding sources.

Procedure –Select a sample of expenditures charged to student transportation programs and test the sampled items for allowability (see also UCA 53A-17a-127). Compare total costs recorded for student transportation (as reported on the AFR for function 2700 with the APR for the two programs).

Enhancement for At-Risk Students – These funds are intended to improve the academic achievement of students who are at risk of academic failure. $1.2 million is appropriated for gang prevention.

Procedure –Select a sample of expenditures charged to Enhancement for At-Risk Student funding and test the sampled items for allowability (see also UCA 53A-17a-166 Administrative Rule R277-708).

School LAND Trust program – These funds are sent to school districts and charter schools for school community councils and trust land committees to develop a plan and expend funds to improve academic excellence (see *Utah Code* 53A-16-101.5(5)).

Procedure – Verify that school plans were approved by the local board of education. Test expenditures to see they were made after board approval. Test expenditures for allowability and compliance with the approved plan and budget categories set forth in the plan. Board-approved plans can be viewed at http://www.schoollandtrust.org/schools/program-plans. See Administrative Rule R277-477 for specific allowable costs.

Classroom Supplies and Materials – These funds are sent from the legislature for teachers to use in the classroom. There is a formula which differentiates amounts by teacher based upon elementary or secondary assignment as well as the number of years of teaching experience.

Procedure – Obtain a listing of the amounts allocated by teacher. Verify that either 1) reimbursements are occurring based upon receipts being turned in or 2) that the school district or charter school is including the amounts paid to teachers in their W-2 wages.

Reading Achievement – This program was created to achieve the state's goal of having third graders reading at or above grade level. Within the Reading Achievement program three funding programs have been created: Base Level, Guarantee Program, and Low Income Students Program. The school district or charter school must submit a State Board approved plan for reading proficiency improvement prior to using program funds.

Procedure – Review approved plan and test related expenditures for allowability of use of program funds.

USTAR Centers (Year-Round Math & Science) – The Utah Science Technology and Research Initiative (USTAR) Centers program is created to provide a financial incentive for school districts and charter schools to adopt programs that result in a more efficient use of human resources and capital facilities. A school district or charter school is to use USTAR funds only for full-year teacher contracts, part-time teacher contract extensions, or combination of both, and for math and science teachers. Up to 5% of program monies may be used to fund math and science field trips, textbooks, and supplies.

Procedure – Test program expenditures for allowability. Review program results and ensure no more than 5% of program expenditures are used for math and science field trips, textbooks, and supplies.

Early Intervention – This program provides at least the same number of instructional hours per school year as first grade or additional instruction hours that are outside the regular school year, including summer programs.

Procedure – Ensure that allocated funds are used to establish extended-day kindergarten in the schools with the greatest need as measured by the percentage of students eligible for free lunch. (See HB2-2011 General Legislative Session lines 422-428.)

Adult Education – Compliance with Adult Education requirements are tested under the agreed-upon procedures requirements of Appendix C-6 of the *State of Utah Legal Compliance Audit Guide*.

Procedure –Test program expenditures for allowability. Ensure the program revenues include equal matching funds; ensure program revenues are not used to supplant existing programs.

Youth in Custody – This program provides educational services to persons under the age of 21 who are in the custody of the Department of Human Services, an equivalent agency of a tribe recognized by the Bureau of Indian Affairs, or a juvenile detention facility.

Procedure – From the school district's funding application, obtain an understanding of allowable expenditures. Test expenditures for allowability in accordance with that application.

D. ELIGIBILITY

Compliance Requirement:

Minimum School Program funds are distributed to school districts, charter schools, schools for the deaf and blind, and state colleges and universities. Eligibility and reimbursement for specific programs are based on weighted pupil units, average daily membership, various formulas, and basic rate property tax proceeds.

The audit procedures for the (USOE) Financial and Program Reports are addressed in part E below. The Fall Enrollment (October 15th UTREx Reports) and Student Membership (July 7th UTREx Reports) Reports are tested through agreed-upon procedures as addressed in Appendix C-5. Adult Education procedures are tested through agreed-upon procedures as addressed in Appendix C-6.

E. REPORTING REQUIREMENTS

Compliance Requirements:

Each school district and charter school is required to submit the following reports to the Utah State Office of Education by these due dates:

Report	Due Date	Reference
Aggregate Membership procedures *	September 15	R277-419-3(D)
Adult Education procedures *	September 15	
Annual Financial and Program Reports (AFR/APR)	October 1	53A-3-404
UTREx Update as of October 1	October 15	R277-484-3(H)
Fall Enrollment and Transfer Student Documentation procedures *	November 1	R277-419-3(D)
Audited Financial Statements - Schools Districts	November 30	53A-3-404A
Audited Financial Statements - Charter Schools	November 30	53A-1A-507(4a)
Reconciliation between AFR and Audited Financial Statements (if allowable differences exist)	November 30	
Minimum School Program schedule	November 30	

* Prepared by independent accountant

Suggested Audit Procedures:

Ensure that the reports are filed in a timely manner. Perform testwork sufficient to ensure that the following requirements are satisfied:

a. The Student Membership (July 7th UTREx Report) and the Fall Enrollment (October 15th UTREx Report) Reports must be tested through agreed-upon procedures between the school

district or charter school, the independent accountant, and the Utah State Office of Education. Additional guidance for the agreed-upon procedures can be found in Appendix C-5 of the *State of Utah Legal Compliance Audit Guide*.

b. The (USOE) Annual Program Report should agree to the (USOE) Annual Financial Report. School districts prepare these reports using the same method of accounting employed by each of its individual funds. Charter schools are to prepare these reports using the "modified accrual basis of accounting" which is the method of accounting employed by governmental funds in a local government and as defined by the Governmental Accounting Standards Board.

c. The school district's or charter school's annual financial audit must be performed in accordance with *Government Auditing Standards* and, when applicable, OMB Circular A-133. The annual audited financial statements of the school district or charter school must be prepared in accordance with generally accepted accounting principles. See Administrative Rule R277-425-4.

   The (USOE) Annual Financial Report should agree to the audited financial statements. Errors should be reported to the Utah State Office of Education as soon as possible. If allowable differences between the AFR and the audited financial statements exist (for example, differences in the basis of accounting or differences in the presentation of funds or activities), a detailed reconciliation of the differences should be submitted to USOE.

d. A Minimum School Program (MSP) schedule is to be submitted to USOE, in the Excel format, that identifies the classification of school programs within the MSP, significant restricted programs selected for testing by the independent auditor in the current and prior two years, and the percent of restricted school programs tested.

   See the attached Sample Minimum School Program (MSP) Schedule.

e. For school districts, interfund transfers must be in accordance with *Utah Code, Section* 53A-19-105. Except as authorized, interfund transfers are prohibited.

f. For school districts, an undistributed reserve balance or use must be in accordance with *Utah Code, Section* 53A-19-103. Also, an undistributed reserve may not exceed 5% of the general fund's budgeted expenditures per Administrative Rule R277-425-4. The purpose of the reserve is to meet unexpected and unspecified contingencies.