	Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.
	Act 499 of the Regular Session
1	State of Arkansas
2	85th General Assembly A Bill
3	Regular Session, 2005SENATE BILL209
4	
5	By: Senator Wilkins
6	
7	
8	For An Act To Be Entitled
9	AN ACT TO AMEND ARKANSAS CODE § 14-58-101 TO
10	CLARIFY MUNICIPAL AUDIT REQUIREMENTS; AND FOR
11	OTHER PURPOSES.
12	
13	Subtitle
14	AN ACT TO AMEND ARKANSAS CODE § 14-58-
15	101 TO CLARIFY MUNICIPAL AUDIT
16	REQUIREMENTS.
17	
18	
19	BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
20	
21	SECTION 1. Arkansas Code § 14-58-101 is amended to read as follows:
22	14-58-101. Audit by independent accountant.
23	(a) (l) The audit <u>or agreed upon procedures engagement</u> of every
24	municipal corporation municipality shall be made by the Division of
25	Legislative Audit or other independent persons licensed and in good standing
26	to practice accounting by the Arkansas State Board of Public Accountancy, to
27	be selected by the governing body of the municipality.
28	(2) "Independence", for purposes of this section will be defined
29	as not being otherwise in the service of the municipality and being without
30	bias with respect to the municipality and having an impartiality that
31	recognizes fairness to all that might rely upon the independent auditor's
32	report.
33	(b) Any statutorily required audit of a municipality performed by an
34	independent accountant shall include, as a minimum and as an integral part of
35	the annual financial report, a review and comments on substantial compliance



1 with each of the following Arkansas statutes laws: 2 (1) Municipal Accounting Law, § 14-59-101 et seq.; 3 (2) Municipal court and police department District courts and 4 city courts, §§ 16-10-201 - 16-10-210; 5 (3) Bonding of municipal officers and employees, §§ 19-1-401 6 19-1-405; 7 (4)(3) Improvement contract over ten thousand dollars (\$10,000) 8 contracts, §§ 22-9-202 - 22-9-204; 9 (5)(4) Budgets, purchases, and over two thousand dollars (\$2,000); payments of claims, etc., §§ 14-58-201 - 14-58-203, 14-58-301 - 14-10 11 58-308; 12 (6)(5) Investment of public funds, §§ 19-1-501 - 19-1-504; and 13 (7)(6) Deposit of public funds, §§ 19-8-101 - 19-8-107. 14 (c) The governing body of the municipality shall require the 15 independent accountant to conduct the audit and present the annual financial 16 report in conformity with the guidelines and format prescribed by the 17 Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, and the United States General Accounting Office, if 18 19 applicable. 20 (c) Municipal Audit Report. 21 (1) For the purposes of this section, an audit shall be planned, conducted, and the results of the work reported in accordance with generally 22 23 accepted government auditing standards, if applicable. 24 (2) Regulatory Basis. 25 (A) The financial statements of municipalities shall be 26 presented on a fund basis with, as a minimum, the general fund and the street 27 fund presented separately and all other funds included in the audit presented 28 in the aggregate. 29 (B) The financial statements shall consist of the 30 following: 31 (i) A balance sheet; 32 (ii) A statement of revenues (receipts), 33 expenditures (disbursements), and changes in fund equity (balances); 34 (iii) A comparison of the final adopted budget to 35 the actual expenditures for the general fund and street fund of the entity; <u>an</u>d 36

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1	(iv) Notes to financial statements.
2	(C) The report shall include as supplemental information a
3	schedule of general fixed assets, including land, buildings, and equipment.
4	(3) Alternative Basis. In the alternative to subdivision (c)(2)
5	of this section, the governing body of the municipality may adopt an annual
6	resolution requiring their audit to be performed in accordance with the
7	guidelines and format prescribed by the Governmental Accounting Standards
8	Board, the American Institute of Certifies Public Accountants, and the United
9	States Government Accountability Office, if applicable.
10	(d) Municipal Agreed-Upon Procedures Report.
11	(1) As an alternative to an audit, the municipal governing body
12	may authorize an agreed-upon procedures engagement of the records and
13	accounts.
14	(2) For the purposes of this section, agreed-upon procedures
15	engagements shall be conducted in accordance with standards established by
16	the American Institute of Certified Public Accountants and subject to the
17	minimum procedures prescribed by the Legislative Auditor.
18	(e) Monitoring By The Legislative Joint Auditing Committee.
19	The Legislative Joint Auditing Committee shall monitor the reports
20	prescribed in this section to ensure that the reports meet the needs of the
21	General Assembly, the public entities, and the general public.
22	
23	SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
24	General Assembly of the State of Arkansas that the provisions of this act are
25	of critical importance to preserve the efficient operations of the Division
26	of Legislative Audit and provide the flexibility needed to supply the General
27	Assembly and the Legislative Joint Auditing Committee information vital and
28	necessary to fulfill their constitutional and statutory mandates. Therefore,
29	an emergency is declared to exist and this act being immediately necessary
30	for the preservation of the public peace, health, and safety shall become
31	effective on:
32	(1) The date of its approval by the Governor;
33	(2) If the bill is neither approved nor vetoed by the Governor,
34	the expiration of the period of time during which the Governor may veto the
35	bill; or
36	(3) If the bill is vetoed by the

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- 1 Governor and the veto is overridden, the date the last house overrides the
- 2 <u>veto.</u> APPROVED: 3/02/2005