

1 State of Arkansas *As Engrossed: S1/16/04 S1/16/04* Call Item 4
2 84th General Assembly **A Bill**
3 Second Extraordinary Session, 2003 HOUSE BILL 1094
4

5 By: Representative Mahony
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8 **For An Act To Be Entitled**

9 THE ARKANSAS EDUCATIONAL FINANCIAL ACCOUNTING AND
10 REPORTING ACT OF 2004.
11

12 **Subtitle**

13 THE ARKANSAS EDUCATIONAL FINANCIAL
14 ACCOUNTING AND REPORTING ACT OF 2004.
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17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
18

19 SECTION 1. Arkansas Code Title 6, Chapter 20, is amended to add the
20 following subchapter:

21 6-20-2201. Title.

22 This subchapter shall be known and may be cited as the "Arkansas
23 Educational Financial Accounting and Reporting Act of 2004".
24

25 6-20-2202. School district budget and expenditure report.

26 (a)(1) The board of directors of each school district shall annually
27 prepare a budget of expenditures and receipts that shall be filed with the
28 Department of Education by August 15 of each year pursuant to the provisions
29 of this subchapter.

30 (2) Each budget shall be approved by the school district board
31 of directors at a legally held meeting and shall be signed by the president
32 of the board and the ex officio financial secretary of the school district.
33 The budget shall contain the information and be prepared in an electronic
34 format prescribed by rules of the State Board of Education governing
35 financial accounting for Arkansas school districts.

36 (b)(1)(A) Warrants or checks of the school district issued after the



1 date required by subsection (a) of this section shall be invalid unless a
2 budget has been filed as required by this subchapter and in compliance with
3 appropriate rules.

4 (B) The ex officio financial secretary of the school
5 district and his surety shall be liable for any warrants or checks
6 countersigned after the date required by subsection (a) of this section if a
7 budget has not been filed.

8 (2) Distribution of all grants and aids from the state for which
9 the school district may be eligible shall be suspended until the requirements
10 of this subchapter are met.

11 (c)(1) School district budgets filed pursuant to this section shall be
12 reviewed by the auditors of the financial accountability office of the
13 department to determine if the requirements of state law and the rules of the
14 state board regarding the use of school funds and expenditure requirements
15 are being met.

16 (2) Upon approval by the auditors, copies of the approved budget
17 shall be filed with the school district, the county treasurer if serving as
18 school treasurer, and the department.

19 (d)(1) The ex officio financial secretary of each school district
20 shall keep a record of the daily expenditures and receipts of the school
21 district in the manner and on the forms as may be specified by rules of the
22 state board and the School Audit Section of the Division of Legislative
23 Audit. An annual record shall be filed by August 15 of each year with the
24 department.

25 (2) If the auditors of the financial accountability office of
26 the department or the School Audit Section of the Division of Legislative
27 Audit determine that the financial records of any school district are not
28 properly maintained or that the financial affairs of the school district are
29 not administered in accordance with state law or state board rules, grants
30 and aids from the state to which the school district may be entitled shall be
31 withheld until it is determined that the fiscal records of the school
32 district are in order or that the financial affairs are being properly
33 administered as established by statute or by rule promulgated by the board,
34 provided that the department has met all deadlines for providing information
35 to school districts.

36 (e)(1) The department may withhold state aid from any school district

1 that fails to file its budget or any other required report with the
2 department by the deadline established by statute or by rule promulgated by
3 the state board, provided that the department has met all deadlines for
4 providing pertinent information to school districts.

5 (2) The department shall submit a list of all required financial
6 accountability reports along with due dates to each school district by July 1
7 of each year.

8 (f) The state board shall promulgate the necessary rules to fully
9 implement the provisions of this section.

10 (g) The Treasurer of State shall withhold the monthly distribution of
11 county aid provided under § 19-5-602(b) from any county that fails to provide
12 in a timely manner information to the department concerning the annual
13 abstract of assessment for each school district located wholly or in part in
14 the county.

15
16 6-20-2203 Uniform budget and accounting system required.

17 (a) The State Board of Education shall adopt by rule a uniform budget
18 and accounting system consistent with the Handbook IIR2 or future revisions
19 as published by the U.S. Department of Education, Office of Educational
20 Research and Improvements, for school districts, education service
21 cooperatives, and open enrollment charter schools. The rules shall be
22 developed by the Department of Education in cooperation with representatives
23 from the Arkansas Association of School Administrators, the Arkansas
24 Association of School Business Officials, and the Legislative Joint Auditing
25 Committee.

26 (b) The definitions contained in the Federal Handbook IIR2 shall be
27 used for school districts in Arkansas and shall be used to allow for valid
28 comparisons of expenditures among schools and among school districts.

29 (c) In addition the State Board of Education shall adopt by rule
30 “Arkansas Revisions” to the Federal Handbook IIR2. The rules shall be
31 developed by the Department of Education in cooperation with representatives
32 from the Arkansas Association of School Administrators, the Arkansas
33 Association of School Business Officials, and the Legislative Joint Auditing
34 Committee. Arkansas Revisions shall include but not be limited to:

35 (1) Categories to allow for the gathering of data on separate
36 functions and programs;

1 (2) Categories and descriptions of expenditures that each school
2 or school district shall report on its annual school performance report
3 authorized by the School Performance Report Act, § 6-5-1401 et seq. The
4 reported expenditures shall include, but not be limited to, the following
5 categories:

6 (A) Total Expenditures;

7 (B) Instructional Expenditures;

8 (C) Administrative Expenditures;

9 (D) Extracurricular Expenditures;

10 (E) Capital Expenditures; and

11 (F) Debt Service Expenditures; and

12 (3) Categories and descriptions of school and school district
13 expenditures that allow for the gathering of data on separate functions and
14 programs provided by law.

15 (d) The department shall have the authority to analyze and inspect the
16 financial records of any school or school district in order to verify that a
17 school or school district is correctly and accurately reporting expenditures.

18 (e) By November 1 of each year, the Department of Education shall
19 submit a report to the State Board of Education, the Governor, and the Senate
20 and House Interim Committees on Education concerning public school and public
21 school district expenditures required by law.

22 (f) All rules, regulations, and revisions adopted under this
23 subchapter shall be adopted and published prior to the start of any fiscal
24 year for which they are applicable and shall allow for an implementation
25 schedule consistent with the method outlined in § 6-20-2206.

26
27 6-20-2204. Required training.

28 (a)(1) Any person whose job responsibility includes preparing the
29 budget or recording expenditures of a school or school district shall obtain
30 training and instruction necessary to demonstrate basic proficiency, as
31 determined by the Department of Education, in, including, but not limited to:

32 (A) School laws of Arkansas;

33 (B) Laws and rules governing the expenditure of public
34 education funds, fiscal accountability, and school finance;

35 (C) Ethics; and

36 (D) Financial accounting and reporting of local education

1 agency expenditures.

2 (2) Each year thereafter, any person whose job responsibility
3 includes preparing the budget or recording expenditures of a school or school
4 district shall obtain by December 31 of each calendar year, additional hours
5 of training and instruction as required by the department in order to
6 maintain basic proficiency in the topics described in subdivision (a)(1) of
7 this section.

8 (3)(A) The instruction may be received from an institution of
9 higher education in this state, from instruction sponsored by the Department
10 of Education, or by an in-service training program conducted by the Arkansas
11 Association of School Business Officials, or from another provider.

12 (B) Any instruction provider other than the department
13 shall request pre-approval as to form and content by the department.

14 (4)(A) If a person fails to obtain the required training by the
15 end of the calendar year and fails to cure the deficiency by March 1 of the
16 following calendar year without filing a request for extension of time, as
17 determined from the records of the department, the department shall
18 immediately notify the superintendent of the employing school district by
19 certified mail, return receipt requested, with a copy to the board president.

20 (B) The superintendent shall notify the person by
21 certified mail, return receipt requested, and the person shall be unable to
22 continue in his or her position from the date of receipt of notification by
23 the superintendent.

24 (5) If the person fails to obtain all required training by
25 December 31, this failure shall constitute one (1) citation against the
26 school district as measured by the Standards for Accreditation of Arkansas
27 Public Schools issued by the department.

28 (6) If the person is unable to obtain the required training
29 because of military service or illness as verified by a written sworn
30 statement of the person's attending physician, the department shall grant an
31 extension permitting the person additional time to obtain the required
32 training. The issuance of an extension shall not constitute a citation
33 against the school district as measured by the Standards for Accreditation of
34 Arkansas Public Schools issued by the department and shall not operate to
35 remove the person from his or her job.

36 (b)(1) A school district board of directors is authorized to pay per

1 diem and reimburse the expenses of a person required to obtain training under
2 this section.

3 (2) The expenses must be incurred in attending in-service
4 workshops, conferences, and other courses of training and instruction
5 necessary for completing the hours of instruction required under this
6 section.

7 (3) Payments may be made from funds belonging to the school
8 district.

9 (c) The State Board of Education shall modify the Standards for
10 Accreditation of Arkansas Public Schools issued by the department as may be
11 required by this section.

12 (d) It is the responsibility of the department to receive and maintain
13 records of instructional hours obtained by any individual covered under this
14 section.

15 (e) The state board is authorized to promulgate rules and regulations
16 consistent with the provisions of this section.

17
18 6-20-2205. Penalties.

19 Any school district that does not follow the provisions of this
20 subchapter shall be placed in fiscal distress as provided by law.

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22 6-20-2206. Miscellaneous provisions.

23 (a) If the Department of Education determines that an overpayment has
24 been made to a school district in any funding category authorized by law, the
25 department is authorized to withhold the overpayment from future funding of
26 the school district and is authorized to transfer the amount withheld for the
27 overpayment to the line item appropriation from which the overpayment was
28 initially made.

29 (b) Each school district shall prepare an annual statement of the
30 financial conditions and transactions of the school district as of June 30 of
31 each year in accordance with generally accepted accounting principles.

32 (c) In order for a school district to be entitled to state aid as
33 provided by law, each school district shall satisfy the following
34 requirements:

35 (1) Expenditures for any fiscal year shall not exceed the legal
36 revenues for that year;

1 (2) The school district shall maintain such records and make
2 such reports relative to attendance, receipts, and disbursements and other
3 reports as required by the rules and regulations of the State Board of
4 Education;

5 (3) The school district shall maintain proper financial records
6 in accordance with the state's school accounting manual and regulations
7 promulgated by the State Board of Education;

8 (4) The school district shall file annually with the State Board
9 of Education a salary schedule for its certified employees which recognizes a
10 minimum level of training and experience. This schedule shall reflect the
11 actual pay practices of the school district, including all fringe benefits.
12 Salary increments for experience or education, or both, shall be identified
13 on the schedule; and

14 (5)(A) All pupil attendance records shall be kept in their
15 original form and shall be public records.

16 (B) Pupil attendance records shall be kept according to
17 law and regulations, on paper or electronic forms either furnished or
18 approved by the department.

19 (C) Original pupil attendance records shall be kept on
20 file in the office of the superintendent of schools after the school term is
21 ended for a period of three (3) years and these records shall be available
22 for monitoring purposes during any day of the school term by the teachers or
23 other persons designated to keep attendance.

24 (d) School districts may not include the cost of substitute teachers,
25 extended contracts for extracurricular activities, or supplementary pay for
26 extracurricular activities in meeting the expenditures requirement for
27 student classroom teacher salaries.

28 (e) Any licensed classroom teacher or administrator that provides
29 false expenditure information may have his or her license placed on
30 probation, suspended, or revoked pursuant to rules promulgated by the State
31 Board of Education.

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33 6-20-2207. Rule-making authority.

34 (a)(1) Before the 2004-2005 school year, the State Board of Education
35 shall promulgate rules governing and providing compliance with an established
36 uniform chart of accounts for budgeting of school and school district

1 revenues and expenditures and financial reporting in order for school
2 districts to comply with § 6-20-2202.

3 (2) These rules shall be applied to all school districts on a
4 pilot basis for the 2004-2005 school year.

5 (b) For the 2005-2006 school year and subsequent school years, the
6 Department of Education shall amend, prior to the beginning of any fiscal
7 year, as necessary, the rules provided for in subsection (a) of this section
8 in order for school districts to comply with this subchapter.

9 (c) Any school district that fails to comply with state law or rules
10 governing and providing a uniform chart of accounts for budgeting of revenues
11 and expenditures and financial reporting shall be deemed to be in fiscal
12 distress and subject to the applicable enforcement provisions as provided by
13 law.

14 (d) Any school district that fails to comply with the expenditure
15 requirements of any public school or public school district funding law shall
16 be deemed to be in fiscal distress and subject to the applicable enforcement
17 provisions as provided by law.

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19 */s/ Mahony*
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